Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

2011
Annual Report

CONTENTS

PERFORMANCE OVERVIEW

A summary of the financial performance and achievements for 2011 include:

- Operating loss of US$41.45 million, before impairment charges of US$9.21 million
- Shareholders' equity of US$182.02 million or net asset value per share of 40.47 HK cents
- Successful sale of the Group's interests in Matthews International Capital Management LLC and the Yinzishan Mining Project, which generated realized gains of US$6.41 million and US$2.40 million respectively
- Announced sale of the Ji Ri Ga Lang Coal Project that successfully closed in January 2012, which will realise a gain of approximately US$4.41 million in 2012
- On-market share buyback 100% complete with US$14.91 million worth of shares bought back and cancelled, equivalent to 10% of the Group's issued share capital. A further 10% mandate is being sought from shareholders at the Group's extraordinary general meeting at the end of March 2012
- Capital return of US$28.37 million to shareholders
- Cash and listed securities balance of US$142.44 million at end of 2011, with no external debt
- A dividend of 3 HK cents per share was declared in December 2011 and paid in February 2012
- During the course of 2011, we increased our strategic stakes in Venturex Resources Limited and BC Iron Limited to 28.88% and 22.65% respectively

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

We are pleased to inform shareholders that our listed equity portfolio (which is marked to market) has had a pronounced and timely bounce back, recovering some of its 2011 losses, where realised and unrealised gains stand at approximately US$25.03 million for the two months ended 29 February 2012.

CHAIRMAN'S STATEMENT

Dear Shareholders

2011 was a difficult and uncertain year for the global economy and financial markets, particularly around the euro, not helped by elevated price volatility during the period concerned. We expect price volatility to continue into 2012, leading us to remain somewhat cautious going about near term prospects. However, the medium to long term outlook remains positive for metals and minerals as strong demand growth from emerging markets continues. This, together with the strength of our balance sheet, gives us confidence to forge ahead with the multiple investment targets that we have identified.

As a result in the sharp decline of the Australian, Toronto and London indices ranging from -6% to -20%, our listed investment portfolio pushed the Group into generating a net operating loss of US$41.45 million, before impairment charges of US$9.21 million.

Despite the macroeconomic challenges, during 2011, we returned US$28.37 million to shareholders by way of dividends and share buy-backs, which is in line with our stated policy of paying progressive dividends. In addition, we announced another share buy-back in 2012 that will look to repurchase up to another 10% of the Company's issued share capital.

We completed our divestment programme in 2011 by disposing of Matthews International Capital Management LLC and the Yinzishan Mining Project, which generated realised gains of US$6.41 million and US$2.40 million respectively. In addition, we announced in December the sale of the Ji Ri Ga Lang Coal Project that successfully closed in January 2012, which will realise a gain of approximately US$4.41 million in 2012.

Our listed securities portfolio incurred a loss of US$39.77 million. The total value of our listed equity portfolio was US$126.03 million as at 31 December 2011, up from US$114.08 million in 2010.

The Group's balance sheet remains strong, with cash balances and listed securities standing at US$142.44 million, with no external debt. Our net asset value per share was US$0.052 at the end of 2011.

At the time of writing my Chairman's statement, I am very pleased to inform shareholders that our listed equity portfolio (which is marked to market) has had a pronounced and timely bounce back, recovering some of its 2011 losses where realised and unrealised gains stand at US$25.03 million for the two months ended 29 February 2012.

Our strategy remains the same and our strengthened balance sheet has us well positioned 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 for their continued support and our employees for their hard work in a difficult year.

James Mellon
Co-Chairman

23 March 2012

CEO'S REPORT

The Company recorded an operating loss of US$41.45 million, before an impairment charge and one time write offs totalling US$9.21 million.

Overall 2011 was a challenging time for the equity capital markets with the major stock exchanges in Australia, Canada, the United Kingdom and Hong Kong experiencing a sharp decline over the period ranging from -6% to -20%. The performance of these indices directly impacted our investment portfolio. In 2011, as a direct response to the price and market volatilities, we increased our exposure to gold companies, such as Avion Gold Corporation and Goldrich Mining Company to benefit from the increase in the gold price.

We started the first few months of 2011 strongly but the challenges in terms of the March 2011 tsunami and the deterioration in global economic growth flowing from continued difficulties in Europe and slowing levels of activities in the high growth economies of China and India, negatively impacted the performance of our investment portfolio in line with the global indices. However, I am pleased to say that our listed equity portfolio has had a pronounced and timely bounce back, recovering some of its 2011 losses where realised and unrealised gains stand at US$25.03 million for the two months ended 29 February 2012.

We ended the year with a healthy cash and listed securities balance of US$142.44 million. We returned US$28.37 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.

In 2011 we completed our divestment programme by selling our interests in Matthews International Capital Management LLC ("**MICM**") and the Yinzishan Mining Project, which generated realised gains of US$6.41 million and US$2.40 million respectively. In addition, we announced in December the sale of the Ji Ri Ga Lang Coal Project that successfully closed in January 2012, which will realise a gain of approximately US$4.41 million in 2012.

West China Coking & Gas Company Limited ("**West China Coke**"), a 25% associated investment of the Group, produced 878,633 tonnes of coke and 113,699 tonnes of methanol and other by-products. Total revenue was RMB 1,929.14 million (approximately US$298.47 million) and its net profit was RMB 31.51 million (approximately US$4.88 million). We equity-accounted a profit of US$1.22 million for the year.

During the year, we increased our strategic equity stakes in Venturex Resources Limited and BC Iron Limited ("**BCI**") to 28.88% and 22.65% respectively.

In May 2011, the Company was informed by the board of BCI of its decision to withdraw its unanimous recommendation of the Company's cash offer to acquire all the issues share capital in BCI following receipt of a report from the independent expert, KPMG, opining that the Company's cash offer of A$3.30 per share was not fair and not reasonable and therefore was not in the best interests of BCI shareholders as a whole. Consequently, BCI terminated the scheme of arrangement with the Company.

During 2011 commodity prices generally averaged higher than in 2010. This was due to a combination of factors including: on-going strong demand from China, commodity supply constraints coupled with weather and environmental disruption; and low interest rates facilitating commodity investment. However, despite the average price strength, commodity prices deteriorated during the second half of the year and almost all finished the year lower than they started. This was largely a result of the on-going macroeconomic uncertainty associated with the sovereign debt crisis in Europe, the concern of broader contagion and financial system stability and the tightening of credit in China (which is now showing signs of some easing).

With market expectations of global growth of around 3.3% in 2012 and Chinese GDP of around 7.5%, we are still mindful of short term uncertainties with the disorderly unwinding of the European government debt remaining one of the key downside risks. We expect market conditions will remain volatile in 2012 but there are two bright spots emerging with the United States showing stronger growth and Japan rebounding in activity following the impacts of the March 2011 tsunami. We therefore expect a protracted recovery for the developed world with European government debt weighing to the downside.

In China we are expecting a soft landing with growth in excess of 7.5% with monetary policy easing into 2012. We expect China will pursue targeted, albeit moderate measures to support balanced growth in its economy.

In the longer term, we remain positive on the outlook of the global economy as the drivers of urbanisation and industrialisation in China, India and other emerging economies are expected to underpin global growth and robust commodities demand.

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 2012 well positioned and with enhanced options for value-adding growth.

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.

REVENUE AND PROFIT

The Company recorded a net loss after tax and non-controlling interests of US$48.53 million in 2011, compared with the net profit of US$59.79 million in 2010.

The corporate division recorded a loss of US$24.62 million (2010: profit of US$61.16 million).

The Group's associates, Regent Markets Holdings Limited ("**Regent Markets**") and West China Coke, contributed a share of profit of US$0.49 million and US$1.22 million respectively to the Group.

