Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

Contents

Key Highlights

Regent achieved record financial results in 2010, through the effective implementation of our stated strategy of building a Hong Kong-based mid tier mining house and a continued focus on our core operations.

Highlights of our 2010 results include:

- Record operating profit up 580% to US$34 million
- Total net profit after tax and non-controlling interests increased more than fivefold to US$59.8 million, up from US$11.1 million in 2009
- Consolidated income tripled to US$61.2 million, up from US$20.6 million in 2009
- Significant gains (including dividend income) from the Group's listed equity portfolio of US$60.2 million, generating an internal rate of return of 120%
- Successful disposals of Zhun Dong and Dapingzhang for a combined cash consideration of US$137.4 million
- Net asset value per share increased by 22% to 54 HK cents, up from 44 HK cents in 2009
- Significant cash position of US$123.8 million, up from US$3.1 million in 2009; we continue to have no debt
- Return on opening shareholders' equity for the year 2010 was 27%
- Total dividends of 2 HK cents per share, up 33% from 2009
- ACMC received a letter of support from the Inner Mongolian Development and Reform Commission for obtaining the general plan for Ji Ri Ga Lang, which is a significant milestone towards obtaining the mining licence
- During the course of 2010, we increased our strategic stake in Venturex Resources Limited, an ASX listed precious and base metals exploration and development company, to 19.99%. In February 2011, we further increased our stake in Venturex to 25.9% through our participation in an institutional offering and a fully underwritten non-renounceable accelerated entitlements issue.
- On 20 January 2011, we announced a recommended A$3.30 per share cash offer by way of a scheme of arrangement for BC Iron Limited, an ASX listed iron ore producer, further details of which can be seen in our announcement dated 20 January 2011. However, on 15 March 2011, the Company announced that it had unilaterally terminated the transaction. As has been publicly disclosed, BCI has applied to the Australian Takeovers Panel (the intention to do so having been previously announced by the Company on 21 March 2011) to challenge the validity of the Company's termination of the scheme implementation agreement dated 20 January 2011 between the Company and BCI (the "**SIA**"), seeking a declaration of "unacceptable circumstances" and orders requiring the Company to proceed in accordance with the SIA. The Company reiterates that the SIA has been terminated in accordance with its terms, and it has no intention to withdraw such termination. Accordingly, it will vigorously defend the application to the Takeovers Panel. The Company will keep its shareholders updated with respect to material developments. Further details can be seen in the Company's announcements dated 15, 18 and 21 March 2011.

Going forward, we will continue to drive growth by focusing on the enhancement of our core businesses and pursuing growth through accretive acquisitions and investment opportunities.

Chairman's Statement

Dear Shareholders

I am pleased to say that it has been a strong year with the delivery of record net profit after tax and non-controlling interests of US$59.8 million. In addition, we returned US$16.2 million to shareholders during the last twelve months by way of dividends and share buy-backs, which is in line with our stated policy of paying progressive dividends.

We experienced an exceptional second half to the year with all our operations achieving strong financial results. In addition, we completed our divestment programme in 2010 by disposing of Zhun Dong and Dapingzhang for a total cash consideration of US$137.4 million, realising a gain of US$19.8 million.

Our listed securities portfolio delivered an outstanding return of 120% resulting in a significant gain of US$60.2 million, US$16.8 million of which was realised in 2010. The total value of our listed equity portfolio was US$114.1 million as at 31 December 2010, up from US$26.4 million in 2009.

The Group's balance sheet remains strong with cash balances standing at US$123.8 million and listed securities amounting to US$114.1 million, with no debt. Our net asset value per share was US$0.069, up from US$0.058 in 2009. The return generated on opening shareholders' equity for the year was 27%.

This year's record results demonstrate that our strategy of building a Hong Kong-based mid tier mining house is paying off. The second half of the year experienced strong commodity markets and our management delivered excellent operational performance across our business units.

Looking back at 2010, I am delighted to see the strategy that we started in previous years coming into fruition, which underpinned the record profit this year with the prospect of even greater growth in the future. It is also pleasing to see that we have delivered on what we set out to do this year, with pretty much all boxes ticked.

We are in a significant growth phase and have multiple opportunities to pursue. Our strategy remains the same and our strengthened balance sheet means we are in good position to deliver on this. We will continue to pursue growth by way of accretive acquisitions and will target small to medium sized acquisitions.

On behalf of the Board, I want to thank our shareholders and especially our employees for delivering a record performance. Let me finish off by saying that Regent is in an exciting position as we enter 2011 and we are determined to push for growth with the best yet to come.

James Mellon
Co-Chairman
22 March 2011

CEO's Report

The Company delivered a record net profit after tax and non-controlling interests of US$59.8 million, including a realised gain of US$19.8 million on the disposal of the Company's interest in Dapingzhang and Zhun Dong. 2010 is best explained as a year of two halves for the Company. Whilst trading conditions were mixed in the first half, the second half was exceptionally robust across all our business sectors, reflecting a combination of strong commodity markets and excellent operational performance.

The Company finished the year with a healthy cash balance of US$123.8 million, up from US$3.1 million as at 31 December 2009 and after the payment of our final 2009 dividend of US$5 million and the repurchase of 37.7 million shares for a total consideration of US$1.2 million. Against this sound financial position, the Board declared a special interim dividend of HK$0.02 per share (total dividend equivalent to US$10.1 million) on 15 December 2010 for the financial year ended 31 December 2010. Through the payment of two dividends and the share buy-backs, we returned US$16.2 million to shareholders during the last twelve months, which is in line with our stated policy of paying progressive dividends.

Our investment strategy of being fully invested from early 2009 paid off handsomely with our listed investments recording significant gains (including dividend income) of US$60.2 million, equivalent to an internal rate of return of 120% during the financial year 2010. The value of the Company's listed equity portfolio amounts to US$114.1 million as at 31 December 2010, up from US$26.4 million in 2009.

In 2010, we completed our divestment programme by disposing of our interest in Zhun Dong and Dapingzhang. The disposals of these two assets significantly increased our cash position by over US$137.4 million. We are currently undertaking a strategic review of our other assets in China with a view to determining the best ways in which we can realise value, whether that be through development and cultivation, or disposal.

West China Coke, a 25% associated investment of Regent, produced 1,030,568 tonnes of coke and 76,510 tonnes of methanol and other by-products. Total revenue was RMB 1,572 million (approximately US$232.3 million) and its net profit was RMB 67.3 million (approximately US$9.9 million). We equity-accounted a profit of US$2.3 million for the year, up 15% from 2009.

During the year, we increased our strategic equity stake in BC Iron Limited to 19.87%, ahead of making an offer to acquire the shares in BC Iron that we did not already own. In addition, we acquired a strategic 19.99% interest in Venturex Resources Limited, an ASX listed precious and base metals exploration and development company in 2010, which was further increased to 25.9% in February 2011 through our participation in an institutional offering and a fully underwritten non-renounceable accelerated entitlements issue. Contrasting this, we sold our stakes in Bathurst Resources and Kalahari Resources for a realised gain of 192% and 98%, respectively.

On 20 January 2011, we announced a recommended A$3.30 per share cash offer by way of a scheme of arrangement for BC Iron Limited, an ASX listed iron ore producer, which values BC Iron's undiluted share capital at A$305.5 million. However, on 15 March 2011, the Company announced that it had unilaterally terminated the transaction. As has been publicly disclosed, BCI has applied to the Australian Takeovers Panel (the intention to do so having been previously announced by the Company on 21 March 2011) to challenge the validity of the Company's termination of the scheme implementation agreement dated 20 January 2011 between the Company and BCI (the "**SIA**"), seeking a declaration of "unacceptable circumstances" and orders requiring the Company to proceed in accordance with the SIA. The Company reiterates that the SIA has been terminated in accordance with its terms, and it has no intention to withdraw such termination. Accordingly, it will vigorously defend the application to the Takeovers Panel. The Company will keep its shareholders updated with respect to material developments. Further details can be seen in the Company's announcements dated 15, 18 and 21 March 2011.

We are reinvigorated with our strategy of building a Hong Kong-based mid tier mining house by adopting a diversified resources portfolio comprising bulk commodities, base metals, gold and uranium. We are running strongly and benefiting from favourable markets.

GDP growth in emerging markets and supply constraints mean the general market and pricing outlook for commodities remain positive, albeit with elevated risk. In particular, the timing and speed at which post-global financial crisis stimulus packages are removed have the potential to generate both volatility and substantial swings in commodity prices. This, we believe, will continue into 2011.

Our strong balance sheet, with no debt, high quality assets and positive long-term outlook will enable us to continue to pursue growth opportunities by way of accretive acquisitions, which remains our key priority. With our well established and highly credentialed in-house M&A, execution and technical teams, we enter 2011 well positioned and with enhanced options for value-adding growth.

Looking forward to 2011 and into 2012, we believe that global macroeconomic conditions and commodity supply conditions will support higher than average commodity prices. With global GDP growth forecast to be around 4%, and with Chinese GDP growth forecast to remain above 9% over the coming years, coupled with the widely held view that interest rates will remain low in OECD countries, we believe macroeconomic forces will continue to support direct investment into commodities. This two-speed pattern of global growth suggests a weak US dollar and a higher real Chinese exchange rate, as a result of which commodity prices should continue to be supported.

We wish to thank the Board for their guidance and support, our employees for their excellent work and our shareholders for their kind and continued support.

CEO's Report

REVENUE AND PROFIT

The Company recorded a net profit after tax and non-controlling interests of US$59.79 million, up strongly from US$11.05 million in 2009. The net profit includes a realised gain of US$19.83 million from the disposal of the Company's interest in Dapingzhang and Zhun Dong.

Our income from the corporate investment division was exceptionally strong at US$61.16 million, up from US$20.55 million.

The jointly controlled entity and the associates 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**"), contributed a share of profit of US$3.01 million, US$2.28 million and US$0.64 million respectively to the Group.

The main elements of the profit are analysed as follows:

	US$ million
Share of profit from YSSCCL	3.01
Share of profit from West China Coke	2.28
Share of profit from Regent Markets	0.64
Corporate investment	42.12
Coal mining and coking coal	(1.89)
Metals mining	(6.08)
Gain on disposal of a jointly controlled entity and the Zhun Dong coal project	19.83
Reversal of impairment loss on exploration and evaluation assets	0.91
Taxation	(1.00)
Impairment loss on available-for-sale financial assets	(0.03)
Total profit attributable to shareholders of the Company	59.79

FINANCIAL POSITION

Shareholders' equity increased by 20.41% to US$269.74 million as at 31 December 2010 from US$224.02 million as at 31 December 2009. The increase was mainly due to (i) the profit of US$59.79 million for the year ended 31 December 2010, (ii) the unrealised gain of US$5.56 million on available-for-sale investments, and was set against (iii) the buy back of 37.7 million shares which reduced the share capital and share premium by US$1.16 million, (iv) the payment of 2009 final dividend of US$5.02 million and declaration of 2010 special interim dividend of US$10.05 million, which reduced the share premium by US$15.07 million, and (v) the exchange reserve decreased by US$2.95 million mainly due to the reversal of YSSCCL's exchange reserve.

The investments in Regent Markets of US$3.17 million and West China Coke of US$19.32 million accounted for 1.18% and 7.16% of shareholders' equity respectively. The Group's assets also comprised: (i) goodwill of US$12.26 million, (ii) exploration and evaluation assets of US$9.49 million, (iii) cash and bank balances of US$123.82 million, (iv) listed and unlisted investments of US$121.11 million, and (v) other assets and receivables of US$11.87 million.

FINANCIAL POSITION (Continued)

The Group's liabilities comprised (i) payables and accruals of US$17.91 million, (ii) dividend payable of US$10.05 million, and (iii) derivative financial instruments of US$0.74 million.

FUNDING

As at 31 December 2010, the Group had US$123.82 million cash and US$2.24 million margin deposits held with the Group's brokers for trading of derivatives that represented 45.9% and 0.83% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$114.08 million.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 December 2010.

JI RI GA LANG COAL PROJECT

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

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

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

The IM DRC's letter of support is a positive step towards obtaining the mining licence. We continue to work with our joint venture partners to support and satisfy the pre conditions to obtaining the mining licence.

CEO's Report

ZHUN DONG COAL PROJECT

On 29 November 2010, we completed the sale of Zhun Dong for a total cash consideration of US$74.24 million. We realised a gain of US$7.59 million on the disposal of our interest in Zhun Dong.

DAPINGZHANG

On 2 December 2010, we completed the disposal of our interest in Dapingzhang for a total cash consideration of US$63.18 million.

We realised a gain of US$12.24 million on the disposal of our interest in Dapingzhang.

2010 EXPLORATION AT SIMAO REGENT MINERALS JV

Exploration activities during 2010 focussed on the 97.54% owned Shanghuwang and Tianfang properties in Yunnan Province, PRC. Exploration consisted of ground reconnaissance, geophysics and diamond drilling that was undertaken to test base and precious metals targets.

Shanghuwang was identified in 2009 as a potential VMS system and drilling during 2010 aimed to test the extents to known mineralisation. There were 8 HQ diamond drillholes completed for a total of 2,275m, and a 0.6Km^2 geophysical survey was completed to identify additional targets at Yinzishan. The exploration work supports the ongoing greenfields evaluation of Shanghuwang.

Tianfang was identified as a zinc exploration target that is located within a regional structure prospective for polymetallic mineralisation. A total of 3 HQ drillholes were completed for a total of 570m during 2010.

On 8 March 2011, the Company entered into a Sale and Purchase Agreement with Plenty Power Limited to dispose of the entire issued share capital of Regent Minerals Limited, which holds 97.54% of the current registered capital of Simao Regent Minerals Limited. Completion is expected to happen on or before 31 March 2011.

Jamie Gibson
22 March 2011

Environment, Community, Health and Safety

ENVIRONMENT, COMMUNITY, HEALTH AND SAFETY

Our environmental, community, health and safety focus is a significant priority in promoting sustainable practices for social and environmental responsibility. 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.

Health 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.
- We ensure effective communication and education with all employees so as to develop a healthy and safety culture that is bolstered by equal ownership and commitment.

There were no lost time injuries during the financial year.