REVENUE AND PROFIT (Continued)

The main elements of the loss are analysed as follows:

	US$ million
Share of profit from Regent Markets	0.49
Share of profit from West China Coke	1.22
Gain on disposal of the Yinzishan Mining Project	2.40
Gain on disposal of Matthews International Capital Management LLC ("**MICM**")	6.41
Corporate investment	(44.84)
Coal mining and coking coal	(2.24)
Metals mining	(1.62)
Transaction costs on termination of BCI acquisition	(5.49)
Write off of goodwill	(4.86)
Total loss attributable to owners of the Company	(48.53)

FINANCIAL POSITION

Shareholders' equity decreased by 32.52% to US$182.02 million as at 31 December 2011 from US$269.74 million as at 31 December 2010. The decrease was mainly due to: (i) the loss of US$48.53 million for the year ended 31 December 2011, (ii) the buy-back of 425.26 million shares of the Company, which reduced the share capital and share premium by US$14.91 million, (iii) the purchase of shares of the Company for a cost of US$7.54 million, which are held for the Group's long term incentive share award scheme, (iv) the disposal of an available-for-sale financial asset (MICM), which reduced the investment revaluation reserve by US$6.86 million, (v) the decrease of the exchange reserve by US$0.23 million mainly due to the disposal of a subsidiary, and these were offset against (vi) the exchange gain of US$1.44 million on translation of foreign operations, (vii) the share-based payment reserve increase of US$0.09 million due to the share-based payment on the Group's long term incentive share award scheme, the reversal of share-based payment reserve from forfeited share options and share of reserve from an associate, and (viii) the increase of statutory reserve of US$0.80 million due to the share of reserve from an associate.

The investments in Regent Markets of US$3.34 million and West China Coke of US$21.39 million accounted for 1.83% and 11.75% of shareholders' equity respectively. The Group's assets also comprised: (i) cash and bank balances of US$16.41 million, (ii) listed and unlisted investments of US$135.31million, (iii) assets held-for-sale of US$17.73 million, and (iv) other assets and receivables of US$12.31 million.

The Group's liabilities comprised: (i) payables and accruals of US$5.53 million, (ii) dividend payable of US$13.46 million, (iii) liabilities related to assets held-for-sale of US$3.65 million, and (iv) derivative financial instruments of US$0.49 million.

FUNDING

As at 31 December 2011, the Group had US$16.41 million in cash and US$8.93 million on margin deposits held with the Group's brokers for trading of derivatives that represented 9.02% and 4.91% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$126.03 million.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 December 2011.

JI RI GA LANG COAL PROJECT

In December 2011, we announced the sale of the Ji Ri Ga Lang Coal Project and the sale was successfully closed in January 2012. We expect to realise a gain of approximately US$4.41 million on its disposal in 2012.

SIMAO REGENT MINERALS JV

In 2011, we completed the sale of the Yinzishan Mining Project for a total cash consideration of US$3.78 million and we realised a gain of US$2.40 million on the disposal.

Jamie Gibson
Chief Executive Officer

23 March 2012

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.

HEALTHY AND SAFETY

The Group 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 for the Company.

COMMUNITY

The Group 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

The Group 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 minimise 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. The Group 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 2011 (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 2011 are set out in the Consolidated Statement of Comprehensive Income on pages 54-56.

The Company paid a special interim dividend in respect of the year ended 31 December 2011 of HK$0.03 in cash per share on 29 February 2012 (2010: HK$0.02 per share).

The Directors do not recommend the payment of a final dividend (2010: Nil).

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
	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
Total income					
– Continuing operations	(24,615)	61,158	20,553	6,142	2,598
– Discontinued operations	—	—	—	—	—
	(24,615)	61,158	20,553	6,142	2,598
Income less expenses before impairment losses and provision	(45,212)	34,134	5,212	(13,912)	(4,695)
Reversal of impairment	—	912	—	—	—
Impairment losses	(4,863)	(28)	—	(154,696)	—
Write down	(4,345)	—	(6,384)	—	—
Finance costs – Interest on redeemable convertible preference shares and hire purchase	—	(2)	(170)	(854)	(1,662)
Operating (loss)/profit	(54,420)	35,016	(1,342)	(169,462)	(6,357)
Profit on disposal of a jointly controlled entity and the Zhun Dong Coal Project	—	19,834	—	—	—
Profit on disposal of the Yinzishan Mining Project	2,401	—	—	—	—
Share of profits of associates	1,705	2,915	3,447	403	678
Share of profit of a jointly controlled entity	—	3,007	9,092	7,701	7,067
(Loss)/Profit before taxation	(50,314)	60,772	11,197	(161,358)	1,388
Taxation	—	(1,000)	—	(324)	—
(Loss)/Profit for the year/period	(50,314)	59,772	11,197	(161,682)	1,388
Non-controlling interests	1,787	20	(145)	739	215
(Loss)/Profit attributable to shareholders of the Company	(48,527)	59,792	11,052	(160,943)	1,603

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	As at 31 December				
	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
Goodwill	—	12,256	14,132	52,137	190,724
Exploration and evaluation assets	—	9,485	8,187	31,391	5,729
Property, plant and equipment	296	558	983	1,195	467
Interests in associates	24,727	22,487	19,508	17,363	16,572
Interest in a jointly controlled entity	—	—	36,889	34,295	29,951
Available-for-sale financial assets	9,287	7,025	1,597	7,386	620
Current assets	172,175	249,226	151,933	79,907	167,578
Total assets	206,485	301,037	233,229	223,674	411,641
Current liabilities	23,137	28,699	6,560	2,897	12,830
Non-current liabilities	—	—	8	5,257	14,118
Total liabilities	23,137	28,699	6,568	8,154	26,948
Net assets	183,348	272,338	226,661	215,520	384,693

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.

SHARE CAPITAL, OPTIONS AND SHARE AWARDS

Details of the Company's share capital, outstanding share options under the Share Option Scheme (2002) and outstanding units under the Long Term Incentive Plan 2007 are set out below and in note 29 to the Financial Statements.

1. Share Capital

As at 1 January 2011, the total issued ordinary share capital of the Company consisted of 3,910,990,523 shares. During the year ended 31 December 2011, an aggregate of 425,260,000 shares were repurchased by the Company on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") for a total consideration of HK$115,501,910 (approximately US$14,911,000), 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 2011, the total issued ordinary share capital of the Company consisted of 3,485,730,523 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.

2. Share Option Scheme (2002)

The Company's share option scheme, named "Share Option Scheme (2002)" (the "**Share Option Scheme (2002)**"), was adopted with shareholders' approval at the Company's annual general meeting held on 15 November 2002. The scheme shall continue in force until the tenth anniversary of its commencement date, which will be 15 November 2012.

Upon adoption of the Long Term Incentive Plan 2007 (as referred to in sub-paragraph (3) 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 29.1 to the Financial Statements.

As at 1 January 2011, 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 157,116,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

During the year ended 31 December 2011:

- No new options were granted;
- No vested options were exercised;
- An outstanding option in respect of 2,500,000 shares at the exercise price of HK$0.300 per share and an option in respect of 750,000 shares at the exercise price of HK$0.325 per share lapsed upon redundancy of two employees respectively; and
- No outstanding options were cancelled.

SHARE CAPITAL, OPTIONS AND SHARE AWARDS (Continued)

2. Share Option Scheme (2002) (Continued)

Accordingly, as at 31 December 2011, under the Share Option Scheme (2002) there were outstanding options in respect of an aggregate of 153,866,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

Subsequent to the year end date and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options were cancelled. An outstanding option in respect of 3,500,000 shares at the exercise price of HK$1.152 per share lapsed upon termination of the employment of an employee. Accordingly, as at the date of this report, under the Share Option Scheme (2002) there are outstanding options in respect of an aggregate of 150,366,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

3. Long Term Incentive Plan 2007

The Company adopted a new long term incentive plan, named "Long Term Incentive Plan 2007" (the "**Long Term Incentive Plan 2007**"), with shareholders' approval at the 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 in sub-paragraph (2) above) will be granted.

Details of the Long Term Incentive Plan 2007 are set out in note 29.2 to the Financial Statements.

(i) Grant and vesting of units

As at 1 January 2011, 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, who received his entitlement in the full cash equivalent on 7 January 2009, as detailed in note 29.2 to the Financial Statements) in stages in accordance with their respective vesting schedules.

SHARE CAPITAL, OPTIONS AND SHARE AWARDS (Continued)

3. Long Term Incentive Plan 2007 (Continued)

(i) Grant and vesting of units (Continued)

During the year ended 31 December 2011:

- An aggregate of 52,750,002 shares were vested to the respective eligible participants (not including Jamie Gibson as detailed in note 29.2 to the Financial Statements);
- New units in respect of an aggregate of 236,700,000 shares were granted;
- An outstanding unit in respect of 4,000,000 shares and an outstanding unit in respect of 3,000,000 shares lapsed upon resignation of two employees respectively; and
- No outstanding units were cancelled.

Accordingly, as at 31 December 2011, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 236,700,000 shares, which were to be vested to the respective eligible participants in stages in accordance with their respective vesting schedules.

Subsequent to the year end date and prior to the date of this report:

- An aggregate of 5,566,665 shares were vested to the respective eligible participants;
- No new units were granted;
- Three outstanding units in respect of 1,666,667 shares each and three outstanding units in respect of 4,000,000 shares each lapsed upon termination of the employment of three employees; and
- No outstanding units 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 214,133,334 shares, which are to be vested to the respective eligible participants in stages in accordance with their respective vesting schedules.

SHARE CAPITAL, OPTIONS AND SHARE AWARDS (Continued)

3. Long Term Incentive Plan 2007 (Continued)

(ii) Acquisition of shares

As at 1 January 2011, an aggregate of 59,750,002 shares were held by the trustee appointed by the Company for the plan, which were acquired by the trustee from the market during the previous period and were to be vested to the respective eligible participants (not including Jamie Gibson) in stages in accordance with their respective vesting schedules.

During the year ended 31 December 2011:

- An aggregate of 52,750,002 shares were vested to the respective eligible participants (not including Jamie Gibson as detailed in note 29.2 to the Financial Statements); and
- An aggregate of 229,700,000 shares were acquired from the market for a total consideration of HK$58,409,480 (approximately US$7,537,000).

Accordingly, as at 31 December 2011, an aggregate of 236,700,000 shares were held by the trustee, which were to be vested to the respective eligible participants in stages in accordance with their respective vesting schedules;

Subsequent to the year end date and prior to the date of this report:

- An aggregate of 5,566,665 shares were vested to the respective eligible participants; and
- No shares were acquired.

Accordingly, as at the date of this report, an aggregate of 231,133,335 shares are held by the trustee, including: (i) an aggregate of 214,133,334 shares, which are to be vested to the respective eligible participants in stages in accordance with their respective vesting schedules; and (ii) an aggregate of 17,000,001 shares subject to the lapsed units (referred to in sub-paragraph (i) above), which are available for the grant of new units.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 30 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

1. Under the repurchase mandates

A general mandate was granted to the Directors at the Company's annual general meeting held on 10 June 2010 to repurchase, on the HK Stock Exchange, shares up to a maximum of 391,099,052 shares (the "**2010 Repurchase Mandate**").

Prior to May 2011, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2010 Repurchase Mandate.

In May 2011, the Company repurchased an aggregate of 38,520,000 shares on the HK Stock Exchange pursuant to the 2010 Repurchase Mandate at prices ranging from HK$0.290 to HK$0.320 per share, for a total consideration of HK$11,865,150 (approximately US$1,535,039).

The 2010 Repurchase Mandate expired upon close of the Company's annual general meeting held on 1 June 2011, at which a new general mandate was granted to the Directors to repurchase, on the HK Stock Exchange, shares up to a maximum of 387,247,052 shares (the "**2011 Repurchase Mandate**").

During the period from 1 June 2011 to 31 December 2011, the Company repurchased an aggregate of 386,740,000 shares on the HK Stock Exchange pursuant to the 2011 Repurchase Mandate for a total consideration of HK$103,636,760 (approximately US$13,376,000), 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$)
June 2011	14,730,000	0.295	0.270	4,218,500
July 2011	138,580,000	0.380	0.305	48,949,200
August 2011	32,480,000	0.280	0.248	8,948,260
September 2011	57,350,000	0.285	0.192	13,962,020
October 2011	143,600,000	0.204	0.171	27,558,780
	386,740,000			103,636,760

All the repurchased shares were cancelled accordingly.

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

Given that the 2011 Repurchase Mandate is about to be fully exercised and that as announced by the Company on 13 January 2012, in light of the significant premium of the unaudited net asset value per share to the current price of the shares on the HK Stock Exchange, the Directors have proposed to seek approval from shareholders for a new mandate to repurchase up to a further 10% of the Company's current issued share capital at the extraordinary general meeting to be held on 28 March 2012 (as detailed in the shareholders' circular issued by the Company on 7 February 2012).

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES (Continued)

2. For the Long Term Incentive Plan 2007

During the year ended 31 December 2011, the Company, through its trustee, acquired an aggregate of 229,700,000 shares from the market and on the HK Stock Exchange for a total consideration of HK$58,409,480 (approximately US$7,537,000), 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:

Period	Number of shares acquired during the period	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Total amount paid (HK$)
25-28 March 2011	16,700,000	0.350	0.330	5,709,300
8-30 November 2011	194,780,000	0.265	0.227	48,367,310
1-6 December 2011	18,220,000	0.247	0.228	4,332,870
	229,700,000			58,409,480

Subsequent to the year end date and prior to the date of this report, no shares were acquired by the trustee.

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 2011 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 2011 and prior to 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 2011 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*

* *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.

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 James Mellon, Jamie Gibson and David Comba 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.

DIRECTORS (Continued)

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

1. ***James Mellon***, aged 55, 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. Mr Mellon is also: (i) a non-executive director of Charlemagne Capital Limited, an executive co-chairman of the board of West African Minerals Corporation (formerly known as Emerging Metals Limited), the executive chairman of the board of Manx Financial Group plc, the executive chairman of the board of Speymill 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, which is listed on the TSX Venture Exchange; (iii) a non-executive director of Polo Resources Limited, which is dually listed on AIM and the TSX Venture Exchange; and (iv) the non-executive chairman of the board of Speymill Deutsche Immobilien Company plc (which was delisted from AIM on 31 May 2011).

2. ***Stephen Roland Dattels***, aged 64, 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, an African based uranium company. 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 the chief executive and an executive co-chairman of the board of West African Minerals Corporation (formerly known as Emerging Metals Limited) and a non-executive director of GCM Resources plc, both of which are listed on AIM, and the joint executive chairman of the board of Polo Resources Limited, which is dually listed on AIM and the TSX Venture Exchange. Mr Dattels was: (i) a non-executive director of Berkeley Resources Limited (a company listed on the Australian Securities Exchange ("**ASX**")) for the period from May to September 2009; (ii) a director of Extract Resources Limited (a company listed on ASX and the Toronto Stock Exchange) for the period from July 2009 to April 2010; and (iii) a non-executive director of Caledon Resources plc (which was delisted from AIM and ASX on 30 August 2011 upon completion of a scheme of arrangement) for the period from July 2008 to November 2010.

DIRECTORS (Continued)

3. ***Jamie Alexander Gibson***, aged 46, 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 a number of subsidiaries of Regent Pacific Group, including Amerinvest Coal Industry Holding Company Limited, which in turn holds a 25% equity interest in West China Coking & Gas Company Limited.

4. ***Charles David Andrew Comba***, aged 68, 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. He 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. Mr Comba obtained two geological degrees from Queen's University Kingston, Ontario, Canada, an MSc (1975) and a Hon BSc (1972).

5. ***Julie Oates,*** aged 50, 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.

DIRECTORS (Continued)

6. ***Stawell Mark Searle***, aged 68, 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.

7. ***Jayne Allison Sutcliffe***, aged 48, 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 AIM.

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 of Hong Kong.

DIRECTORS (Continued)

The Directors serve at the various committees of the Board as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee (Note 1)	Connected Transactions Committee (Note 2)	Technical Committee (Notes 3&4)
James Mellon	Member of Audit Committee	Member of Remuneration Committee	Chairman of Nomination Committee	Chairman of Investment Committee		
Stephen Dattels						
Jamie Gibson				Member of Investment Committee	Member of Connected Transactions Committee	Chairman of Technical Committee
David Comba						Member of Technical Committee
Julie Oates	Chairlady of Audit Committee	Member of Remuneration Committee	Member of Nomination Committee		Chairlady of Connected Transactions Committee	
Mark Searle	Member of Audit Committee	Chairman of Remuneration Committee	Member of Nomination Committee		Member of Connected Transactions Committee	
Jayne Sutcliffe						

Notes:

1. The Investment Committee oversees the investments of the Group.

2. The Connected Transactions Committee reviews and monitors 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.

3. The Technical Committee reviews and monitors the compliance of the Company with the requirements of Chapter 18 of the HK Listing Rules (together with associated provisions of the HK Listing Rules).