Community

Regent is committed to fulfilling its obligations and duties as a responsible corporate citizen, ensuring that its behaviour reflects a genuine concern for its stakeholders, including shareholders, employees, their families and the communities and environments in which we live and work.

The Company aims to ensure that the communities in which we operate derive real social and economic benefits from our presence.

There were no reportable community concerns during the financial year.

Environment, Community, Health and Safety

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 are a variety of different challenges in respect to the development of post-mine landscapes that are stable, resistant to erosion, encapsulate mine wastes and provide a suitable surface or water body targeted for specific end land use requirements. These range from the development of sustainable bio diverse ecosystems endemic to the local area, through to suitable agricultural, agro-forestry or aquaculture production systems. Regent is dedicated to achieving these outcomes by:

- undertaking baseline studies to better understand the rehabilitation process and identify key indicators for reclamation success.
- 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.
- aiming to conduct progressive rehabilitation, wherever possible, to reduce the impacts on the environment, and minimise the residual impacts of the site or rehabilitation works at the time of mine closure.

There were no reportable environmental incidents during the financial year.

Directors' Report

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 2010 (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 2010 are set out in the Consolidated Statement of Comprehensive Income on pages 55-56.

The Company paid a special interim dividend in respect of the year ended 31 December 2010 of HK$0.02 in cash per share (2009: HK$0.005 per share) on 28 January 2011.

The Directors do not recommend the payment of a final dividend (2009: HK$0.01 per share).

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 31March
	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000	2007 US$'000
Total income	61,158	20,553	6,142	2,598	3,684
Income less expenses before impairment losses and provision	34,134	5,212	(13,912)	(4,695)	(2,981)
Reversal of impairment	912	—	—	—	—
Impairment losses	(28)	—	(154,696)	—	—
Write down	—	(6,384)	—	—	—
Finance costs - interest on redeemable convertible preference shares and hire purchase	(2)	(170)	(854)	(1,662)	(2,613)
Operating profit/(loss)	35,016	(1,342)	(169,462)	(6,357)	(5,594)
Profit on disposal of a jointly controlled entity and the Zhun Dong coal project	19,834	—	—	—	—
Share of profits of associates	2,915	3,447	403	678	1,828
Share of profit of a jointly controlled entity	3,007	9,092	7,701	7,067	4,378
Profit/(Loss) before taxation	60,772	11,197	(161,358)	1,388	612
Taxation	(1,000)	—	(324)	—	—
Profit/(Loss) for the year/period	59,772	11,197	(161,682)	1,388	612
Non-controlling interests	20	(145)	739	215	(30)
Profit/(Loss) attributable to shareholders of the Company	59,792	11,052	(160,943)	1,603	582

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	As at 31 December				As at 31 March
	2010	2009	2008	2007	2007
	US$'000	US$'000	US$'000	US$'000	US$'000
Goodwill	12,256	14,132	52,137	190,724	1,876
Exploration and evaluation assets	9,485	8,187	31,391	5,729	78
Property, plant and equipment	558	983	1,195	467	195
Interests in associates	22,487	19,508	17,363	16,572	2,768
Interest in a jointly controlled entity	—	36,889	34,295	29,951	25,180
Available-for-sale financial assets	7,025	1,597	7,386	620	620
Current assets	249,226	151,933	79,907	167,578	12,180
Total assets	301,037	233,229	223,674	411,641	42,897
Current liabilities	28,699	6,560	2,897	12,830	693
Non-current liabilities	—	8	5,257	14,118	21,631
Total liabilities	28,699	6,568	8,154	26,948	22,324
Net assets	272,338	226,661	215,520	384,693	20,573

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates are set out in notes 16 and 17 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 2010, the total issued ordinary share capital of the Company consisted of 3,948,690,523 shares. During the year ended 31 December 2010, 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$1,155,000), as set out in detail under the section headed "Purchase, Sale and Redemption of Listed Securities". The repurchased shares were cancelled accordingly. Accordingly, as at 31 December 2010, the total issued ordinary share capital of the Company consists of 3,910,990,523 shares.

Subsequent to the year end date and prior to the date of this report, no new shares were issued and allotted by the Company, and no shares were repurchased by the Company.

1. 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 31.1 to the Financial Statements.

As at 1 January 2010, 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 178,116,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share. During the year ended 31 December 2010:

- No new options were granted;
- No vested options were exercised;
- An option in respect of 8,000,000 shares, an option in respect of 6,000,000 shares and an option in respect of 7,000,000 shares at the exercise price of HK$0.300 per share, HK$0.325 per share and HK$1.152 per share respectively lapsed upon resignation of an Executive Director; and
- No options were cancelled.

Accordingly, as at 31 December 2010 and as at the date of this report, there were/are outstanding options in respect of 157,116,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

2. 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 31.2 to the Financial Statements.

(i) Grant and vesting of units

As at 1 January 2010, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 29,625,000 shares, which were to be vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung, who received their entitlements in the full cash equivalents on 7 January 2009, as detailed in note 31.2 to the Financial Statements) in stages in accordance with their respective vesting schedules. During the year ended 31 December 2010:

- An aggregate of 9,874,998 shares were vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung);
- New units in respect of an aggregate of 40,000,000 shares were granted; and
- No outstanding units lapsed or were cancelled (except the write-off of the cash equivalent of the lapsed entitlement under the unit granted on 7 January 2009 to Clara Cheung, as referred to below).

Upon resignation on 31 July 2010, Clara Cheung should repay to the Company the amount of HK$2,093,333, being the cash equivalent of the lapsed entitlement in respect of 13,333,334 shares under the unit granted on 7 January 2009. In recognition of her long term service to the Company, the Remuneration Committee resolved on 30 August 2010 that Clara Cheung should not be required to repay to the Company the said cash equivalent. An amount of HK$519,032 (approximately US$66,788) was debited to the "Employee Benefit Expenses" in the Statement of Comprehensive Income for the six months ended 30 June 2010, and the remaining amount of HK$1,574,301 (approximately US$204,793) that would otherwise have been recognised over the remaining vesting period was fully recognised as "Employee Benefit Expenses" in the Statement of Comprehensive Income in July 2010.

Accordingly, as at 31 December 2010, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 59,750,002 shares, which were to be vested to the respective eligible participants (not including Jamie Gibson) in stages in accordance with their respective vesting schedules.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

2. Long Term Incentive Plan 2007 (Continued)

(i) Grant and vesting of units (Continued)

Subsequent to the year end date:

- An aggregate of 9,874,998 shares were vested to the respective eligible participants (not including Jamie Gibson);
- New units in respect of an aggregate of 16,700,000 shares were granted; and
- No outstanding units lapsed or were cancelled.

Accordingly, as at the date of this report, under the Long Term Incentive Plan 2007 there are outstanding units in respect of an aggregate of 66,575,004 shares, which are to be vested to the respective eligible participants (not including Jamie Gibson) in stages in accordance with their respective vesting schedules.

(ii) Acquisition of shares

As at 1 January 2010, an aggregate of 29,625,000 shares were held by the trustee appointed by the Company for the plan, which were to be vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung) in stages in accordance with their respective vesting schedules. During the year ended 31 December 2010:

- An aggregate of 9,874,998 shares were vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung); and
- An aggregate of 40,000,000 shares were acquired from the market for a total consideration of HK$9,302,090 (approximately US$1,199,000).

Accordingly, as at 31 December 2010, an aggregate of 59,750,002 shares were held by the trustee, which were to be vested to the respective eligible participants (not including Jamie Gibson) in stages in accordance with their respective vesting schedules.

Subsequent to the year end date:

- An aggregate of 9,874,998 shares were vested to the respective eligible participants (not including Jamie Gibson); and
- No shares were acquired.

Accordingly, as at the date of this report, an aggregate of 49,875,004 shares are held by the trustee, which are to be vested to the respective eligible participants (not including Jamie Gibson) in stages in accordance with their respective vesting schedules.

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 "**2009 Repurchase Mandate**"). The funds used for such plan would be financed from the Company's internal and existing cash reserves.

During the year ended 31 December 2010, the Company repurchased an aggregate of 37,700,000 shares on the HK Stock Exchange at a total consideration of HK$8,914,110 (approximately US$1,155,000), details of which are set out below:

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

The repurchased shares were cancelled accordingly.

The 2009 Repurchase Mandate expired upon close of the Company's annual general meeting held on 10 June 2010, and a new repurchase mandate for repurchasing up to a maximum of 10% of the fully paid issued share capital of the Company was granted at the same meeting, expiring at the close of the Company's forthcoming annual general meeting.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES (Continued)

In addition, the Company, through its trustee, acquired an aggregate of 40,000,000 shares from the market and on the HK Stock Exchange at a total consideration of HK$9,302,090 (approximately US$1,199,000), 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, details of which are set out below:

- An aggregate of 16,000,000 shares were acquired during the period from 24 May 2010 to 27 May 2010 at the range of prices of HK$0.213 to HK$0.231 per share, for a total consideration of HK$3,524,150 (approximately US$454,000); and

- An aggregate of 24,000,000 shares were acquired during the period from 3 September 2010 to 22 September 2010 at the range of prices of HK$0.229 to HK$0.255 per share, for a total consideration of HK$5,777,940 (approximately US$745,000).

Save for the above, the Company or its subsidiaries did not purchase, sell or redeem any of their listed securities, whether on the HK Stock Exchange or otherwise, during the year ended 31 December 2010 or subsequent to the year end date and prior to the date of this report.

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 2010 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 2010 and up to the date of this report were:

James Mellon *(Co-Chairman)**
Stephen Roland Dattels *(Co-Chairman)**
Jamie Alexander Gibson *(Chief Executive Officer)*
Charles David Andrew Comba#
Julie Oates#
Stawell Mark Searle#
Jayne Allison Sutcliffe*
Cheung Mei Chu, Clara (Resigned on 31 July 2010)

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

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

DIRECTORS (Continued)

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, 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 Stephen Dattels, Julie Oates and Mark Searle will retire by rotation pursuant to Article 87 at the forthcoming annual general meeting of the Company. All of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to shareholders.

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 54, 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). 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 the board of Manx Financial Group plc, executive chairman of the board of Speymill plc, non-executive chairman of the board 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; (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; and (iii) a non-executive director of Polo Resources Limited, which is dually listed on AIM and TSX-V of the Toronto Stock Exchange.

DIRECTORS (Continued)

2. ***Stephen Roland Dattels,*** aged 63, Canadian, was appointed as Non-Executive Co-Chairman of the Board in 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 executive co-chairman of the board of Emerging Metals Limited and a non-executive director of GCM Resources plc, both of which are listed on the Alternative Investment Market (AIM) of the London Stock Exchange, and the joint executive chairman of the board of Polo Resources Limited, which is dually listed on AIM and TSX-V of the Toronto Stock Exchange. Mr Dattels was: (i) a non-executive director of Berkeley Resources Limited (a company listed on the Australian Securities Exchange) for the period from May to September 2009; (ii) a director of Extract Resources Limited (a company listed on the Australian Securities Exchange and the Toronto Stock Exchange) for the period from July 2009 to April 2010; and (iii) a non-executive director of Caledon Resources plc (a listed company on AIM and the Australian Securities Exchange) for the period from July 2008 to November 2010.

3. ***Jamie Alexander Gibson,*** aged 45, 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, which in turn holds a 25% equity interest in West China Coking & Gas Company Limited; and (ii) 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 (which is to be disposed of pursuant to a sale and purchase agreement dated 8 March 2011, as detailed in note 44(iii) to the Financial Statements).

DIRECTORS (Continued)

4. ***Charles David Andrew Comba,*** aged 67, Canadian, has been an Independent Non-Executive Director of the Company since 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). 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, gold and magmatic sulphide deposits.

5. ***Julie Oates,*** aged 49, British, has been an Independent Non-Executive Director of the Company since September 2004. She trained with PKF (Isle of Man) LLC and qualified in 1987 as a member of The Institute of Chartered Accountants in England and Wales. Mrs Oates later joined the international firm of Moore Stephens, and was appointed partner in the Isle of Man firm in 1997. In 2002, she joined a local trust company as Managing Director and 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.

6. ***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)

7. *Jayne Allison Sutcliffe,* aged 47, 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.

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 such other 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 2010, 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	74,986,180	1.92%
	A	Beneficiary of a trust	Long position	375,821,131	9.61%
Stephen Dattels	B	Beneficiary of a trust	Long position	284,266,097	7.27%
Jamie Gibson		Beneficial owner	Long position	4,419,138	0.11%
David Comba		—	—	—	—
Julie Oates	C	Interests held jointly with another person	Long position	2,500,000	0.06%
Mark Searle		Beneficial owner	Long position	4,000,000	0.10%
	D	Beneficiary of a trust	Long position	1,000,000	0.03%
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	0.44%
	E	Beneficiary of a trust	Long position	27,965,226	0.72%

* These numbers do not include the number of the shares to be issued upon exercise of the outstanding options under the Share Option Scheme (2002) held by the Directors, which are disclosed in sub-paragraph (b) below.

** The total issued ordinary share capital of the Company as at 31 December 2010 consisted of 3,910,990,523 shares. There were no changes in the Company's issued share capital subsequent to the year end date and prior to the date of this report.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. Securities of the Company (Continued)

b. Share Option Scheme (2002)

Please refer to note 31.1 to the Financial Statements as to the details of the Share Option Scheme (2002).

As at 31 December 2010, 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	13,000,000	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	13,000,000	10.00
David Comba	2 October 2007	5,000,000	1.152	2 October 2008- 1 October 2017	5,000,000	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.

During the year ended 31 December 2010 and prior to the date of this report, no new options were granted to the Directors of the Company under the Share Option Scheme (2002), and none of the outstanding options were exercised or cancelled.

Clara Cheung resigned as an Executive Director of the Company on 31 July 2010, and all outstanding options then held by her in respect of an aggregate of 21,000,000 shares at the exercise prices ranging from HK$0.30 to HK$1.152 per share lapsed.

Save for the above, during the year ended 31 December 2010 and 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.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. Securities of the Company (Continued)

c. *Long Term Incentive Plan 2007*

Please refer to note 31.2 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 would be amortised over three years in line with the share scheme starting in the financial year ended 31 December 2009.

Upon resignation on 31 July 2010, Clara Cheung should repay to the Company the amount of HK$2,093,333, being the cash equivalent of the lapsed entitlement in respect of 13,333,334 shares under the unit granted on 7 January 2009. In recognition of her long term service to the Company, the Remuneration Committee resolved on 30 August 2010 that Clara Cheung should not be required to repay to the Company the said cash equivalent. An amount of HK$519,032 (approximately US$66,788) was debited to the "Employee Benefit Expenses" in the Statement of Comprehensive Income for the six months ended 30 June 2010, and the remaining amount of HK$1,574,301 (approximately US$204,793) that would otherwise have been recognised over the remaining vesting period was fully recognised as "Employee Benefit Expenses" in the Statement of Comprehensive Income in July 2010.

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%
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 284,266,097 ordinary shares in the Company and 5,250,000 ordinary shares in AstroEast.com Limited are held by the trustee of a discretionary trust, under which Stephen Dattels is a beneficiary.

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 1,000,000 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.

Save as disclosed herein, as at 31 December 2010 and as at the date of this report none of the Directors (or their associates) had/has 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/are 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

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/is a party and in which a Director or Directors of the Company had/has a material interest, either directly or indirectly, subsisted/subsists as at 31 December 2010 or as at the date of this report or at any time during the year or prior to the date of this report.

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.

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/subsists as at 31 December 2010 or as the date of this report or any time during the year or prior to the date of this report, whereby any individual, firm or body corporate undertook/undertakes the management and administration of the whole or any substantial part of any business of the Company.

RELEVANT TRANSACTIONS

As at 31 December 2010 and as at the date of this report and at any time during the year and prior to the date of this report, none of the Directors of the Company owed/owes 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

Brazilian Gold Corporation ("**Brazilian Gold**", TSX.V: BGC) is an exploration company listed on the TSX Venture Exchange, a Canadian stock exchange, and based in Vancouver, British Columbia. It is actively acquiring and exploring a number of gold properties in the Tapajos region of northern Brazil. The Tapajos region saw the largest modern day gold rush in the later part of the twentieth century by artisanal miners with unofficial production of 30 million ounces.

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

- The Company (and its subsidiaries) holds approximately 4.87% of its total issued share capital;
- James Mellon (himself and through his associate) holds approximately 5.76% of its total issued share capital; and
- The trustee of a discretionary trust, under which Stephen Dattels is a beneficiary, holds approximately 9.34% of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(2) Caledon Resources plc

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

As at the date of this report:

- The Company does not hold any interests in its total issued share capital;
- 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 29.90% of its total issued share capital.

(3) Emerging Metals Limited

Emerging Metals Limited ("**Emerging Metals**", AIM: EML) is an AIM listed company, focusing 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 the company 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 Tsumeb Slag Stockpiles are located in proximity to the Tsumeb Smelter complex in the Oshikoto region of Namibia.

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
- The trustee of a discretionary trust, under which Stephen Dattels is a beneficiary, holds approximately 6.42% of its total issued share capital.

(4) Ferrum Resources Limited

Ferrum Resources Limited is an unlisted natural resources company, focusing on investing in iron ore exploration and mining projects. As at the date of this report, the trustee of a discretionary trust, under which Stephen Dattels is a beneficiary, holds approximately 26.69% of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(5) GCM Resources plc

GCM Resources plc ("**GCM Resources**", AIM: GCM) is a London-based resource exploration and development company listed on AIM, 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.

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 29.81% of its total issued share capital.

(6) Global Tin Corporation (formerly known as DBB Resources Limited)

Global Tin Corporation is an unlisted natural resources company, focusing on investing in tin, tantalum and lithium exploration and mining projects. As at the date of this report, the trustee of a discretionary trust, under which Stephen Dattels is a beneficiary, holds approximately 22.84% of its total issued share capital.

(7) MinFer Holdings Limited

MinFer Holdings Limited ("**MinFer Holdings**") is an unlisted natural resources company and an emerging Brazilian Iron Ore producer. As at the date of this report, the trustee of a discretionary trust, under which Stephen Dattels is a beneficiary, holds approximately 16.20% of its total issued share capital.

As announced by Polo Resources Limited ("**Polo Resources**", see below) on 8 February 2011, pursuant to a subscription deed dated 4 February 2011 entered into with MinFer Holdings, Polo Resources has subscribed for 30% of the enlarged issued share capital of MinFer Holdings, and MinFer Holdings has also granted to Polo Resources a warrant, exercisable in two years from 4 February 2011, to subscribe for new shares in MinFer Holdings which would represent approximately 13.04% of the issued share capital of MinFer Holdings enlarged by the subscription of the warrant.

As part of the above subscription, Polo Resources has given notice to MinFer Holdings that it will not exercise the option it was previously granted.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(8) Polo Resources Limited

Polo Resources Limited ("**Polo Resources**", AIM and TSX.V: POL) is a natural resources investment company dually listed on AIM and the TSX Venture Exchange. It focuses on investing in undervalued companies and projects with strong fundamentals and attractive growth prospects.

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

- The Company holds approximately 4.11% of its total issued share capital;
- James Mellon (and his associate) holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s);
- The trustee of a discretionary trust, under which Stephen Dattels is a beneficiary, holds approximately 8.53% of its total issued share capital; and
- GCM Resources plc (see above) holds approximately 3.16% of its total issued share capital.

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

As at 31 December 2010, the following 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") had the following beneficial interests in the shares of the Company, which were recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests which they were deemed or taken to have under such provisions of the SFO):

Name of shareholder	Class of shares	Capacity in which the shares are held	Long/Short position	Total interests (Number of shares)	Approximate % holding**	Derivative interests (Number of shares)
Wilson Siu Wai Lum	Ordinary shares	Beneficial owner	Long position	9,040,000	0.23%	Nil
	Ordinary shares	Interests held by controlled corporation (Note below)	Long position	210,300,000	5.38%	Nil
Trinity WS Capital Management Limited	Ordinary shares	Investment manager	Long position	87,000,000	2.23%	Nil
	Ordinary shares	Nominee for another person (other than a bare trustee)	Long position	123,300,000	3.15%	Nil

** The total issued ordinary share capital of the Company as at 31 December 2010 consisted of 3,910,990,523 shares. There were no changes in the Company's issued share capital subsequent to the year end date and prior to the date of this report.

Note: The 210,300,000 shares in the Company disclosed in the "interests held by controlled corporation" by Wilson Siu Wai Lum refer to the entirety of the interests disclosed by Trinity WS Capital Management Limited.

Save for such interests, the Directors are not aware of any other persons who, as at 31 December 2010 and as at the date of this report, had/has 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/are 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 BDO Limited.

On 30 November 2010, Grant Thornton tendered their resignation as the Auditors of the Company and confirmed that their resignation was occasioned by the merger of their business with that of BDO Limited and that there were no facts or circumstances that should be brought to the attention of the shareholders in relation to their resignation. Accordingly, BDO Limited was appointed as the Company's Auditor at the Company's extraordinary general meeting held on 21 January 2011 in place of Grant Thornton.

BDO Limited will retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. An ordinary resolution has been proposed for the Company's annual general meeting for Year 2011 for the re-appointment of BDO Limited.

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

22 March 2011

Management's Discussion and Analysis of the Group's Performance

REVENUE AND PROFITS

The Company recorded a net profit after tax and non-controlling interests of US$59.79 million, up strongly from US$11.05 million in 2009. The net profit includes a realised gain of US$19.83 million from the disposal of the Company's interest in the Dapingzhang and the Zhun Dong.

Our income from the corporate investment division was exceptionally strong at US$61.16 million, up from US$20.55 million.

The jointly controlled entity and the associates 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**"), contributed a share of profit of US$3.01 million, US$2.28 million and US$0.64 million respectively to the Group.

The main elements of the profit are analysed as follows:

	US$ million
Share of profit from YSSCCL	3.01
Share of profit from West China Coke	2.28
Share of profit from Regent Markets	0.64
Corporate investment	42.12
Coal mining and coking coal	(1.89)
Metals mining	(6.08)
Gain on disposal of a jointly controlled entity and the Zhun Dong coal project	19.83
Reversal of impairment loss on exploration and evaluation assets	0.91
Taxation	(1.00)
Impairment loss on available-for-sale financial assets	(0.03)
Total profit attributable to shareholders of the Company	59.79

FINANCIAL POSITION

Shareholders' equity increased by 20.41% to US$269.74 million as at 31 December 2010 from US$224.02 million as at 31 December 2009. The increase was mainly due to (i) the profit of US$59.79 million for the year ended 31 December 2010, (ii) the unrealised gain of US$5.56 million on available-for-sale investments, and was set against (iii) the buy back of 37.7 million shares which reduced the share capital and share premium by US$1.16 million, (iv) the payment of 2009 final dividend of US$5.02 million and declaration of 2010 special interim dividend of US$10.05 million, which reduced the share premium by US$15.07 million, and (v) the exchange reserve decreased by US$2.95 million mainly due to the reversal of YSSCCL's exchange reserve.

The investments in Regent Markets of US$3.17 million and West China Coke of US$19.32 million accounted for 1.18% and 7.16% of shareholders' equity respectively. The Group's assets also comprised: (i) goodwill of US$12.26 million, (ii) exploration and evaluation assets of US$9.49 million, (iii) cash and bank balances of US$123.82 million, (iv) listed and unlisted investments of US$121.11 million, and (v) other assets and receivables of US$11.87 million.

The Group's liabilities comprised (i) payables and accruals of US$17.91 million, (ii) dividend payable of US$10.05 million, and (iii) derivative financial instruments of US$0.74 million.

FUNDING

As at 31 December 2010, the Group had US$123.82 million cash and US$2.24 million margin deposits held with the Group's brokers for trading of derivatives that represented 45.9% and 0.83% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$114.08 million.

GEARING RATIO

No gearing ratio (being long term debts over total equity and long term debts) is calculated as there was no long term debts as at 31 December 2010.

CONTINGENT LIABILITIEES

The Group has no material contingent liabilities as at 31 December 2010.

CHARGE ON ASSETS

None of the Group's assets were pledged as at 31 December 2010.

MANAGEMENT OF RISK

In 2010, 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 joint venture enterprise that produces a copper concentrate and a zinc concentrate with gold and silver credits, and its listed equity portfolio. There are also risks affecting the Group's profitability and viability in 2010 in respect of the Group's interest in Abagaqi Changjiang Mining Limited ("**ACMC**" or the "**Ji Ri Ga Lang 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. 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 the Group.

Co-operation of the Joint Venture Partners

Certain of the Group's mining operations, including 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 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 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 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 will be able to exploit the entire mineral resources of its mine during the initial licence period. If the Group fails to renew its exploration 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 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 to obtain future financing involves a number of uncertainties including their future operational results, financial condition and cash flow. If the Group fails 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.

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.

MANAGEMENT OF RISK (Continued)

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.

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 will face competition from other mining enterprises in discovering and acquiring resources.

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 and associates. 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 ACMC 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.

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.

MANAGEMENT OF RISK (Continued)

Environmental and Employee Health and Safety Risks

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

Accidents and Insufficient Insurance Coverage

The Group'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 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 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.

Ji Ri Ga Lang Coal Project - Conversion of Exploration Licence into Mining Licence

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 only major assets of ACMC (besides cash) are the above referenced exploration licences for ACMC to explore the coal resources over the permitted area on an exclusive basis. ACMC will require a mining licence or licences to exploit and mine the coal resources and is 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 ACMC 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.

MANAGEMENT OF RISK (Continued)

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;
- 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; and
- the availability and pricing of imported coals in substituting and displacing domestic supplies.

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.

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. 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. As a consequence, the PRC authorities may require the foreign majority equity interests in ACMC be reduced to a minority interest.

MANAGEMENT OF RISK (Continued)

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 2010, the amount of these margin deposits was US$2,243,000 (2009: US$34,118,000). In terms of the total operations of the Group, activities of this nature are of limited materiality.

FOREIGN CURRENCY

The Group had not taken out 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 dollar.

For detail analysis of the Group and the Company's exposure to foreign currency risk, please refer to note 40 to the Financial Statements.

MATERIAL ACQUISITIONS AND DISPOSALS

On 29 November 2010, the Group disposed of its entire equity interest in its subsidiaries, Regent Coal (HK) Limited and Xin Jiang Regent Coal Limited, which mainly held the Zhun Dong coal project in Xinjiang, PRC. Total consideration received from the disposal of the Zhun Dong coal project was US$74.24 million, and the gain realised from the disposal was US$7.59 million.

On 2 December 2010, the Group disposed of its entire equity interest in its subsidiary, Regent Metals Limited, which mainly held 40% equity interest in a jointly controlled entity, YSSCCL, in Yunnan, PRC. Consideration received from the disposal was US$63.18 million, and the gain realised from the disposal was US$12.24 million.

For details of these disposals, please refer to note 34 to the Financial Statements.

SEGMENTAL INFORMATION

During the year ended 31 December 2010, there were no changes in the Group's industry segment and there was no material development within the segment.

For details of the segment information, please refer to note 5 to the Financial Statements.

FUTURE PLANS

On 20 January 2011, the Company announced a recommended A$3.30 per share cash offer by way of a scheme of arrangement for BC Iron Limited, a ASX listed iron ore producer, further details of which can be seen in the Company's announcement dated 20 January 2011. However, on 15 March 2011, the Company announced that it had unilaterally terminated the transaction. As has been publicly disclosed, BCI has applied to the Australian Takeovers Panel (the intention to do so having been previously announced by the Company on 21 March 2011) to challenge the validity of the Company's termination of the scheme implementation agreement dated 20 January 2011 between the Company and BCI (the "**SIA**"), seeking a declaration of "unacceptable circumstances" and orders requiring the Company to proceed in accordance with the SIA. The Company reiterates that the SIA has been terminated in accordance with its terms, and it has no intention to withdraw such termination. Accordingly, it will vigorously defend the application to the Takeovers Panel. The Company will keep its shareholders updated with respect to material developments. Further details can be seen in the Company's announcements dated 15, 18 and 21 March 2011.