4. The Technical Committee comprises other members who are not Directors of the Company.

DIRECTORS (Continued)

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

James Mellon has informed the Board that he categorically denies these allegations and has retained leading Korean counsel to act on his behalf in disproving the Korean prosecutor's claims. James Mellon has also informed the Board that on 28 March 2001, he also submitted, via his Korean counsel, a comprehensive sworn affidavit disproving the alleged manipulation. The Board was informed by James Mellon on 15 July 2004 that the arrest warrant was re-issued on 14 January 2004 and would remain valid and effective until 12 March 2010 or 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, OPTIONS AND SHARE AWARDS

As at 31 December 2011, 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	2.15%
	A	Beneficiary of a trust	Long position	375,821,131	10.78%
Stephen Dattels	B	Beneficiary of a trust	Long position	284,266,097	8.16%
Jamie Gibson		Beneficial owner	Long position	4,419,138	0.13%
David Comba		—	—	—	—
Julie Oates	C	Interests held jointly with another person	Long position	2,500,000	0.07%
Mark Searle		Beneficial owner	Long position	4,000,000	0.11%
	D	Beneficiary of a trust	Long position	1,000,000	0.03%
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	0.49%
	E	Beneficiary of a trust	Long position	27,965,226	0.80%

* 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) and the shares subject to unvested units under the Long Term Incentive Plan 2007 held by the Directors, which are disclosed in sub-paragraphs (b) and (c) below.

** The total issued ordinary share capital of the Company as at 31 December 2011 consisted of 3,485,730,523 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, OPTIONS AND SHARE AWARDS (Continued)

I. Securities of the Company (Continued)

b. *Share Option Scheme (2002)*

Please refer to note 29.1 to the Financial Statements as to the details of the Share Option Scheme (2002).

As at 31 December 2011, 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 2011 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 or lapsed.

Save for the above, during the year ended 31 December 2011 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, OPTIONS AND SHARE AWARDS (Continued)

1. Securities of the Company (Continued)

c. *Long Term Incentive Plan 2007*

Please refer to note 29.2 to the Financial Statements as to the details of the Long Term Incentive Plan 2007.

(i) On 7 January 2009, a unit in respect of 99,000,000 shares was granted under the plan to Jamie Gibson, who received his entitlement on 7 January 2009 in the full cash equivalent of HK$15,543,000 (approximately US$1,992,692), being at HK$0.157 per share. Such cash equivalent was made available to Jamie Gibson for allowing him to buy the number of shares which he was 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 payment should be amortised over three years in line with the share scheme starting in the financial year ended 31 December 2009.

On 11 July 2011, in accordance with the rules of the Long Term Incentive Plan 2007 and as approved by the Remuneration Committee, all units granted under the plan before 2 December 2010, which remained outstanding then, were vested in full to the respective unitholders who remained as "Eligible Persons" under the plan. Accordingly, an amount of pre-paid cash of HK$2,569,208 (approximately US$330,147) in respect of the unit granted to Jamie Gibson was debited to the "Employee Benefit Expenses" in the consolidated statement of comprehensive income for the six months ended 30 June 2011, and the remaining amount of HK$2,696,958 (approximately US$346,564) that would otherwise have been recognised over the remaining vesting period was fully recognised as "Employee Benefit Expenses" in the consolidated statement of comprehensive income in July 2011.

(ii) On 1 November 2011, units in respect of 50,000,000 shares and 100,000,000 shares were granted under the plan to James Mellon and Jamie Gibson respectively, which are to be vested in full on the happening of the "trigger event" (as referred to in the offer letters dated 7 November 2011) or otherwise on 1 November 2014.

Subsequent to the year end date and prior to the date of this report, no new units were granted to the Directors of the Company under the Long Term Incentive Plan 2007, and none of the outstanding units were vested or cancelled or lapsed.

DIRECTORS' INTERESTS IN SECURITIES, OPTIONS AND SHARE AWARDS (Continued)

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%

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 an investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary 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 2011 and as at the date of this report, none of the Directors (or their associates) had any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

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

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS

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/have a material interest, either directly or indirectly, subsisted/subsists as at 31 December 2011 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 2011 or as at the date of this report or at 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 2011 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 a well financed publicly traded junior exploration company listed on the TSX Venture Exchange, a Canadian stock exchange, and based in Vancouver, British Columbia. It owns a portfolio of road accessible, grass-roots to advance stage (São Jorge) gold projects in the Tapajós region of northern Brazil. In 2011, it is focused on expanding the resource at São Jorge and discovering new deposits on their extensive land holdings.

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

- The Company (and its subsidiaries) holds approximately 3.93% of its total issued share capital;
- James Mellon (himself and through his associate) holds approximately 4.65% of its total issued share capital; and
- An investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 7.55% of its total issued share capital.

(2) GCM Resources plc

GCM Resources plc ("**GCM Resources**", AIM: GCM) is a London-based resource exploration and development company listed on the Alternative Investment Market ("**AIM**") of the London Stock Exchange, 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 29.80% of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(3) Global Tin Corporation

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, an investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 23.48% of its total issued share capital.

(4) 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, an investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 14.75% of its total issued share capital.

In February 2011, Polo Resources Limited ("**Polo Resources**", see below) has subscribed for 30% of the issued share capital of MinFer Holdings, and MinFer Holdings has 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.

(5) Polo Resources Limited

Polo Resources Limited (AIM and TSX-V: POL) is a globally focused natural resources and mine development investment company dually listed on AIM and the TSX Venture Exchange. It selects, acquires and manages substantial investments in companies and projects with strong value enhancement potential and attractive growth prospects and utilises this ability to deliver value-adding returns.

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 4.24% of its total issued share capital;
- James Mellon (himself and through his associate) holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s);
- An investment wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 9.77% of its total issued share capital; and
- GCM Resources (see above) holds approximately 3.26% of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(6) West African Minerals Corporation (formerly known as Emerging Metals Limited)

West African Minerals Corporation ("**West African Minerals**", AIM: WAFM) is an AIM listed company, focused on investing in natural resources companies and/or physical resource assets. Its wholly owned subsidiary, Ferrum Resources Limited ("**Ferrum Resources**"), has built a portfolio of iron ore assets in Africa. Ferrum Resources aims to become a major international iron ore mining and exploration group.

James Mellon is an executive co-chairman of the board and Stephen Dattels is the chief executive and an executive co-chairman of the board of West African Minerals, 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 (himself and through his associate) holds approximately 9.30% of its total issued share capital; and
- An investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 14.43% of its total issued share capital.

Note: Caledon Resources plc ("**Caledon Resources**"), in which the Company did not hold any interests, was disclosed under the "Directors' Interests in Competing Businesses" in the Company's last annual report given that: (i) James Mellon and (ii) Polo Resources (see above) held less than 3% (which was not discloseable under the rules of the relevant regulator(s)) and approximately 29.90% of its total issued share capital respectively as at the date of that report. Pursuant to an offer made by Guangdong Rising (Australia) Pty Ltd to acquire the entire issued share capital of Caledon Resources, James Mellon and Polo Resources disposed of all their holdings in Caledon Resources before Caledon Resources was delisted from AIM and the Australian Securities Exchange on 30 August 2011 upon completion of the scheme of arrangement.

As at the date of this report, other Directors of the Company do not have any discloseable interests in Caledon Resources.

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

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

SUBSTANTIAL SHAREHOLDERS

The Directors are not aware of any persons (other than James Mellon and Stephen Dattels, whose interests are set out in detail under the section headed "Directors' Interests in Securities, Options and Share Awards") who, as at 31 December 2011 or as at the date of this report, had/has beneficial interests or 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 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 2012 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 with Appendix 23 to the HK Listing Rules.