EMPLOYEES

The Group, including subsidiaries but excluding associates employed approximately 30 employees at 31 December 2010. The remuneration policy is to reward key employees by a combination of salaries, profit related discretionary bonuses, share options and share awards, 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 Company. In all cases, grants of share rewards will be agreed by the Remuneration Committee of the Company. During the year and up to the date of this report, 56,700,000 share awards were granted to eligible participants.

Corporate Governance Report

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to a high standard of corporate governance, for which the Directors are accountable to the Company, and has applied the principles of The Code on Corporate Governance Practices (the "**Code on CG Practices**") as set out in Appendix 14 to The Rules Governing the Listing of Securities (the "**HK Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") 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 2010.

BOARD OF DIRECTORS

The Board currently consists of seven Directors. During the year ended 31 December 2010, no new Directors were appointed, and Clara Cheung resigned on 31 July 2010. The Directors who held office during the year ended 31 December 2010 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.

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.

BOARD OF DIRECTORS (Continued)

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, 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 Stephen Dattels, Julie Oates and Mark Searle will retire by rotation pursuant to Article 87 at the forthcoming annual general meeting of the Company. All of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to shareholders.

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.

During the year ended 31 December 2010, 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	5	1	83.33%
Stephen Dattels	6	5	1	83.33%
Jamie Gibson	6	6	0	100.00%
Clara Cheung (resigned on 31 July 2010)	3	3	0	100.00%
David Comba	6	5	1	83.33%
Julie Oates	6	6	0	100.00%
Mark Searle	6	5	1	83.33%
Jayne Sutcliffe	6	0	6	0.00%

BOARD OF DIRECTORS (Continued)

Subsequent to the year end date, the Directors held three board meetings, which were attended by all Directors except that Stephen Dattels and Mark Searle were 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).

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;

BOARD OF DIRECTORS (Continued)

- 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:

CHAIRMEN AND CHIEF EXECUTIVE OFFICER (Continued)

(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 2010, 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 slightly 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 2010, the Remuneration Committee held one meeting with respect to the approval of bonus payment and the offers to grant units under the Long Term Incentive Plan 2007, which was attended by all members 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.

The Remuneration Committee also passed five sets of written resolutions with respect to: (i) the amendment of the terms of reference of the committee and the change of secretary; (ii) the change of secretary to the committee; (iii) the offers to grant units under the Long Term Incentive Plan 2007; (iv) the waiver of the repayment by Clara Cheung (who resigned as an Executive Director on 31 July 2010) of the cash equivalent of her lapsed entitlement under the Long Term Incentive Plan 2007; and (v) the amendment to the rules of the Long Term Incentive Plan 2007.

Subsequent to the year end date, the Remuneration Committee passed one set of written resolutions with respect to the payment of bonuses for the six months ended 31 December 2010 and the offers to grant units under the Long Term Incentive Plan 2007.

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 under the section headed "Directors' Interests in Securities and Options" 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 2010 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 2010, the Audit Committee held two meetings with respect to: (i) the internal control review and the review and approval of the Company's audited financial statements for the year ended 31 December 2009; and (ii) the internal control review and the review and approval of the Company's interim financial statements for the six months ended 30 June 2010 respectively. The meetings were attended by all members of the committee, with the presence of the external and internal auditors for the relevant resolutions.

The Audit Committee also passed one set of written resolutions with respect to the change of the Company's auditors.

Subsequent to the year end date, the Audit Committee held one meeting with respect to the internal control review and the review and approval of the Company's audited financial statements for the year ended 31 December 2010, which was attended by all members of the committee except Mark Searle, with the presence of the external and internal auditors for the relevant resolutions.

AUDIT COMMITTEE (Continued)

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.

AUDITOR'S 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, BDO Limited, did not provide any other services during the year ended 31 December 2010.

FINANCIAL REPORTING

The financial statements of the Company for the year ended 31 December 2010 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 auditor with respect to the Company's financial statements for the year ended 31 December 2010 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.

Annual internal control assessment

During the year ended 31 December 2010, 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.

DISCLOSURE REQUIREMENTS UNDER CHAPTER 18 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

In light of the wholesale and progressive changes made to Chapter 18 of the HK Listing Rules (which came into effect on 3 June 2010), the Company formed a Chapter 18 Compliance Committee, made up of representatives of the technical, legal, accounting and commercial arms of the Company.

This Committee is responsible for reviewing and monitoring the compliance by the Company with the requirements laid down in the revised Chapter 18 of the HK Listing Rules (together with associated provisions of the HK Listing Rules), principally in respect of future transactional work and ongoing reporting compliance.

As part of the amendments to Chapter 18 of the HK Listing Rules, Rule 18.14 now requires "Mineral Companies" (as defined in Chapter 18) to include in its interim (half-yearly) and annual reports details of its exploration, development and mining production activities and a summary of the expenditure incurred on these activities during the period under review. While the Company is not currently classified as a "Mineral Company" under Chapter 18, as it has not yet completed a Relevant Notifiable Transaction involving the acquisition of "Mineral Assets" (as defined in Chapter 18), the Company does consider disclosure of these Rule 18.14 items to be appropriate and relevant to shareholders.

In addition, Rule 18.15 requires listed issuers that publicly disclose details of Resources and/or Reserves (as such terms are defined in Chapter 18) to also provide annual updates of those Resources and/or Reserves in their annual reports. The Rule 18.15 update is to be presented in the manner set out in Rule 18.18, which requires, inter alia, that any data presented in respect of Resources and/or Reserves must be presented in a table format and in a manner readily understandable to a non-technical person.

In accordance with the above mentioned continuing disclosure obligations of Mineral Companies, in respect of Rule 18.14, and listed issuers, in respect of Rule 18.5, as it relates to annual reports, please refer to the Tables 1, 2 and 3 below for the relevant exploration activities and expenditure information for the year ended 31 December 2010, together with an update in respect of Resources:

Table 1

Exploration Summary[3]

		Exploration				
Division	Project	Holes drilled unit	Holes in Progress unit	Total metres	Geophysics Survey km^2	Total Expenditure[1] US$'000
Coal Exploration	Ji Ri Ga Lang	—	—	—	—	—
Metals Exploration	Shuanghuwang	8	—	2,775	—	305
	Tianfeng	3	—	570	—	63
	Yinzishan	—	—	—	0.6	53
Total		11	—	3,345	0.6	421

Footnotes for table 1:

1. Expenditures refer to incurred charges for work done and may not match actual outgoings for the period.
2. There were no development charges of a capital nature or production expenditures in referring to activities other than those of exploration.
3. Nil or zero values represent a negative statement that no expenditure or activity has been incurred or taken place.

Table 2

Ji Ri Ga Lang Coal Resource estimates reported in accordance with JORC Guidelines[1]

Seam	JORC Classification (Tonnage Mt)		Total (Mt)
	Measured	Indicated	
5	69.9	9.7	79.6
5L1	2.2	0.4	2.6
5L2	1.1	0.7	1.8
5L3	7.0	1.2	8.2
Total	80.2	12.0	92.2

1. Totals may not balance due to rounding.

The Ji Ri Ga Lang Measured and Indicated coal Resource stands at 92.2 million tonnes and this estimate was completed in accordance with the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (JORC Code), 2004. The Resource estimate was verified by SRK Consulting and substantiated by the Company's internal experts. A total of 80.2 million tonnes was classified as Measured Resource which represents 87 per cent of the 92.2 million tonnes Resource. The remaining 13 per cent (12.0 million tonnes) was classified as Indicated Resource and may be upgraded to Measured with additional infill drill holes and coal quality analysis.

The Resource is comprised of seams 5, 5L1, 5L2 and 5L3, as per the listing in Table 2. The seams at Ji Ri Ga Lang are generally medium to high ash coals, which are suitable for domestic thermal coal markets in China. The seam qualities are shown below in Table 3.

Table 3

Ji Ri Ga Lang Average Raw Coal Quality

Seam	Raw Moisture % (ad)	Raw Ash % (db)	Raw Volatile Matter % (db)	Raw Sulphur % (db)	Calorific Value Mj/kg(gad)	Calorific Value Mj/kg(daf)
5	12.2	15.6	36.4	1.67	20.5	27.6
5L1	10.5	20.7	36.4	2.70	19.5	27.5
5L2	10.9	15.9	39.3	2.27	20.2	27.1
5L3	11.2	17.3	38.1	2.29	20.3	27.7

The key assumptions supporting Ji Ri Ga Lang coal Resources and qualities are:

- Resources are current to August 2008. Pending the application of conversion of the lease for mining, there have been no exploration activities and expenditure incurred on the project site since March 2008.

- The coal tonnage calculations are based on the Relative Density model for the coal seams on an air dried basis. A default density of 1.33 grams per cubic centimetre (g/cc) was applied where density data was not available.

- The minimal coal seam thickness reported is 0.3 metres.

- The Resource model and estimates were developed using MINEX proprietary geological and mine planning software system, a worldwide industry proven system used primarily for coal mining operations. This system has been used extensively and proven to be accurate when compared to manual estimation of Coal Resources.

- There is a ready and suitable market for Ji Ri Ga Lang coals.

- There has been no material change in the coal Resource estimates and qualities since previous disclosures.

During the financial year, the Company disposed of its interests in the Zhun Dong coal project, and the Dapingzhang copper operation, which included the Rongfa exploration lease. Accordingly, Chapter 18 related disclosures have not been included in respect of these assets.

In discharge of its mandate to review and monitor the compliance by the Company with the requirements laid down in Chapter 18 of the HK Listing Rules, the Chapter 18 Compliance Committee reviewed and approved the above disclosures.

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TO THE SHAREHOLDERS 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 55 to 160, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditor's Report

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 2010 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.

BDO Limited
Certified Public Accountants
Jonathan Russell Leong
Practising Certificate no. P03246

Hong Kong, 22 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Revenue/Turnover:	5		
Corporate investment income		4,685	254
Other income		647	673
		5,332	927
Fair value gain		55,826	19,626
Total income		61,158	20,553
Expenses:			
Employee benefit expenses	7	(22,057)	(10,063)
Rental and office expenses		(447)	(479)
Information and technology expenses		(334)	(363)
Marketing costs and commissions		(19)	(14)
Professional and consulting fees		(1,151)	(3,305)
Financial advisory fee		(1,000)	—
Finance costs	8	(2)	(170)
Other operating expenses		(2,016)	(1,117)
Operating profit before impairment loss and provision		34,132	5,042
Write down for termination of Indonesian transaction		—	(6,384)
Reversal of impairment loss on exploration and evaluation assets		912	—
Impairment loss on available-for-sale financial assets		(28)	—
Operating profit/(loss)	6	35,016	(1,342)
Gain on disposal of a jointly controlled entity and the Zhun Dong coal project	34	19,834	—
Share of profits of associates		2,915	3,447
Share of profit of a jointly controlled entity		3,007	9,092
Profit before income tax		60,772	11,197
Taxation	9	(1,000)	—
Profit for the year		59,772	11,197

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Other comprehensive income			
Reclassified to profit or loss on disposal of available-for-sales financial assets		92	—
Net change in fair value of available-for-sale financial assets		5,563	750
Exchange gain on translation of financial statements of foreign operations		87	6
Reversal of exchange reserve upon disposal of a jointly controlled entity and the Zhun Dong coal project		(4,610)	—
Share of other comprehensive income of associates		507	2
Share of other comprehensive income of a jointly controlled entity		1,044	(127)
Other comprehensive income for the year		2,683	631
Total comprehensive income for the year		62,455	11,828
Profit for the year attributable to:	10		
Shareholders of the Company		59,792	11,052
Non-controlling interests		(20)	145
		59,772	11,197
Total comprehensive income attributable to:			
Shareholders of the Company		62,498	11,658
Non-controlling interests		(43)	170
		62,455	11,828
Earnings per share for profit attributable to shareholders of the Company during the year:	12	US cent	US cent
– Basic		1.54	0.28
– Diluted		N/A	N/A

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Non-current assets:			
Goodwill	13	12,256	14,132
Exploration and evaluation assets	14	9,485	8,187
Property, plant and equipment	15	558	983
Interests in associates	17	22,487	19,508
Interest in a jointly controlled entity	18	—	36,889
Available-for-sale financial assets	19	7,025	1,597
		51,811	81,296
Current assets:			
Cash and bank balances	21	123,816	3,085
Financial assets at fair value through profit and loss	20	114,080	26,368
Trade receivables	22	43	43
Loan receivables	23	4,345	4,345
Prepayments, deposits and other receivables	24	6,090	52,749
Amounts due from minority shareholders	27	852	—
Derivative financial instruments	33	—	38
Assets classified as held for sale	25	—	65,305
		249,226	151,933
Current liabilities:			
Trade payables, deposit received, accruals and other payables	26	(17,909)	(6,102)
Dividend payable	11	(10,050)	—
Amounts due to minority shareholders	27	—	(44)
Deferred tax liability	35	—	(324)
Derivative financial instruments	33	(740)	—
Borrowings	28	—	(27)
Liabilities directly associated with assets classified as held for sale	25	—	(63)
		(28,699)	(6,560)
Net current assets		220,527	145,373
Total assets less current liabilities		272,338	226,669

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Non-current liabilities:			
Borrowings	28	—	(8)
Net assets		272,338	226,661
Capital and reserves attributable to shareholders of the Company			
Share capital	31	39,109	39,486
Reserves	32	230,626	184,529
Equity attributable to shareholders of the Company		269,735	224,015
Non-controlling interests		2,603	2,646
Total equity		272,338	226,661

The financial statements on pages 55 to 160 were approved and authorised for issue by the Board of Directors on 22 March 2011.

James Mellon
Co-Chairman

Jamie Gibson
Director

Company Statement of Financial Position

As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Non-current assets:			
Property, plant and equipment	15	—	1
Interests in subsidiaries	16	80,289	80,289
Interest in an associate	17	2,000	2,000
Available-for-sale financial assets	19	19	156
		82,308	82,446
Current assets:			
Cash and bank balances	21	121,678	296
Amounts due from subsidiaries	27	48,423	87,061
Financial assets at fair value through profit and loss	20	111,694	26,368
Prepayments, deposits and other receivables	24	4,138	36,438
Derivative financial instruments	33	—	38
		285,933	150,201
Current liabilities:			
Trade payables, accruals and other payables	26	(4,873)	(862)
Dividend payable	11	(10,050)	—
Amounts due to subsidiaries	27	(118,483)	(11,421)
Derivative financial instruments	33	(740)	—
		(134,146)	(12,283)
Net current assets		151,787	137,918
Net assets		234,095	220,364
Capital and reserves			
Share capital	31	39,109	39,486
Reserves	32	194,986	180,878
Total equity		234,095	220,364

The financial statements on pages 55 to 160 were approved and authorised for issue by the Board of Directors on 22 March 2011.

James Mellon
Co-Chairman

Jamie Gibson
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

2010	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'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	Non-controlling interests US$'000	Total equity US$'000
	Attributable to shareholders of the Company											
At 1 January 2010	39,486	(206,526)	373,798	3,437	7,851	1,203	177	(456)	5,045	224,015	2,646	226,661
Share repurchased	(377)	(377)	(778)	—	377	—	—	—	—	(1,155)	—	(1,155)
Distribution of shares awarded	—	32	—	(184)	—	—	—	152	—	—	—	—
Share purchased for share award scheme	—	—	—	—	—	—	—	(1,199)	—	(1,199)	—	(1,199)
Dividend payment	—	—	(15,071)	—	—	—	—	—	—	(15,071)	—	(15,071)
Share-based payment	—	—	—	569	—	—	—	—	—	569	—	569
Share options forfeited	—	325	—	(325)	—	—	—	—	—	—	—	—
Share of reserve of an associate	—	—	—	78	—	—	—	—	—	78	—	78
Transactions with shareholders	(377)	(20)	(15,849)	138	377	—	—	(1,047)	—	(16,778)	—	(16,778)
Profit for the year	—	59,792	—	—	—	—	—	—	—	59,792	(20)	59,772
Other comprehensive income												
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	110	110	(23)	87
Reclassified to profit and loss for the disposal of a jointly controlled entity and the Zhun Dong coal project	—	—	—	—	—	—	—	—	(4,610)	(4,610)	—	(4,610)
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	—	1,044	1,044	—	1,044
Share of reserve of associates	—	—	—	—	—	—	—	—	507	507	—	507
Reclassified to profit or loss on disposal of available-for-sale financial assets	—	—	—	—	—	92	—	—	—	92	—	92
Impairment loss	—	—	—	—	—	(2)	—	—	—	(2)	—	(2)
Unrealised gain in available-for-sale financial assets	—	—	—	—	—	5,565	—	—	—	5,565	—	5,565
Total comprehensive income for the year	—	59,792	—	—	—	5,655	—	—	(2,949)	62,498	(43)	62,455
At 31 December 2010	39,109	(146,754)	357,949	3,575	8,228	6,858	177	(1,503)	2,096	269,735	2,603	272,338

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$'000	Non-controlling interests US$'000	Total equity US$'000
	Attributable to shareholders 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 shareholders	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 Cash Flows

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000 (Restated)
Cash flows from operating activities:			
Profit for the year before income tax		60,772	11,197
Adjustments for :			
Depreciation of property, plant and equipment	15	215	255
Write down for termination of Indonesian transaction		—	6,384
Interest income on bank deposits and loan receivables		(107)	(374)
Finance costs on hire purchase	8	2	3
Finance costs on redeemable convertible preference shares	8	—	167
Non-cash share-based payments		569	837
Write back of repurchased share options		—	(341)
Share of profits of associates		(2,915)	(3,447)
Share of profit of a jointly controlled entity		(3,007)	(9,092)
Unrealised loss on derivative financial instruments		740	(38)
Change in fair value on financial assets at fair value through profit and loss	20	(38,999)	(3,753)
Loss on disposal of property, plant and equipment		361	1
Loss on repurchase of redeemable convertible preference shares		—	86
Reversal of impairment loss on exploration and evaluation assets		(912)	—
Impairment loss on available-for-sale financial assets		28	—
Gain on disposal of a jointly controlled entity and the Zhun Dong coal project	34	(19,834)	—
Loss/(Profit) on disposal of available-for-sale financial assets		107	(15,842)
		(2,980)	(13,957)
Change in working capital			
Decrease in trade receivables		—	8
Increase in loan receivables		—	(1,140)
Decrease in prepayments, deposits and other receivables		1,284	1,326
Decrease in derivative financial instruments		38	—
Increase in financial assets at fair value through profit and loss		(48,713)	(22,615)
Increase in trade payables, accruals and other payables		14,860	143
Increase in amounts due from minority shareholders		(852)	—
(Decrease)/ Increase in amounts due to minority shareholders		(44)	6
Cash used in operations		(36,407)	(36,229)
Income tax paid		—	—
Net cash used in operating activities		(36,407)	(36,229)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000 (Restated)
Cash flows from investing activities:			
Purchase of exploration and evaluation assets	14	(3,898)	(1,937)
Purchase of property, plant and equipment	15	(209)	(46)
Purchase of available-for-sale financial assets	19	—	(24,399)
Proceeds from disposal of available-for-sale financial assets		92	46,780
Proceeds from disposal of a jointly controlled entity and the Zhun Dong coal project	34	133,576	—
Proceeds from disposal of property, plant and equipment		71	4
Interest received on bank deposits		107	57
Deposit received on disposal of assets classified as held for sale		—	3,514
Decrease/ (Increase) in margin deposit placed with brokers' firms		31,875	(33,414)
Dividend received from associates		721	316
Net cash generated from/(used in) investing activities		162,335	(9,125)
Cash flows from financing activities:			
Dividend paid to shareholders	11	(5,021)	(2,547)
Shares repurchased		(1,155)	—
Shares purchased for share award scheme		(1,199)	(472)
Repurchase of redeemable convertible preference shares		—	(3,500)
Repayment of finance lease liabilities		(35)	(27)
Finance costs on hire purchase paid		(2)	(3)
Finance costs on redeemable convertible preference shares paid	29	—	(149)
Net cash used in financing activities		(7,412)	(6,698)
Net increase/(decrease) in cash and cash equivalents		118,516	(52,052)
Cash and cash equivalents at the beginning of the year		3,085	57,399
Assets classified as held for sale	25	2,153	(2,153)
Effects of foreign currency fluctuations		62	(109)
Cash and cash equivalents at the end of the year	21	123,816	3,085

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 2010 were approved and authorised for issue by the Board of Directors on 22 March 2011.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new/revised HKFRSs - effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment - Group Cash-settled Share-based Payment Transactions
HKAS 27	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.1 Adoption of new/revised HKFRSs - effective 1 January 2010 (Continued)

HKFRS 3 (Revised) - Business Combinations and HKAS 27 (Revised) - Consolidated and Separate Financial Statements

The revised accounting policies are described in note 3 to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost, any remaining interest in the entity is re-measured to fair value, and any gain or loss is recognised in profit or loss.

The adoption of revised HKFRS 3 and HKAS 27 has had no impact on the current year because the Group did not have these transactions during the year and the new accounting policies have been applied prospectively according to the transitional provisions in the revised standards.

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure - Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]

[1] *Effective for annual periods beginning on or after 1 July 2010*
[2] *Effective for annual periods beginning on or after 1 January 2011*
[3] *Effective for annual periods beginning on or after 1 July 2011*
[4] *Effective for annual periods b eginning on or after 1 January 2013*

Improvements to HKFRSs 2010

The HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wordings. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 7, HKAS 1 and HKAS 34 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKAS 24 (Revised) - Related Party Disclosures

The adoption of HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

Amendments to HKFRS 7 - Disclosure - Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

HKFRS 9 - Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 55 to 160 have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKAS**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HK 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 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.

3.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "**Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combination and basis of consolidation (Continued)

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combination and basis of consolidation (Continued)

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recognised profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

3.3 Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates and joint ventures (Continued)

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.

3.5 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 activities of any operating segment
- share of results of associates and a jointly controlled entity accounted for using the equity method

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Segment reporting (Continued)

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.

3.6 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 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.

3.8 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 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.

3.10 Impairment of non-financial assets

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

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.

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.

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 amortization, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

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

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 3.21 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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

Impairment of financial assets (Continued)

(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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Financial assets carried at cost (Continued)

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.

3.13 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.

3.14 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.

3.15 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities (Continued)

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.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 3.11).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities (Continued)

Redeemable convertible preference shares (Continued)

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.

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.

Derivative financial instrument

Derivatives, including derivatives which have been separated from their host contracts are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

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.

3.16 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 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 are limited to the fixed percentage contributions payable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 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 i) share options awarded and ii) share award scheme respectively. 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 the grant is equity-settled share-based payment transaction. In respect of cash-settled share-based payment transaction, the corresponding increase is recognised as a liability. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of i) share options and ii) ordinary shares expected to vest respectively. Non-market vesting conditions are included in assumptions about the number of i) options ii) ordinary shares that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of i) share options and ii) ordinary shares 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.

3.19 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 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.

3.21 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.

3.22 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.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 3.10 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.

Provision for income taxes

The Group is subject to income tax in different jurisdictions and significant judgement is required in determining the tax liabilities to be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. The Group believes that its provision for tax is adequate for the reporting periods based on its assessment of many factors including past experience and interpretations of tax law. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

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.

5. SEGMENT INFORMATION (Continued)

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

For the year ended 31 December 2010

	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	—	—	—	5,332	5,332
Segment results	(1,866)	(24)	(5,165)	42,073	35,018
Share of profits of associates	—	2,277	—	638	2,915
Share of profit of a jointly controlled entity	—	—	3,007	—	3,007
Total results	(1,866)	2,253	(2,158)	42,711	40,940
Gain on disposal of a jointly controlled entity and the Zhun Dong coal project					19,834
Finance costs					(2)
Taxation					(1,000)
Profit for the year					59,772

As at 31 December 2010

	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Unallocated US$'000	Total US$'000
Segment assets	17,743	4,876	2,158	246,748	—	271,525
Available-for-sale financial assets	—	—	—	7,025	—	7,025
Interests in associates	—	19,321	—	3,166	—	22,487
Total assets	17,743	24,197	2,158	256,939	—	301,037
Segment liabilities	396	—	729	27,574	—	28,699

5. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2010

	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	—	—	—	107	107
Depreciation	(90)	—	(53)	(72)	(215)
Share-based payments	(33)	—	—	(1,473)	(1,506)
Impairment loss on available-for-sale financial assets	—	—	—	(28)	(28)
Fair value loss on available-for-sale financial assets	—	—	—	(135)	(135)
Fair value gain on financial assets at fair value through profit and loss	—	—	—	55,782	55,782
Fair value gain on derivative financial instruments	—	—	—	151	151
Capital expenditure	(3,525)	—	(374)	(208)	(4,107)

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 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)

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	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Hong Kong (domicile)	—	—	197	82
Australia	199	—	—	—
PRC	648	(80)	41,423	76,731
United States	6	524	—	—
Europe[1]	4,479	166	3,166	2,886
South East Asia[2]	—	317	—	—
	5,332	927	44,786	79,699

[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 exchange on which the Group's investments are traded. The geographical location of the non-current assets is based on the physical location of the assets.

6. OPERATING PROFIT/(LOSS)

	2010 US$'000	2009 US$'000
Operating profit/(loss) is arrived at after charging:		
Auditors' remuneration		
– charge for the year	411	423
– under provision in prior year	36	48
Depreciation of owned property, plant and equipment	215	255
Operating lease charges on property and equipment^	597	510
Loss on disposal of property, plant and equipment	361	1
Write down for termination of Indonesian transaction	—	6,384
Impairment loss on available-for-sale financial assets	28	—
Realised loss on disposal of available-for-sale financial assets	107	—
Realised loss on derivative financial instruments	—	1,075
Unrealised loss on derivative financial instruments	740	—
Net foreign exchange loss*	229	702
Write back of repurchased share options	—	1,067
Share-based payments (equity and cash settled)#	1,506	1,627
and crediting:		
Interest income on bank deposits and loan receivables*	107	374
Reversal of impairment loss on exploration and evaluation assets	912	—
Realised gain on disposal of financial assets at fair value through profit and loss	16,783	1,069
Realised gain on disposal of a jointly controlled entity and the Zhun Dong coal project	19,834	—
Unrealised gain on financial assets at fair value through profit and loss	38,999	3,753
Realised gain on derivative financial instruments	891	—
Unrealised gain on derivative financial instruments	—	38
Realised gain on disposal of available-for-sale financial assets	—	15,842
Dividend income*	4,807	582

^ *Included in operating lease charges on property and equipment were Director's accommodation expenses of nil (2009: US$131,000) that was included in "employee benefit expenses" on the face of the consolidated statement of comprehensive income.*

* *Included in revenue*

Included in share-based payments were (i) employee share-based payment of US$132,000 (2009: US$475,000) (note 31.2) in relation to share options granted to Directors and employees, (ii) non-employee share-based payment of US$8,000 (2009: US$178,000) (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$937,000 and US$429,000, respectively (2009: US$790,000 and US$184,000, respectively) in relation to share awards granted to Directors and employees.

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 US$'000	2009 US$'000
Salaries, discretionary bonuses and benefits in kind	20,538	8,595
Pension costs - defined contribution plans (note 36)	21	19
Share options granted to Directors and employees	132	475
Share awards granted to Directors and employees	1,366	974
	22,057	10,063

a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2010 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	—	1,450	6,600	—	27	666	8,743
Clara Cheung#	—	152	—	1	10	271	434
Non-Executive Directors							
James Mellon	25	157	2,888	—	27	—	3,097
Stephen Dattels	25	189	460	—	—	—	674
Jayne Sutcliffe	20	—	10	—	—	—	30
Independent Non-Executive Directors							
David Comba	38	—	—	—	10	—	48
Julie Oates	38	—	—	—	—	—	38
Mark Searle	38	—	—	—	—	—	38
Total	184	1,948	9,958	1	74	937	13,102

Ms Clara Cheung resigned as an Executive Director of the Company with effect from 31 July 2010.

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 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

No Directors waived or agreed to waive any emoluments in respect of the years ended 31 December 2010 and 2009.