On Behalf of the Board

James Mellon
Co-Chairman

23 March 2012

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

REVENUE AND PROFIT

The Company recorded a net loss after tax and non-controlling interests of US$48.53 million, compared with the net profit of US$59.79 million in 2010.

The corporate division recorded a loss of US$24.62 million (2010: profit of US$61.16 million).

The Group's associates, Regent Markets Holdings Limited ("**Regent Markets**") and West China Coking & Gas Company Limited ("**West China Coke**"), contributed a share of profit of US$0.49 million and US$1.22 million respectively to the Group.

The main elements of the loss are analysed as follows:

	US$ million
Share of profit from Regent Markets	0.49
Share of profit from West China Coke	1.22
Gain on disposal of Yinzishan Mining Project	2.40
Gain on disposal of Matthews International Capital Management LLC ("**MICM**")	6.41
Corporate investment	(44.84)
Coal mining and coking coal	(2.24)
Metals mining	(1.62)
Transaction costs on termination of acquisition of BC Iron Limited	(5.49)
Write off of goodwill	(4.86)
Total loss attributable to shareholders of the Company	(48.53)

FINANCIAL POSITION

Shareholders' equity decreased by 32.52% to US$182.02 million as at 31 December 2011 from US$269.74 million as at 31 December 2010. The decrease was mainly due to (i) the loss of US$48.53 million for the year ended 31 December 2011, (ii) the buy-back of 425.26 million shares of the Company, which reduced the share capital and share premium by US$14.91 million, (iii) the purchase of shares of the Company for a cost of US$7.54 million, which are held for the Group's long term incentive share award scheme, (iv) the disposal of an available-for-sale financial asset (MICM), which reduced the investment revaluation reserve by US$6.86 million, (v) the decrease of the exchange reserve by US$0.23 million mainly due to the disposal of a subsidiary, and these were offset against (vi) the exchange gain of US$1.44 million on translation of foreign operations, (vii) the share-based payment reserve increase of US$0.09 million due to the share-based payment on the Group's long term incentive share award scheme, the reversal of share-based payment reserve from forfeited share options and the share of reserve from an associate, and (viii) the increase of statutory reserve of US$0.80 million due to the share of reserve from an associate.

The investments in Regent Markets of US$3.34 million and West China Coke of US$21.39 million accounted for 1.83% and 11.75% of shareholders' equity respectively. The Group's assets also comprised: (i) cash and bank balances of US$16.41 million, (ii) listed and unlisted investments of US$135.31 million, (iii) assets held-for-sale of US$17.73 million, and (iv) other assets and receivables of US$12.31 million.

The Group's liabilities comprised (i) payables and accruals of US$5.53 million, (ii) dividend payable of US$13.46 million, (iii) liabilities related to assets held-for-sale of US$3.65 million, and (iv) derivative financial instruments of US$0.49 million.

FUNDING

As at 31 December 2011, the Group had US$16.41 million in cash and US$8.93 million on margin deposits held with the Group's brokers for trading of derivatives that represented 9.02% and 4.91% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$126.03 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 debt as at 31 December 2011.

CONTINGENT LIABILITIEES

The Group has no material contingent liabilities as at 31 December 2011.

CHARGE ON ASSETS

None of the Group's assets was pledged as at 31 December 2011.

MANAGEMENT OF RISK

In 2011, the most significant risk affecting the profitability and viability in respect of the Group is the continued success and revenue derived from its listed equity portfolio and in respect of the Group's interest in West China Coke. Risks relating to the Group's interests include:

Equity Markets

Global financial markets are continuing to experience significant levels of volatility, driven largely by macro economic imbalances stemming from the sovereign debt problems in the United States and Europe and the credit tightening in developing countries. As such, the future returns from the Group's equity portfolio are linked to the health of the macro environment for which the Group cannot control. Past returns from the listed equity portfolio cannot be used to judge the Group's future listed equity performance.

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 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 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.

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 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

Governments have been making efforts to promote reforms of their economic system and manage through the global financial issues. These reforms can bring 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 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.

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 2011, the amount of these margin deposits was US$8,932,000 (2010: US$2,243,000). 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 38 to the Financial Statements.

MATERIAL ACQUISITIONS AND DISPOSALS

On 31 March 2011, the Group disposed of its entire equity interest in its subsidiaries, Regent Minerals Limited ("**RMI**") and Simao Regent Minerals Limited ("**SRM**"), which mainly held the Yinzishan Mining Project in Yunnan, PRC. Total consideration received from the disposal of the Yinzishan Mining Project was US$3.78 million, and the gain realised from the disposal was US$2.40 million.

For details of these disposals, please refer to note 32 to the Financial Statements.

SEGMENTAL INFORMATION

During the year ended 31 December 2011, there were no changes in the Group's industry segment. On 21 December 2011, the Company entered into a sale and purchase agreement for the disposal of its interests in the entire share capital of Regent Coal (BVI) Limited and Abagaqi Changjiang Mining Co., Ltd., which mainly holds the Ji Ri Ga Lang Coal Project, which represents the segment of coal mining. The segment of coal mining was presented as discontinued operations as a result of the disposal.

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

EMPLOYEES

The Group, including subsidiaries but excluding associates, employed approximately 27 employees at 31 December 2011. 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, 236,700,000 share awards were granted to eligible participants.

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 (the "**Board**") 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 2011 and prior to the date of this report.

The Directors have noted that the HK Stock Exchange published on 28 October 2011 the Consultation Conclusions (the "**Consultation Conclusions**") on the "Review of the Corporate Governance Code and Associated Listing Rules" and introduced a number of amendments to the provisions of the HK Listing Rules, the Code on CG Practices (which will be renamed as the "Corporate Governance Code" (the "**CG Code**")) and the disclosures to be made in the Corporate Governance Report (which is currently set out in Appendix 23 to the HK Listing Rules), which have been designated to take effect on 1 January 2012 or 1 April 2012 or otherwise. Appropriate actions are being taken by the Directors to bring the Company in compliance with all code provisions in the CG Code before it takes effect on 1 April 2012.

BOARD OF DIRECTORS

During the year ended 31 December 2011 and prior to the date of this report, there were no changes in the directorate.

The Board currently consists of seven Directors. The Directors who held office during the year ended 31 December 2011 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. All Directors are aware of the required levels of fiduciary duties and duties of skill, care and diligence under the new Rule 3.08 of the HK Listing Rules, which took effect on 1 January 2012.

BOARD OF DIRECTORS (Continued)

In compliance with the existing Rule 3.10(1) and the new Rule 3.10A (which was introduced by the Consultation Conclusions for compliance before 31 December 2012) 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, nomination committee and remuneration committee of the Company, while Julie Oates is the Chairlady of the first two committees and Mark Searle is the Chairman of the remuneration committee. And, David Comba is a member of the technical committee of the Company.

Details of the compostition of the various committees of the Board are set out in the Directors' Report under the section headed "Directors".

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

In accordance with Article 86(3) of the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the shareholders in general meeting, as an addition to the existing Board. Any Director so appointed shall retire at the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. In addition, Article 87 provides that at each annual general meeting of the Company one-third of the Directors for the time being, 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 James Mellon, Jamie Gibson and David Comba 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.

BOARD OF DIRECTORS (Continued)

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 of Hong Kong.

During the year ended 31 December 2011, the Directors held meetings at least at a quarterly interval and in total seven 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	7	7	0	100.00%
Stephen Dattels	7	4	3	57.14%
Jamie Gibson	7	7	0	100.00%
David Comba	7	7	0	100.00%
Julie Oates	7	5	2	71.43%
Mark Searle	7	5	2	71.43%
Jayne Sutcliffe	7	0	7	0.00%

Subsequent to the year end date and prior to the date of this report, the Directors held one Board meeting, which were attended by all Directors except Jayne Sutcliffe.

Article 116(2) of the Company's Articles of Association provides that Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

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. Directors are always given opportunity to include matters in the agenda of the Board meetings.

BOARD OF DIRECTORS (Continued)

Draft minutes of the Board meetings were circulated to all Directors for their comment and approval, before the final versions of the minutes were signed and initialed by all Directors who attended the meetings. All minutes of Board meetings are kept by the Company Secretary, which are open for inspection by any Director.

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). Independent Non-Executive Directors, who, and whose associates, have no material interest in the transaction will also be asked to attend such Board meeting. Pursuant to Rule 13.44 of the HK Listing Rules and Article 103 of the Company's Articles of Association, 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 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.

The Company has arranged appropriate directors' and officers' liability insurance policy in respect of legal action against its Directors, which is reviewed and renewed on an annual basis.

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,

BOARD OF DIRECTORS (Continued)

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

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

THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

In compliance with 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 during the year ended 31 December 2011 and prior to the date of this report.

Directors' interests in securities, options and share awards of the Company are set out in detail under the section headed "Directors' Interests in Securities, Options and Share Awards" in the Directors' Report.

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

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 Co-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 Co-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 with Code Provision A.2.1 of the Code on CG Practices. The Co-Chairmen, however, have delegated the following duties to the Chief Executive Officer or the Company Secretary so that:

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

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

NOMINATION OF DIRECTORS

The Board established a nomination committee of the Company (the "**Nomination Committee**") on 13 March 2012, with specific written terms of reference which deal with its authority and duties, in compliance with the relevant code provisions in the CG Code which were introduced by the Consultation Conclusions to take effect on 1 April 2012. In compliance with the new code provision A.5.1 of the CG Code, the 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, and is responsible for the nomination of Directors of the Company and the review of the composition of the Board. The committee is chaired by James Mellon.

During the year ended 31 December 2011 and prior to the date of this report, no new Directors were appointed. Since its establishment, the Nomination Committee did not hold any meetings.

Terms of reference of the Nomination Committee are available at the website of the Company (www.regentpac.com).

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established on 5 November 2004, with its specific written terms of reference which deal with its authority and duties first adopted on 18 March 2005 in compliance with the code provisions in B.1 of the Code on CG Practices and recently amended on 13 March 2012 in order to comply with the relevant code provisions in the CG Code which were introduced by the Consultation Conclusions to take effect on 1 April 2012. In compliance with the new Rule 3.25 of the HK Listing Rules which was introduced by the Consultation Conclusions to take effect on 1 April 2012, the 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, and is responsible to review and approve the remuneration packages of the Directors and the employees. The committee is chaired by Mark Searle.

During the year ended 31 December 2011, the Remuneration Committee did not hold any meetings. The committee passed five sets of written resolutions with respect to: (i) the payment of bonuses for the six months ended 31 December 2010 and the offers to grant new units under the Long Term Incentive Plan 2007; (ii) the change of secretary of the committee; (iii) the vesting of units under the Long Term Incentive Plan 2007 upon occurrence of a trigger event provided in the rules of the plan and the amendment to the rules of the plan; and (iv) the offers to grant new units under the Long Term Incentive Plan 2007 respectively.

Subsequent to the year end date and prior to the date of this report, the Remuneration Committee did not hold any meetings or pass any written resolutions.

Article 116(2) of the Company's Articles of Association provides that Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

REMUNERATION COMMITTEE (Continued)

If meetings are to be held, sufficient notices will be given to all committee members so as to ensure each of them has an opportunity to attend the meetings, and an agenda and accompanying board papers will be given to all committee members in a timely manner before the appointed date of the committee meetings. Adequate information will also be supplied by the management to the committee in a timely manner to enable it to make informed decisions, which are to be made in the best interests of the Company. Committee members are always given opportunity to include matters in the agenda of the committee meetings.

Draft minutes of the committee's meetings will be circulated to all members for their comment and approval, before the final versions of the minutes are to be signed and initialed by all members who have attended the meetings. All minutes of committee's meetings are kept by the Company Secretary, which are open for inspection by any member of the committee.

Terms of reference of the Remuneration Committee are available at the website of the Company (www.regentpac.com).

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2011 have been reviewed by the audit committee of the Company (the "**Audit Committee**").

The Audit Committee was established on 11 March 1999 with its specific written terms of reference which deal with its authority and duties. The terms of reference were subsequently amended in order to incorporate the amendments made from to time to the code provisions in C.3 of the Code on CG Practices and were recently amended on 13 March 2012 in order to comply with the relevant code provisions in the CG Code which were introduced by the Consultation Conclusions to take effect on 1 April 2012. 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 with 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, who has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2).

During the year ended 31 December 2011, 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 2010; and (ii) the review and approval of the Company's interim financial statements for the six months ended 30 June 2011 respectively. The meetings were attended by all members of the committee, with the presence of the external and internal auditors for the relevant resolutions, except that Mark Searle was absent from one of the meetings.

Subsequent to the year end date and prior to the date of this report, 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 2011, which was attended by all members of the committee, with the presence of the external and internal auditors for the relevant resolutions.

AUDIT COMMITTEE (Continued)

Article 116(2) of the Company's Articles of Association provides that Directors may participate in any meeting of the Board by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

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. Committee members are always given opportunity to include matters in the agenda of the committee meetings.

Draft minutes of the committee's meetings were circulated to all members for their comment and approval, before the final versions of the minutes were signed and initialed by all members who attended the meetings. All minutes of committee's meetings are kept by the Company Secretary, which are open for inspection by any member of the committee.

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 website of the Company (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, provided non-audit services in respect of taxation of which service fee amounted to US$7,000 during the year ended 31 December 2011.

FINANCIAL REPORTING

The financial statements of the Company for the year ended 31 December 2011 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 2011 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 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.

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.

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.

The Co-Chairmen of the Board and the Chairman/Chairlady of the various committees of the Board, if absent from the Company's general meetings, have appointed their delegates to be available to answer shareholders' questions at the meetings. In addition, the Company used to arrange for its external auditors to attend its annual general meeting.

A shareholders' communication policy in compliance with the new code provision E.1.4 of the CG Code (which was introduced by the Consultation Conclusions to take effect on 1 April 2012) has been established, details of which will be available at the website of the Company (www.regentpac.com) before 1 April 2012.

On Behalf of the Board

James Mellon
Co-Chairman

23 March 2012

DISCLOSURE REQUIREMENTS FOR MINERAL COMPANIES UNDER CHAPTER 18 OF THE HK LISTING RULES

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. David Comba and Jamie Gibson, being Directors of Company, are representatives on the Compliance Committee and attended the committee meeting approving the report higlighted below.

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. If there has been no exploration, development or production activity, that fact must be stated. 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 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 its annual (full-year) reports, there were no relevant exploration, development, expenditure or production activities for the financial year ended 31 December 2011.

During the financial year ended 31 December 2011, the Company disposed of its interests in Regent Minerals Limited, which included the Yinzishan, Tianfeng and Shuanghuwang exploration leases, and announced the sale of Regent Coal (BVI), which held a 51% interest in the Ji Ri Ga Lang coal lease, which was successfully closed on 17 January 2012. 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.

INDEPENDENT AUDITOR'S REPORT

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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 54 to 164, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

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 2011 and of the Group's loss 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, 23 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
			(Restated)
Continuing operations			
Revenue/Turnover:	5		
Corporate investment income		4,310	4,685
Other income		359	647
		4,669	5,332
Fair value (loss)/gain on financial instruments	6	(29,284)	55,826
Total income		(24,615)	61,158
Expenses:			
Employee benefit expenses	7	(8,018)	(21,008)
Rental and office expenses		(717)	(374)
Information and technology expenses		(251)	(244)
Marketing costs and commissions		(81)	(19)
Professional and consulting fees		(764)	(994)
Transaction cost on termination of acquisition of BC Iron Limited	6	(5,487)	—
Financial advisory fee		—	(1,000)
Finance costs	8	—	(2)
Other operating expenses		(1,521)	(1,519)
Operating (loss)/profit before impairment loss and provision		(41,454)	35,998
Provision for impairment on loan receivables	23	(4,345)	—
Impairment loss on goodwill	13	(4,863)	—
Reversal of impairment loss on exploration and evaluation assets		—	912
Impairment loss on available-for-sale financial assets		—	(28)
Operating (loss)/profit	6	(50,662)	36,882
Gain on disposal of a jointly controlled entity and the Zhun Dong Coal Project	32	—	19,834
Gain on disposal of the Yinzishan Mining Project	32	2,401	—
Share of profits of associates		1,705	2,915
Share of profit of a jointly controlled entity		—	3,007
(Loss)/Profit before income tax		(46,556)	62,638
Taxation	9	—	(1,000)
(Loss)/Profit for the year from continuing operations		(46,556)	61,638
Discontinued operations			
Loss for the year from discontinued operations	28	(3,758)	(1,866)
(Loss)/Profit for the year		(50,314)	59,772