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

b) Five highest paid individuals

Of the five highest paid individuals, two (2009: three) 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:

	2010 US$'000	2009 US$'000
Fees	25	25
Salaries and other emoluments	2,880	3,029
Discretionary bonuses	11,938	2,188
Pension costs - defined contribution plans	2	6
Share options granted to Directors	75	234
Share awards granted to Directors and employees	870	852
	15,790	6,334

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

	Number of employees	
	2010	2009
HK$4,000,001- HK$4,500,000 (US$513,940-US$578,183)	—	1
HK$5,500,001- HK$6,000,000 (US$706,669-US$770,911)	—	1
HK$6,000,001- HK$6,500,000 (US$770,911-US$835,154)	—	1
HK$6,500,001- HK$7,000,000 (US$835,154-US$899,396)	1	—
HK$7,500,001- HK$8,000,000 (US$963,639-US$1,027,881)	—	1
HK$10,500,001- HK$11,000,000 (US$1,349,094-US$1,413,337)	1	—
HK$13,000,001- HK$13,500,000 (US$1,670,308-US$1,734,550)	1	—
HK$20,500,001- HK$21,000,000 (US$2,633,947-US$2,698,190)	—	1
HK$24,000,001- HK$24,500,000 (US$3,083,644-US$3,147,886)	1	—
HK$68,000,001- HK$68,500,000 (US$8,736,991-US$8,801,233)	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 years ended 31 December 2010 and 2009.

8. FINANCE COSTS

	2010 US$'000	2009 US$'000
Interest on hire purchase	2	3
Interest on redeemable convertible preference shares (note 29)	—	167
	2	170

9. TAXATION

The amount of taxation in the consolidated statement of comprehensive income represents:

	2010 US$'000	2009 US$'000
Current tax- overseas		
–tax for the year	1,000	—

No provision for Hong Kong 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 years ended 31 December 2010 and 31 December 2009. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

Share of associates' tax charge for the year ended 31 December 2010 of US$374,000 (2009: US$203,000) and share of a jointly controlled entity's tax charge of US$340,000 (2009: US$934,000) 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:

	2010 US$'000	2009 US$'000
Profit before taxation	60,772	11,197
Less:		
Share of profits of associates	(2,915)	(3,447)
Share of profit of a jointly controlled entity	(3,007)	(9,092)
Profit/(Loss) before share of profits of associates and a jointly controlled entity and taxation	54,850	(1,342)
Nominal tax on profit before income tax, calculated at the rate applicable to profits in the tax jurisdictions concerned	1,789	(546)
Income not subject to taxation	(1,435)	(19)
Expenses not deductible for taxation purposes	187	253
Tax effect of tax losses not recognised	459	312
Taxation charge	1,000	—

At 31 December 2010, the Group has unrecognised tax losses of approximately US$20,089,000 (2009: US$12,835,000) 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 losses have no expiry date.

Under the PRC tax law, 5% to 10% 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 2010, the Group has deferred tax liabilities of approximately US$77,000 in respect of the aggregate amount of temporary differences associated with undistributed earnings of its associates. At 31 December 2009, the Group has deferred tax liabilities of approximately US$256,000 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 ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes an amount of US$30,802,000 (2009: US$10,639,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

(i) Dividend payable to shareholders of the Company attributable to the year:

	2010 US$'000	2009 US$'000
Interim dividend declared and paid of HK$0.005 per share	—	2,547
Special dividend declared and payable at the end of the reporting period of HK$0.02 per share	10,050	—
Final dividend proposed after the end of the reporting period of HK$0.01 per share	—	5,095
	10,050	7,642

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2010 US$'000	2009 US$'000
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.01 per share	5,021	—

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders for the year of US$59,792,000 (2009: US$11,052,000) and on the weighted average of 3,877,225,920 (2009: 3,919,757,830) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2010 and 2009 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

	2010 US$'000	2009 US$'000
At 1 January		
Gross carrying amount	157,186	195,191
Accumulated impairment	(143,054)	(143,054)
Net carrying amount	14,132	52,137
Carrying amount at 1 January	14,132	52,137
Disposal of subsidiaries (note 34)	(1,876)	—
Assets classified as held for sale (note 25 & 34)	—	(38,005)
Net carrying amount at 31 December	12,256	14,132
At 31 December		
Gross carrying amount	155,310	157,186
Accumulated impairment	(143,054)	(143,054)
Net carrying amount	12,256	14,132

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:

	2010 US$'000	2009 US$'000
Copper and zinc products CGU	1,177	3,053
Coal product CGU	138,862	138,862
Coking coal product CGU	15,271	15,271
	155,310	157,186

13. GOODWILL (Continued)

Copper and zinc products CGU

Since full impairment provision has been made regarding goodwill in relation to the copper and zinc products CGU as at 31 December 2010, no impairment assessment has been performed for the year.

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 2012. 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 estimated life of mine. The recoverable amount of the CGU is calculated based on cash flow forecasts approved covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 0% (2009: 0%). The rate used to discount the forecast cash flow is 10% (2009: 10%).

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 20 years based on the operation's estimated life. The recoverable amount of the CGU is calculated based on cash flow forecasts approved covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 0% (2009: 0%). The rate used to discount the forecast cash flows from the CGU is 10% (2009: 10%).

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:

	2010 US$'000	2009 US$'000
Copper and zinc products CGU	—	1,876
Coal product CGU	7,393	7,393
Coking coal product CGU	4,863	4,863
	12,256	14,132

Company

The Company has no goodwill.

14. EXPLORATION AND EVALUATION ASSETS

Group

	US$'000
At 1 January 2009	
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)
Closing net book amount	8,187
At 31 December 2009	
Cost	9,099
Accumulated amortisation	—
Accumulated impairment	(912)
Net book amount	8,187
Year ended 31 December 2010	
Opening net book amount	8,187
Addition	374
Amortisation charge for the year	—
Reversal of impairment loss previously recognised	912
Exchange difference	12
Closing net book amount	9,485
At 31 December 2010	
Cost	9,485
Accumulated amortisation	—
Accumulated impairment	—
Net book amount	9,485

14. EXPLORATION AND EVALUATION ASSETS (Continued)

Group (Continued)

The exploration and evaluation assets related to the mines which were not yet operative as at 31 December 2010. These assets are not subject to amortisation until when it can be reasonably ascertained that the mining assets is capable of commercial production, upon which these assets are transferred to mining rights and are amortised.

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:

	2010 US$'000	2009 US$'000
Copper and zinc products CGU	1,265	920
Coal product CGU	8,220	8,179
	9,485	9,099

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.

During the year ended 31 December 2010, in view of the recovery of the global economy together with the increase in commodity price, which has resulted in the increase in recoverable amount of the relevant CGU, the previously recognised impairment loss of US$912,000 has been reversed and recognised in the consolidated statement of comprehensive income.

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:

	2010 US$'000	2009 US$'000
Copper and zinc products CGU	1,265	8
Coal product CGU	8,220	8,179
	9,485	8,187

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 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

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 2010						
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
Year ended 31 December 2010						
Opening net book amount	50	83	122	148	580	983
Exchange differences	—	(1)	1	5	8	13
Additions	—	178	31	—	—	209
Disposals	(147)	(199)	(187)	—	(452)	(985)
Depreciation charge for the year	(17)	(51)	(95)	(16)	(36)	(215)
Depreciation written back on disposals	127	173	178	—	75	553
Closing net book amount	13	183	50	137	175	558
At 31 December 2010						
Cost	50	293	266	181	200	990
Accumulated depreciation	(37)	(110)	(216)	(44)	(25)	(432)
Net book amount	13	183	50	137	175	558

* *The net book value of the Group's property, plant and equipment included an amount for a motor vehicle hold under a finance lease that amounted to nil as at 31 December 2010 (2009: US$6,000) (see note 30).*

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Computer and other equipment US$'000
At 1 January 2009	
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
Year ended 31 December 2010	
Opening net book amount	1
Depreciation charge for the year	(1)
Disposals	(4)
Depreciation written back on disposals	4
Closing net book amount	—
At 31 December 2010	
Cost	—
Accumulated depreciation	—
Net book amount	—

16. INTERESTS IN SUBSIDIARIES

Company

	2010 US$'000	2009 US$'000
Investments - unlisted shares, at cost	271,618	283,018
Less: Provision for impairment	(191,329)	(202,729)
	80,289	80,289

During the year ended 31 December 2010, 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 2010 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
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
Regent (Australia) Limited *	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding
Regent Coal (BVI) Limited ("**Regent Coal (BVI)**")*	British Virgin Islands	Ordinary shares of US$64,963,323	100%	—	Investment holding

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 (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 (Indonesia II) Limited (formerly known as GeoMin Tech Consultants Limited) *	Cayman Islands	Ordinary share of US$1	100%	—	Provision of metallurgical services
Regent Metals Australia Pty Limited *	Australia	Ordinary share of A$1	—	100%	Investment holding
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 Minerals Limited*	Barbados	Ordinary shares of US$1	—	100%	Investment holding

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 Pacific Group (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$5 million	100%	—	Provision of management services
Regent Pilbara II Pty Limited *	Australia	Ordinary share of A$1	—	100%	Investment holding
Regent Pilbara Pty Limited *	Australia	Ordinary share of A$1	—	100%	Investment holding
RPG (Bahamas) Limited*	Bahamas	Ordinary shares of US$134,220	100%	—	Investment holding
RPG Investments I Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding
Simao Regent Minerals Limited	PRC	Injected capital of US$2,999,990	—	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.

* *The statutory financial statements of these subsidiaries for the year ended 31 December 2010 were not audited by BDO Limited.*

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Investments - unlisted shares, at cost less impairment	—	—	2,000	2,000
Share of net assets - unlisted	22,487	19,508	—	—
	22,487	19,508	2,000	2,000

There is no provision for impairment loss of associates as of 31 December 2010, as the recoverable amounts in associates are greater than their investment costs.

Share of associates' tax charge for the year ended 31 December 2010 of US$374,000 (2009: US$203,000) is included in the consolidated statement of comprehensive income as share of profits of associates.

Particulars of the associates as at 31 December 2010 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 associates were not audited by BDO Limited.*

17. INTERESTS IN ASSOCIATES (Continued)

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

	2010 US$'000	2009 US$'000
Assets	328,954	242,443
Liabilities	243,629	174,510

	2010 US$'000	2009 US$'000
Revenue	327,054	306,031
Profit after taxation	11,373	11,091

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	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Investments - unlisted shares, at cost	—	—	—	—
Share of net assets - unlisted	—	36,889	—	—
	—	36,889	—	—

Share of a jointly controlled entity's taxation for the year ended 31 December 2010 of US$340,000 (2009: US$934,000) 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 during the year 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

Disposal of the jointly controlled entity was completed on 2 December 2010 (note 34).

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	2010 US$'000	2009 US$'000
Non-current assets	—	48,902
Current assets	—	26,955
Non-current liabilities	—	3,203
Current liabilities	—	35,765
Net assets	—	36,889

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Share of the jointly controlled entity's results	2010 US$'000	2009 US$'000
Income	21,517	24,661
Expenses	18,510	15,569
Profit after taxation	3,007	9,092

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

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
At 1 January	1,597	7,386	156	6,475
Additions	—	24,399	—	24,399
Disposals	(107)	(30,938)	(107)	(30,628)
Impairment loss	(30)	—	(30)	—
Change in fair value - unrealised portion	5,565	750	—	(90)
At 31 December	7,025	1,597	19	156

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

Available-for-sale financial assets include the following:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Unlisted securities				
Club debenture, at cost	19	19	19	19
Equity security	7,006	1,441	—	—
	7,025	1,460	19	19
Listed securities	—	137	—	137
	7,025	1,597	19	156

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. During the year, the Group has determined the value of its investment in certain listed securities to be unrecoverable in view of the uncertainties in the operations of the investee companies and the corresponding economic benefits to be brought to the Group. As a result, impairment loss of US$28,000 (2009: nil) has been recognised in profit or loss during the year.

The fair value of the unlisted equity security has been determined in accordance with pricing models based on discounted cash flow analysis using inputs from observable current market and similar investments.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
At 1 January	26,368	—	26,368	—
Additions	86,122	26,669	84,238	26,669
Disposals	(37,409)	(4,054)	(37,409)	(4,054)
Change in fair value - unrealised portion	38,999	3,753	38,497	3,753
At 31 December	114,080	26,368	111,694	26,368

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

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Listed securities, at market value				
Equity security - overseas	114,080	26,368	111,694	26,368

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

21. CASH AND BANK BALANCES

	Group		Company	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Cash and balances with banks	3,276	2,858	1,458	129
Money at call and short notice	120,540	227	120,220	167
	123,816	3,085	121,678	296

The Group's subsidiary maintains trust accounts with banks as part of its normal business transactions. At 31 December 2010, included in the Group's cash at banks were trust accounts of US$29,000 (2009: US$29,000).

As at 31 December 2010, included in cash and balances with banks were bank balances of US$1,200,000 (2009: US$2,026,000) 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 2010 and 2009, the ageing analysis of trade receivables was as follows:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
1 to 3 months old	—	—	—	—
More than 12 months old	43	43	—	—
	43	43	—	—

The Group applies credit policies appropriate to the particular business circumstances concerned but generally requires outstanding amounts to be paid within 30 days of invoice. 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	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Over 360 days past due	43	43	—	—

As at 31 December 2010 and 2009, no trade receivables 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	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Loan receivables	3,915	3,915	—	—
Interest receivables	430	430	—	—
	4,345	4,345	—	—

On 25 July 2008, a loan agreement was signed between RPG Investments I Limited ("**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.

During the year ended 31 December 2009, 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.

The loan interest accrued up to 31 December 2009 was US$430,000. Upon the termination of the Indonesian coal mining project in late 2009, it was agreed among the parties that no additional interest was to be accrued on the loan and no interest was charged on the outstanding loan balance for the year ended 31 December 2010.