	Notes	2011 US$'000	2010 US$'000 (Restated)
Other comprehensive income			
Reclassified to profit or loss on disposal of available-for-sale financial assets		(6,858)	92
Unrealised gain in available-for-sale financial assets		—	5,563
Exchange gain on translation of financial statements of foreign operations		918	87
Reversal of exchange reserve upon disposal of the Yinzishan Mining Project		(225)	—
Reversal of exchange reserve upon disposal of a jointly controlled entity and the Zhun Dong Coal Porject		—	(4,610)
Share of other comprehensive income of associates		1,829	507
Share of other comprehensive income of a jointly controlled entity		—	1,044
Other comprehensive income for the year		(4,336)	2,683
Total comprehensive income for the year		(54,650)	62,455

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
			(Restated)
(Loss)/Profit for the year attributable to:	10		
Shareholders of the Company		(48,527)	59,792
Non-controlling interests		(1,787)	(20)
		(50,314)	59,772
(Loss)/Profit attributable to shareholders of the Company arises from:			
Continuing operations		(46,396)	61,769
Discontinued operations		(2,131)	(1,977)
		(48,527)	59,792
Total comprehensive income attributable to:			
Shareholders of the Company		(53,371)	62,498
Non-controlling interests		(1,279)	(43)
		(54,650)	62,455
Total comprehensive income attributable to shareholders of the Company arises from:			
Continuing operations		(51,732)	64,585
Discontinued operations		(1,639)	(2,087)
		(53,371)	62,498
(Losses)/Earnings per share from continuing and discontinued operations:	12	US cent	US cent
– Basic and Diluted		(1.31)	1.54
(Losses)/Earnings per share from continuing operations:	12	US cent	US cent
– Basic and Diluted		(1.26)	1.59
Losses per share from discontinued operations:	12	US cent	US cent
– Basic and Diluted		(0.05)	(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Non-current assets:			
Goodwill	13	—	12,256
Exploration and evaluation assets	14	—	9,485
Property, plant and equipment	15	296	558
Interests in associates	17	24,727	22,487
Interest in a jointly controlled entity	18	—	—
Available-for-sale financial assets	19	9,287	7,025
		34,310	51,811
Current assets:			
Cash and bank balances	21	16,412	123,816
Financial assets at fair value through profit or loss	20	126,026	114,080
Trade receivables	22	—	43
Loan receivables	23	—	4,345
Prepayments, deposits and other receivables	24	10,034	6,090
Amounts due from minority shareholders	27	—	852
Derivative financial instruments	31	1,975	—
Assets classified as held for sale	25	17,728	—
		172,175	249,226
Current liabilities:			
Trade payables, deposit received, accruals and other payables	26	(5,534)	(17,909)
Dividend payable	11	(13,463)	(10,050)
Deferred tax liability	33	—	—
Derivative financial instruments	31	(491)	(740)
Liabilities directly associated with assets classified as held for sale	25	(3,649)	—
		(23,137)	(28,699)
Net current assets		149,038	220,527
Total assets less current liabilities		183,348	272,338
NET ASSETS		183,348	272,338

As at 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Capital and reserves attributable to shareholders of the Company			
Share capital	29	34,857	39,109
Reserves	30	147,167	230,626
Equity attributable to shareholders of the Company		182,024	269,735
Non-controlling interests		1,324	2,603
TOTAL EQUITY		183,348	272,338

The financial statements on pages 54 to 164 were approved and authorised for issue by the Board of Directors on 23 March 2012.

James Mellon
Co-Chairman

Jamie Gibson
Executive Director

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Non-current assets:			
Property, plant and equipment	15	—	—
Interests in subsidiaries	16	19,847	80,289
Interest in associates	17	2,000	2,000
Available-for-sale financial assets	19	9,287	19
		31,134	82,308
Current assets:			
Cash and bank balances	21	15,361	121,678
Amounts due from subsidiaries	27	13,279	48,423
Financial assets at fair value through profit or loss	20	124,438	111,694
Prepayments, deposits and other receivables	24	9,368	4,138
Derivative financial instruments	31	1,975	—
		164,421	285,933
Current liabilities:			
Trade payables, deposit received, accruals and other payables	26	(4,973)	(4,873)
Dividend payable	11	(13,463)	(10,050)
Amounts due to subsidiaries	27	(14,572)	(118,483)
Derivative financial instruments	31	(491)	(740)
		(33,499)	(134,146)
Net current assets		130,922	151,787
NET ASSETS		162,056	234,095
CAPITAL AND RESERVES			
Share capital	29	34,857	39,109
Reserves	30	127,199	194,986
TOTAL EQUITY		162,056	234,095

The financial statements on pages 54 to 164 were approved and authorised for issue by the Board of Directors on 23 March 2012.

James Mellon
Co-Chairman

Jamie Gibson
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

2011	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 2011	39,109	(146,754)	357,949	3,575	8,228	6,858	177	(1,503)	2,096	269,735	2,603	272,338
Shares repurchased	(4,252)	—	(10,659)	—	—	—	—	—	—	(14,911)	—	(14,911)
Distribution of shares awarded	—	168	—	(1,454)	—	—	—	1,286	—	—	—	—
Shares purchased for share award scheme	—	—	—	—	—	—	—	(7,537)	—	(7,537)	—	(7,537)
Dividend payment	—	—	(13,465)	—	—	—	—	—	—	(13,465)	—	(13,465)
Share-based payment	—	—	—	1,588	—	—	—	—	—	1,588	—	1,588
Share options forfeited	—	27	—	(27)	—	—	—	—	—	—	—	—
Share of reserve of an associate	—	—	—	(15)	—	—	—	—	—	(15)	—	(15)
Transactions with shareholders	(4,252)	195	(24,124)	92	—	—	—	(6,251)	—	(34,340)	—	(34,340)
Loss for the year	—	(48,527)	—	—	—	—	—	—	—	(48,527)	(1,787)	(50,314)
Other comprehensive income												
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	410	410	508	918
Reclassified to profit or loss on the disposal of the Yinzishan Mining Project	—	—	—	—	—	—	—	—	(225)	(225)	—	(225)
Share of reserve of associates	—	—	—	—	—	—	804	—	1,025	1,829	—	1,829
Reclassified to profit or loss on disposal of available-for-sale financial assets	—	—	—	—	—	(6,858)	—	—	—	(6,858)	—	(6,858)
Total comprehensive income for the year	—	(48,527)	—	—	—	(6,858)	804	—	1,210	(53,371)	(1,279)	(54,650)
At 31 December 2011	34,857	(195,086)	333,825	3,667	8,228	—	981	(7,754)	3,306	182,024	1,324	183,348

	Attributable to shareholders of the Company											
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
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
Shares repurchased	(377)	(377)	(778)	—	377	—	—	—	—	(1,155)	—	(1,155)
Distribution of shares awarded	—	32	—	(184)	—	—	—	152	—	—	—	—
Shares 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 or loss on 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