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

The balance outstanding as at 31 December 2010 was not 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	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Prepayments, deposits and other receivables#	5,691	38,413	3,739	35,257
Amount due from an associate*	399	998	399	998
Amount due from a jointly controlled entity*	—	13,338	—	183
	6,090	52,749	4,138	36,438

\# *Included in the balance of prepayments, deposits and other receivables was a margin deposit of US$2,243,000 (2009: US$34,118,000) placed with broker firms for the trading of derivatives.*

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

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 2010 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) Limited and the shareholder's loans from Regent Coal (BVI) to Regent Coal (HK) Limited, 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 RMB 460 million (approximately US$67.35 million) with the long stop date of the Disposal being extended to 31 May 2010.

25. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

On 30 April 2010, both parties further agreed to extend the long stop date of the disposal to 30 November 2010, and increased the cash and drilling adjustment to up to RMB 35 million (approximately US$5.26 million).

According to letters dated 16 November and 22 November 2010, both parties acknowledge and agree that the cash and drilling adjustment will be the US$ equivalent of RMB 35 million. The Purchaser undertakes and agrees to indemnify and pay on Regent Coal (BVI)'s behalf, in full the 5 per cent. commission or any other payments may be required under the finder's fee agreement.

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.

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

On 29 November 2010, the Group completed its disposal of the Zhun Dong coal project and recognised a gain of approximately US$7,592,000, further details of which are set out in note 34.

As at the report date, the 5 per cent. commission fee was paid to the finder by the Purchaser.

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

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Trade payables	97	109	—	—
Deposit received, accruals and other payables	17,812	5,993	4,873	862
	17,909	6,102	4,873	862

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

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Due within 1 month or on demand	—	—	—	—
More than 6 months	97	109	—	—
	97	109	—	—

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

As at 31 December 2009, 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. The deposit was recognised as part of the gain on disposal upon the completion of the transaction on 29 November 2010.

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 AND MINORITY SHAREHOLDERS

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

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

28. BORROWINGS

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Non-current				
Redeemable convertible preference shares (note 29)	—	—	—	—
Obligation under finance lease (note 30)	—	8	—	—
	—	8	—	—
Current				
Obligation under finance lease (note 30)	—	27	—	—
Total borrowings	—	35	—	—

The effective interest rates for the obligation under finance lease at 31 December, 2009 was 7.03% per annum. The carrying amounts of the obligation under finance lease approximates its fair value. The fair value was the present value of the minimum lease payments calculated using a market interest rate.

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, Simao Regent Minerals Limited, 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).

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

Group and Company	2010 US$'000	2009 US$'000
Fair value of redeemable convertible preference shares	—	5,222
Equity component	—	—
Liability component on initial recognition	—	5,222
Conversion	—	(1,915)
Repurchase	—	(3,325)
Interest expense (note 8)	—	167
Interest paid	—	(149)
Liability component at 31 December	—	—

During the year ended 31 December 2009, interest expense on the redeemable convertible preference shares was 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 2010, the Group's obligation under finance lease was repayable as follows:

	2010 US$'000	2009 US$'000
Total minimum lease payments		
Within one year	—	30
In the second year	—	8
	—	38
Less: total future interest expenses	—	(3)
Present value of finance lease liability	—	35
Present value of finance lease liability:		
Within one year	—	27
In the second year	—	8
	—	35
Less: portion due within one year included under current liabilities	—	(27)
	—	8

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 2010 and 31 December 2009	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 2009	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
Shares repurchased and cancelled	(37,700,000)	(377)
At 31 December 2010	3,910,990,523	39,109

* *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 2010, the total issued ordinary share capital of the Company consisted of 3,948,690,523 shares. During the year ended 31 December 2010, 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$1,155,000), as set out in detail under the section headed "Purchase, Sale and Redemption of Listed Securities" in the Directors' Report. The repurchased shares were cancelled accordingly. Accordingly, as at 31 December 2010, the total issued ordinary share capital of the Company consists of 3,910,990,523 shares.

Subsequent to the year end date and prior to the date of this report, no new shares were issued and allotted by the Company, and no shares were repurchased by the Company.

31. SHARE CAPITAL (Continued)

1. 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 31.2) 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)

1. 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 2010, 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 178,116,132 (2009: 210,616,132) ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.51% (2009: 5.41%) of the Company's then issued ordinary share capital and 4.32% (2009: 5.13%) of the enlarged ordinary share capital. Amongst the outstanding options, options in respect of an aggregate of 152,103,414 shares or 85.40% were vested (2009: options in respect of an aggregate of 105,107,364 shares or 49.90%).

31. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

During the year ended 31 December 2010:

- No new options were granted (2009: nil);
- No vested options were exercised (2009: nil);
- An option in respect of 8,000,000 shares, an option in respect of 6,000,000 shares and an option in respect of 7,000,000 shares at the exercise price of HK$0.300 per share, HK$0.325 per share and HK$1.152 per share respectively lapsed upon resignation of an Executive Director (2009: an option in respect of 4,000,000 shares and an option in respect of 12,000,000 shares lapsed upon resignation of an employee and a Director respectively); and
- No options were cancelled (2009: an option in respect of 16,500,000 shares was cancelled upon termination of the services of a consultant).

Accordingly, as at 31 December 2010 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 157,116,132 (31 December 2009: 178,116,132) ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.02% (31 December 2009: 4.51%) of the Company's issued ordinary share capital and 3.86% (31 December 2009: 4.32%) of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 157,116,132 shares or 100.00% were vested (31 December 2009: options in respect of an aggregate of 152,103,414 shares or 85.40%). Exercise in full of the outstanding options would result in the issue of 157,116,132 additional ordinary shares for aggregate proceeds, before expenses, of HK$102,939,278 (approximately US$13,197,343).

31. SHARE CAPITAL (Continued)

I. 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 2010, outstanding options in respect of an aggregate of 108,600,000 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; and

4. 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 2010, no new options were granted, no vested options were exercised, and no outstanding options were cancelled. All outstanding options held by the aforesaid Executive Director, being: (i) the option granted on 4 April 2006 in respect of 8,000,000 shares at the exercise price of HK$0.300 per share; (ii) the option granted on 14 December 2006 in respect of 6,000,000 shares at the exercise price of HK$0.325 per share; and (iii) the option granted on 2 October 2007 in respect of 7,000,000 shares at the exercise price of HK$1.152 per share, lapsed on 31 July 2010 upon her resignation as an Executive Director.

Accordingly, as at 31 December 2010 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 87,600,000 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

31. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

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

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 or prior to the date of this report.

No options were granted to or held by any substantial shareholder of the Company (other than James Mellon who is also the Non-Executive Co-Chairman 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 or prior to the date of this report.

ii. Full-time employees

As at 1 January 2010, outstanding options in respect of an aggregate of 55,516,132 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 4,854,000 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 2010 and prior to the date of this report, no new options were granted, no vested options were exercised, and no outstanding options lapsed or were cancelled.

31. SHARE CAPITAL (Continued)

I. 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 2010 or prior to the date of this report.

iv. *Suppliers of goods and services*

As at 1 January 2010, outstanding options in respect of an aggregate of 14,000,000 shares were held by the service providers, details of which are set out below:

1. 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

2. 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 2010 and prior to the date of this report, no new options were granted, no vested options were exercised, and no outstanding options lapsed or were cancelled.

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 2010 or prior to the date of this report.

31. SHARE CAPITAL (Continued)

1. 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:

	2010		2009	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
Outstanding at 1 January	178,116,132	0.648	210,616,132	0.689
Forfeited	(8,000,000)	0.300	—	—
Forfeited	(6,000,000)	0.325	(4,000,000)	0.325
Forfeited	—	—	(12,000,000)	0.780
Forfeited	(7,000,000)	1.152	—	—
Total forfeited	(21,000,000)	0.591	(16,000,000)	0.666
Cancelled	—	—	(16,500,000)	1.152
Outstanding at 31 December	157,116,132	0.655	178,116,132	0.648

31. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

No option has been exercised during the years ended 31 December 2010 and 2009. All remaining share options as at 31 December 2010 have been accounted for under HKFRS 2. The Group has granted the following outstanding share options at the following exercise prices:

	2010		2009	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
–31 December 2009	—	—	152,103,414	0.571
–31 December 2010	157,116,132	0.655	26,012,718	1.095
Outstanding at 31 December	157,116,132	0.655	178,116,132	0.648

The weighted average remaining contractual life of the outstanding options as of 31 December 2010 is 5.82 years (2009: 6.84 years).

In total, US$132,000 (2009: US$475,000) of employee share-based payment and US$8,000 (2009: US$178,000) of non-employee share-based payment have been included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2010. No liabilities were recognised due to share-based payment transactions.

31. SHARE CAPITAL (Continued)

2. 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 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 31.1) 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 or advisers or consultants to the Company or any of its subsidiaries 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 award of 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 date of grant 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% 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 to be granted to an individual eligible participant is limited to 102,663,920 shares, being 5% of the Company's issued ordinary share capital of the Company on the adoption date of the plan.

An ordinary resolution has been proposed for the Company's annual general meeting for Year 2011 to seek shareholders' approval for "refreshing" the limits under the plan, so that: (i) the total number of shares which may be transferred on vesting of all units to be granted under the plan and (ii) the total number of shares subject to a unit or units to be granted to an individual eligible participant, in each case after the date when the limits are refreshed, will be limited to 10% and 5% of the Company's total issued ordinary share capital as at the date of approval of the "refreshed" limit respectively. Units previously granted under the plan (including those outstanding, cancelled or lapsed in accordance with the plan or vested units) will not be counted for the purpose of calculating the limits as "refreshed".

31. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

i. Grant and vesting of units

As at 1 January 2010, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 29,625,000 ordinary shares (2009: nil), which were to be vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung, as referred to below) in stages in accordance with their respective vesting schedules, representing 0.75% (2009: nil) of the Company's then issued ordinary share capital (excluding the units in respect of an aggregate of 119,000,000 shares granted on 7 January 2009 to Jamie Gibson and Clara Cheung (as referred to below)), details of which are set out below:

- 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 would 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 would be amortised over three years in line with the share scheme starting in the financial year ended 31 December 2009.

- On 16 May 2009, a unit in respect of 1,500,000 shares lapsed upon termination of the employment of an employee.

31. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

i. Grant and vesting of units (Continued)

During the year ended 31 December 2010:

- On 7 January 2010, an aggregate of 9,874,998 shares were vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung) (2009: nil);
- New units in respect of an aggregate 16,000,000 shares and an aggregate of 24,000,000 shares were granted to a number of eligible participants on 9 April 2010 and 20 July 2010 respectively (2009: nil), which would be vested in three equal tranches on the first, second and third anniversary dates of the date of grant; and
- No outstanding units lapsed or were cancelled (2009: nil) (except the write-off of the cash equivalent of the lapsed entitlement under the unit granted on 7 January 2009 to Clara Cheung, as referred to below).

Upon resignation on 31 July 2010, Clara Cheung should repay to the Company the amount of HK$2,093,333, being the cash equivalent of the lapsed entitlement in respect of 13,333,334 shares under the unit granted on 7 January 2009. In recognition of her long term service to the Company, the Remuneration Committee resolved on 30 August 2010 that Clara Cheung should not be required to repay to the Company the said cash equivalent. An amount of HK$519,032 (approximately US$66,788) was debited to the "Employee Benefit Expenses" in the Statement of Comprehensive Income for the six months ended 30 June 2010, and the remaining amount of HK$1,574,301 (approximately US$204,793) that would otherwise have been recognised over the remaining vesting period was fully recognised as "Employee Benefit Expenses" in the Statement of Comprehensive Income in July 2010.

Accordingly, as at 31 December 2010, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 59,750,002 (2009: 29,625,000) ordinary shares, which were to be vested to the respective eligible participants (not including Jamie Gibson) in stages in accordance with their respective vesting schedules, representing 1.53% (2009: 0.75%) of the Company's then issued ordinary share capital.

31. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

i. Grant and vesting of units (Continued)

Subsequent to the year end date:

- On 7 January 2011, an aggregate of 9,874,998 shares were vested to the respective eligible participants (not including Jamie Gibson);
- New units in respect of an aggregate of 16,700,000 shares were granted to a number of eligible participants on 23 February 2011, which would be vested in three equal tranches on the first, second and third anniversary dates of the date of grant; and
- No outstanding units lapsed or were cancelled.

Accordingly, as at the date of this report, under the Long Term Incentive Plan 2007 there are outstanding units in respect of an aggregate of 66,575,004 ordinary shares, which are to be vested to the respective eligible participants (not including Jamie Gibson) in stages, representing 1.70% of the Company's existing issued ordinary share capital.

ii. Acquisition of shares

As at 1 January 2010, an aggregate of 29,625,000 shares were held by the trustee appointed by the Company for the plan (2009: nil), which were acquired by the trustee from the market during the period from 19 February 2009 to 5 March 2009 at a total consideration of HK$3,525,984 (approximately US$452,049) and were to be vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung) in accordance with their respective vesting schedules.

During the year ended 31 December 2010:

- On 7 January 2010, an aggregate of 9,874,998 shares were vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung) (2009: nil); and
- An aggregate of 40,000,000 (2009: 29,625,000) shares were acquired from the market, being: (i) an aggregate of 16,000,000 shares acquired during the period from 24 May 2010 to 27 May 2010 at a total consideration of HK$3,524,150 (approximately US$454,000); and (ii) an aggregate of 24,000,000 shares acquired during the period from 3 September 2010 to 22 September 2010 at a total consideration of HK$5,777,940 (approximately US$745,000).

Accordingly, as at 31 December 2010, an aggregate of 59,750,002 (2009: 29,625,000) shares were held by the trustee for the plan, which were be vested to the respective eligible participants (not including Jamie Gibson) in accordance with their respective vesting schedules.

31. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

ii. Acquisition of shares

Subsequent to the year end date:

- On 7 January 2011, an aggregate of 9,874,998 shares were vested to the respective eligible participants (not including Jamie Gibson); and
- No new shares were acquired.

Accordingly, as at the date of this report, an aggregate of 49,875,004 shares are held by the trustee for the plan, which are be vested to the respective eligible participants (not including Jamie Gibson) in accordance with their respective vesting schedules.

32. RESERVES

	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
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

32. RESERVES (Continued)

	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
Group										
At 1 January 2010	(206,526)	373,798	3,437	—	7,851	1,203	177	(456)	5,045	184,529
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	110	110
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	—	1,044	1,044
Share of reserves of associates	—	—	78	—	—	—	—	—	507	585
Reclassified to profit and loss for the disposal of a jointly controlled entity and the Zhun Dong coal project	—	—	—	—	—	—	—	—	(4,610)	(4,610)
Share repurchased	(377)	(778)	—	—	377	—	—	—	—	(778)
Share purchased for share award scheme	—	—	—	—	—	—	—	(1,199)	—	(1,199)
Distribution of shares awarded	32	—	(184)	—	—	—	—	152	—	—
Unrealised gain in available-for-sale financial assets	—	—	—	—	—	5,565	—	—	—	5,565
Reclassified to profit or loss on disposals of available-for-sale financial assets	—	—	—	—	—	92	—	—	—	92
Impairment loss	—	—	—	—	—	(2)	—	—	—	(2)
Dividend payment	—	(15,071)	—	—	—	—	—	—	—	(15,071)
Share-based payment	—	—	569	—	—	—	—	—	—	569
Share options forfeited	325	—	(325)	—	—	—	—	—	—	—
Profit for the year	59,792	—	—	—	—	—	—	—	—	59,792
At 31 December 2010	(146,754)	357,949	3,575	—	8,228	6,858	177	(1,503)	2,096	230,626

* *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$'000	Preference shares reserve US$'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 2009	(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
Share repurchased	(377)	(778)	—	—	377	—	—	—	(778)
Distribution of shares awarded	32	—	(184)	—	—	—	152	—	—
Share purchased for share award scheme	—	—	—	—	—	—	(1,199)	—	(1,199)
Dividend payment	—	(15,071)	—	—	—	—	—	—	(15,071)
Share-based payment	—	—	569	—	—	—	—	—	569
Share option forfeited	—	—	(325)	—	—	—	—	—	(325)
Reclassified to profit or loss for disposals of available-for-sale financial assets	—	—	—	—	—	92	—	—	92
Impairment loss	—	—	—	—	—	(2)	—	—	(2)
Foreign currency adjustment	—	—	—	—	—	—	—	20	20
Profit for the year	30,802	—	—	—	—	—	—	—	30,802
At 31 December 2010	(175,343)	360,214	3,390	—	8,228	—	(1,503)	—	194,986

33. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2010, there were outstanding forwards, futures, options and CFD contracts amounting to approximately US$76,166,000 (2009: US$86,550,000) undertaken by the Group in the foreign exchange and equity markets. At 31 December 2010, there was an unrealised loss of US$740,000 (2009: unrealised gain of US$38,000) in respect of open derivative contracts.

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 2010, the amount of these margin deposits was US$2,243,000 (2009: US$34,118,000).

34. DISPOSAL OF SUBSIDIARIES

On 29 November 2010, the Group disposed of its entire equity interest in its subsidiaries, Regent Coal (HK) Limited ("**RC(HK)**") and Xin Jiang Regent Coal Limited ("**XJRC**") , which mainly held the Zhun Dong coal project in Xinjiang, PRC.

On 2 December 2010, the Group disposed of its entire equity interest in its subsidiary, Regent Metals Limited, which mainly held a 40% jointly controlled entity "YSSCCL" in Yunnan, PRC.

The net assets of i) RC(HK) and XJRC ii) Regent Metals Limited ("**RML**") at their respective date of disposal were as follows:

	RC(HK) and XJRC US$'000	RML US$'000	Total US$'000
Exploration and evaluation assets	28,665	—	28,665
Cash and bank balances	325	—	325
Dividend and other receivables	—	13,306	13,306
Goodwill (note 13)	38,005	1,876	39,881
Interest in a jointly controlled entity	—	40,940	40,940
Exchange reserve	250	(4,860)	(4,610)
Accruals	(602)	—	(602)
Deferred tax liability	—	(324)	(324)
Net assets disposed	66,643	50,938	117,581
Profit on disposal of subsidiaries included in profit for the year in the consolidated statement of comprehensive income	7,592	12,242	19,834
Total consideration	74,235	63,180	137,415
Satisfied by:			
Deposit received in 2009	3,514	—	3,514
Cash received in 2010	70,721	63,180	133,901
Total cash	74,235	63,180	137,415
Net cash inflow arising on disposal:			
Cash consideration	74,235	63,180	137,415
Cash and bank balance transferred	(325)	—	(325)
	73,910	63,180	137,090

35. DEFERRED TAX

Balance as at 31 December 2009 represented deferred tax liability arose from the dividend receivable by the Group from its PRC's jointly controlled entity. During the year, the Group disposed of its entire equity interest in the jointly controlled entity and the deferred tax liability was derecognised upon the completion of the disposal. Movement of the deferred tax liability during the current year is as follows:

	2010 US$'000	2009 US$'000
At 1 January	324	324
Derecognised upon disposal of interests in a jointly controlled entity	(324)	—
At 31 December	—	324

Under the new PRC tax law, 5% to 10% 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 contribution 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 2010, there were no forfeited contributions (2009: nil) and the Group's contribution was US$21,000 (2009: US$19,000).

37. OPERATING LEASE COMMITMENTS

Group

	2010 US$'000	2009 US$'000
At 31 December 2010 and 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
– within 1 year	468	394
– in the 2nd to 5th year, inclusive	443	845
	911	1,239
Equipment:		
– within 1 year	5	5
– in the 2nd to 5th year, inclusive	12	16
	17	21
	928	1,260

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

	2010 US$'000	2009 US$'000
Contracted but not provided for:		
Purchasing of the remaining share of a subsidiary - ACMC	15,134	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 2010.

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, AUD and CAD 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, AUD and CAD appreciation. A majority of our operating assets and listed securities are located in the PRC, United Kingdom, Australia, and Canada and denominated in RMB, GBP, AUD and CAD 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 2010

	Group				Company			
	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD
Cash and bank balances	—	—	924	—	—	—	924	—
Financial assets at fair value through profit and loss	—	13,328	81,122	18,948	—	13,328	81,122	16,564
Prepayments, deposits and other receivables	—	5,445	269	—	—	5,445	269	—
Current financial assets and current net exposures	—	18,773	82,315	18,948	—	18,773	82,315	16,564

31 December 2009

	Group				Company			
	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD
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	1,790	—	30,168	172	1,790
Current financial assets and current net exposures	12,054	32,570	20,173	1,790	—	32,570	20,173	1,790

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, AUD and CAD exchange rates, 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 2010				
If US$ weaken against RMB	5	—	5	—
If US$ strengthen against RMB	(5)	—	(5)	—
If US$ weaken against GBP	5	939	5	939
If US$ strengthen against GBP	(5)	(939)	(5)	(939)
If US$ weaken against AUD	5	4,116	5	4,116
If US$ strengthen against AUD	(5)	(4,116)	(5)	(4,116)
If US$ weaken against CAD	5	947	5	828
If US$ strengthen against CAD	(5)	(947)	(5)	(828)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	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)
If US$ weaken against CAD	5	90	5	90
If US$ strengthen against CAD	(5)	(90)	(5)	(90)

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.

The Group's investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

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

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:

2010

	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
Trade payables	97	97	97	—	—	—	—	—	—	—
Accruals and other payables	17,812	17,812	17,812	—	—	4,873	4,873	4,873	—	—
Dividend payable	10,050	10,050	10,050	—	—	10,050	10,050	10,050	—	—
Derivative financial instruments	740	740	740	—	—	740	740	740	—	—
Amounts due to subsidiaries	—	—	—	—	—	118,483	118,483	118,483	—	—
	28,699	28,699	28,699	—	—	134,146	134,146	134,146	—	—

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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	—	—

The Group enjoyed a healthy financial position at the end of 2010, with cash and cash equivalents amounting to US$124 million as at 31 December 2010 (2009: US$3 million).

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group has no long-term external borrowings which bear floating interest rates. The Group's exposure to market risk for changes in interest rate related primarily to cash balances with banks.

Sensitivity analysis

At 31 December 2010, 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$1,238,000 (2009: US$36,000). The general increase/decrease in interest rate would have no significant impact on other components of consolidated equity.

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.

Fair value measurements recognised in the consolidated statement of financial position.

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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

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

		2010 - Group			
	Note	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets					
Available-for-sale financial assets					
– Listed	(a)	—	—	—	—
– Unlisted	(b)	—	7,006	—	7,006
Listed securities held for trading	(a)	114,080	—	—	114,080
Derivative financial instruments	(c)	—	—	—	—
Net fair values		114,080	7,006	—	121,086

		2009 - Group			
	Note	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'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 of the fair value hierarchy during the reporting periods.

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 the last 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 in accordance with pricing models based on discounted cash flow analysis using inputs from observable current market and similar instruments.

(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 and unlisted equity securities amounting to US$7,006,000 classified as available-for-sale financial assets (2009: US$1,578,000) and listed equity securities amounting to US$114,080,000 classified as financial assets at fair value through profit and loss (2009: US$26,368,000).

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 2010, 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 nil and US$22,816,000, respectively (2009: other comprehensive income and profit for the year would increase/decrease by US$27,000 and US$5,274,000, 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	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
(i) Financial assets				
Non-current assets				
Available-for-sale financial assets	7,025	1,597	19	156
Current assets				
Financial assets at fair value through profit and loss	114,080	26,368	111,694	26,368
Derivative financial instruments	—	38	—	38
Loans and receivables:				
– Cash and bank balances	123,816	3,085	121,678	296
– Amounts due from subsidiaries	—	—	48,423	87,061
– Trade receivables	43	43	—	—
– Loan receivables	4,345	4,345	—	—
– Prepayments, deposits and other receivables	6,090	52,749	4,138	36,438
– Amount due from minority shareholders	852	—	—	—
	249,226	86,628	285,933	150,201
	256,251	88,225	285,952	150,357

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Summary of financial assets and liabilities by category (Continued)

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
(ii) Financial liabilities				
Current liabilities				
Derivative financial instruments	740	—	740	—
Financial liabilities measured at amortised cost:				
– Trade payables, accruals and other payables	17,909	2,588	4,873	862
– Dividend payable	10,050	—	10,050	—
– Amounts due to subsidiaries	—	—	118,483	11,421
– Amounts due to minority shareholders	—	44	—	—
– Obligation under finance lease	—	27	—	—
	28,699	2,659	134,146	12,283
Non-current liabilities				
Financial liabilities measured at amortised cost:				
– Obligation under finance lease	—	8	—	—
	—	8	—	—
	28,699	2,667	134,146	12,283

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 2010 amounted to approximately US$269,735,000 (2009: US$224,015,000), which management considers as satisfactory 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.

42. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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 during the year ended 31 December 2009, the Group has no material related party transactions for the year ended 31 December 2009 and 2010.

The Directors are of the opinion that the key management personnel were the 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 of material importance pending or threatened against the Company or any subsidiary of the Group.

For completeness and as previously disclosed, Abagaqi Changjiang Mining Co., Ltd. ("**ACMC**") had been previously joined as a party to arbitration proceedings in respect of a third party claim against it for a success or transaction fee of up to 16 per cent of the total amount of RMB 180 million (US$26.35 million) that Regent Coal (BVI) has and may pay in respect of its existing and any future equity stake in ACMC. The claim relates only to 16 per cent of the actual amount paid by Regent Coal (BVI) for equity in ACMC, currently RMB 80 million (US$12.05 million), and Regent Coal (BVI) is fully indemnified (on a contractual basis) by the remaining shareholders of ACMC should it or ACMC be required to make any payment in connection therewith. As disclosed previously, these proceedings were dismissed by the Inner Mongolian Xilinhot Court on 15 October 2009.

The Company understands that the claimant has filed an appeal to a superior level court in Huhhot, which is yet to be considered or heard.

In light of the contractual protections in place in favour of Regent Coal (BVI) and the previous ruling in its favour, the Directors do not consider these proceedings material, but acknowledge that its outcome cannot be determined with any reasonable certainty at this time. Accordingly, no provision has been made in the financial statements of the Group in respect of these arbitration proceedings.

44. POST BALANCE SHEET EVENTS

i) On 20 January 2011, the Company and BC Iron Limited ("**BCI**") entered into the scheme implementation agreement pursuant to which Regent Pilbara Pty Limited ("**RPP**"), a wholly-owned subsidiary of the Company, agreed to make an all cash takeover offer by way of an Australian scheme of arrangement in respect of all issued BCI shares not already owned by the Company and/or RPP for the consideration of AUD 3.30 (approximately US$ 3.31 or HK$ 25.74) in cash for each BCI share held. However, on 15 March 2011, the Company announced that it had unilaterally terminated the transaction. As has been publicly disclosed, BCI has applied to the Australian Takeovers Panel (the intention to do so having been previously announced by the Company on 21 March 2011) to challenge the validity of the Company's termination of the scheme implementation agreement dated 20 January 2011 between the Company and BCI (the "**SIA**"), seeking a declaration of "unacceptable circumstances" and orders requiring the Company to proceed in accordance with the SIA. The Company reiterates that the SIA has been terminated in accordance with its terms, and it has no intention to withdraw such termination. Accordingly, it will vigorously defend the application to the Takeovers Panel. The Company will keep its shareholders updated with respect to material developments. Further details can be seen in the Company's announcement dated 15, 18 and 21 March 2011.

ii) On 20 January 2011, the Company executed firm commitments with Argonaut Capital Limited, as the lead manager, the sole underwriter and the sole book runner of the proposed Venturex Resources Limited ("**Ventruex**") capital raising, and otherwise, pursuant to which it agreed to subscribe, at AUD 0.09 (or approximately US$0.09 or HK$0.70) per Venturex share, for up to an aggregate of 254,167,054 new Venturex shares for an aggregate amount of up to AUD 22,875,035 (or approximately US$22,646,285 or HK$176,641,023) in cash.

iii) On 8 March 2011, the Company entered into a Sale and Purchase Agreement with Plenty Power Limited to dispose of the entire issued capital of Regent Minerals Limited, which holds 97.54% of the current registered capital of Simao Regent Minerals Limited. Completion is expected to happen on or before 31 March 2011.

45. COMPARATIVE FIGURES

Certain comparative figures in the consolidated statement of cash flows have been reclassified to conform to the classification in the current period to better reflect the operating cash flows of the Group during the year.

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