* 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000 (Restated)
Cash flows from operating activities:			
(Loss)/Profit before income tax from continuing operations		(46,556)	62,638
Loss before income tax from discontinued operations	28	(3,758)	(1,866)
		(50,314)	60,772
Adjustments for:			
Depreciation of property, plant and equipment	15	99	215
Provision for impairment on loan receivables		4,345	—
Impairment loss on goodwill		4,863	—
Interest income on bank deposits		(632)	(107)
Finance costs on hire purchase	8	—	2
Provision for legal claims	41	3,269	—
Non-cash share-based payments	6	1,588	569
Share of profits of associates		(1,705)	(2,915)
Share of profit of a jointly controlled entity		—	(3,007)
Unrealised (gain)/loss on derivative financial instruments		(1,484)	740
Unrealised loss/(gain) on financial assets at fair value through profit or loss	20	43,448	(38,999)
Loss on disposal of property, plant and equipment		104	361
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	32	—	(19,834)
Gain on disposal of the Yinzishan Mining Project	32	(2,401)	—
(Gain)/Loss on disposal of available-for-sale financial assets		(6,412)	107
		(5,232)	(2,980)
Change in working capital			
Decrease in trade receivables		43	—
Decrease in prepayments, deposits and other receivables		2,665	1,284
(Increase)/Decrease in derivative financial instruments		(740)	38
Increase in financial assets at fair value through profit or loss		(55,394)	(48,713)
(Decrease)/Increase in trade payables, accruals and other payables		(15,622)	14,860
Decrease/(Increase) in amounts due from minority shareholders		693	(852)
Decrease in amounts due to minority shareholders		—	(44)
Cash used in operations		(73,587)	(36,407)
Income tax paid		—	—
Net cash used in operating activities		(73,587)	(36,407)

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000 (Restated)
Cash flows from investing activities:			
Additions to exploration and evaluation assets	14	(1,811)	(3,898)
Purchase of property, plant and equipment	15	(255)	(209)
Purchase of available-for-sale financial assets	19	(9,268)	—
Proceeds from disposal of available-for-sale financial assets		6,560	92
Proceeds from disposal of a jointly controlled entity and the Zhun Dong Coal Project	32	—	133,576
Proceeds from disposal of the Yinzishan Mining Project	32	3,782	—
Proceeds from disposal of property, plant and equipment		—	71
Interest received on bank deposits		632	107
(Increase)/Decrease in margin deposit placed with broker firms		(6,689)	31,875
Deposit received on disposal of assets classified as held for sale	25	3,634	—
Dividend received from associates		1,329	721
Net cash (used in)/generated from investing activities		(2,086)	162,335
Cash flows from financing activities:			
Dividend paid to shareholders	11	(10,052)	(5,021)
Shares repurchased		(14,911)	(1,155)
Shares purchased for share award scheme		(7,537)	(1,199)
Repayment of finance lease liabilities		—	(35)
Finance costs on hire purchase paid		—	(2)
Net cash used in financing activities		(32,500)	(7,412)
Net (decrease)/increase in cash and cash equivalents		(108,173)	118,516
Cash and cash equivalents at the beginning of the year		123,816	5,238
Effects of foreign currency fluctuations		911	62
Cash and cash equivalents at the end of the year		16,554	123,816
Represented by:			
Cash and bank balances	21	16,412	123,816
Cash and bank balances classified as held for sale	25	142	—
		16,554	123,816

NOTES TO THE FINANCIAL STATEMENTS

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 principal places of business of the Group are in Hong Kong and the People's Republic of China.

The financial statements for the year ended 31 December 2011 were approved and authorised for issue by the Board of Directors on 23 March 2012.

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

2.1 Adoption of new/revised HKFRSs – effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations have 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 2011 (Continued)

HKFRS 3(Amendments) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("**NCI**") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

HKFRS 7(Amendments) – Financial Instruments: Disclosures

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and as a consequence has amended the disclosures of its related party transactions in the current and comparative periods to include transactions with subsidiaries of the Group's associates and jointly controlled entity and to exclude transactions with an entity which was significantly influenced by a member of the Group's key management personnel. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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

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.

Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 19 (2011)	Employee Benefits[3]
HKAS 27 (2011)	Separate Financial Statements[3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]

1 *Effective for annual periods beginning on or after 1 July 2011*
2 *Effective for annual periods beginning on or after 1 July 2012*
3 *Effective for annual periods beginning on or after 1 January 2013*
4 *Effective for annual periods beginning on or after 1 January 2014*
5 *Effective for annual periods beginning on or after 1 January 2015*

Amendments to HKFRS 7 – Disclosures – 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.

Amendments to HKAS 1 (Revised) - Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

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)

HKFRS 9 - Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "**Additions**") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("**FVO**"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("**OCI**"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Company expects to adopt HKFRS 9 from 1 January 2015.

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)

HKFRS 10 - Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 - Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

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)

HKFRS 13 - Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

HKAS 19 (2011) - Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". This change may result in more plans being classified as long-term employee benefit plans that will need to be accounted for in a similar way to defined benefit plans. HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs. This could lead to later recognition of voluntary termination benefits in some cases. The amendments will generally be applied retrospectively with two exceptions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 54 to 164 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 HK Stock Exchange (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)

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 interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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 of the Company.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combination and basis of consolidation (Continued)

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary 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.

3.3 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.

3.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Jointly controlled entities are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the jointly controlled entities' net assets except that losses in excess of the Group's interest in the jointly controlled entities are not recognised unless there is an obligation to make good those losses.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

The Company's interests in jointly controlled entities are stated at cost less impairment losses, if any. Results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

3.6 Foreign currency

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

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Foreign currency (Continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. United State dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant and equipment (Continued)

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.

3.9 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 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)

3.11 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

(i) Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

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

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.

(ii) *Loans and receivables*

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

Impairment of financial assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost

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

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

(ii) Available-for-sale financial assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Financial assets carried at cost

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Impairment of other assets

Property, plant and equipment and interests in subsidiaries and associates 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 amortisation, if no impairment loss had been recognised.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and dividend payable. They are included in line items in the statement of financial position as trade payables, accruals, other payables and dividend payable.

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

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

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

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 3.10).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities (Continued)

Trade payables, accruals, other payables and dividend payable

Trade payables, accruals and other payables and dividend payable 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.

3.17 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Accounting for income taxes (Continued)

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.

3.18 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Employee benefits (Continued)

(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.

(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) share options and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Employee benefits (Continued)

(iii) Share-based employee compensation (Continued)

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.

(iv) Shares held for share award scheme

Where the trustee appointed by the Group purchases the Company's shares from the market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity.

Upon vesting, the related costs of the vested awarded shares recognised are credited to shares held for share award scheme, with a corresponding decrease in share-based payment reserve.

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.

3.20 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Provisions and contingent liabilities (Continued)

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.

3.23 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.8 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 a 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 note 13.

An impairment charge of US$4,863,000 arose in the coking coal product cash-generating unit ("**CGU**") during the year 2011, resulting in the carrying amount of the CGU being written down to its recoverable amount. If the discount rate applied to the forecast cash flows had been 1% higher than the management's estimates (for example, 12.5% instead of 11.5%), the Group would have recognised a further impairment against its interests in associates of US$1,658,000. If the growth rate had been 1% lower than the management's estimates (for example, 1% instead of 2%), the Group would have recognised a further impairment against its interests in associates of US$1,668,000.

Impairment of irrecoverable receivables

The Group's management determines the allowance for irrecoverable receivables on a regular basis. This estimate is based on the credit history of its counterparties and current market conditions. When the Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, impairment on the receivables are estimated. The management of the Group reassesses the estimations at the reporting date.

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

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

* Discontinued during the year ended 31 December 2011

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

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.

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

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

5. SEGMENT INFORMATION (Continued)

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

For the year ended 31 December 2011

	Discontinued operations	Continuing operations				
	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Sub-total US$'000	Total US$'000
Revenue from external customers	—	—	—	4,669	4,669	4,669
Segment results	(3,758)	(4,970)	(1,623)	(44,069)	(50,662)	(54,420)
Share of profits of associates	—	1,219	—	486	1,705	1,705
Total results	(3,758)	(3,751)	(1,623)	(43,583)	(48,957)	(52,715)
Gain on disposal of the Yinzishan Mining Project						2,401
Segment loss from discontinued operations						3,758
Consolidated loss before income tax expense from continuing operations						(46,556)

5. SEGMENT INFORMATION (Continued)

As at 31 December 2011

	Discontinued operations	Continuing operations			
	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Total US$'000
Segment assets	17,728	7	15	154,721	172,471
Available-for-sale financial assets	—	—	—	9,287	9,287
Interests in associates	—	21,390	—	3,337	24,727
Total assets	17,728	21,397	15	167,345	206,485
Segment liabilities	3,649	—	—	19,488	23,137

For the year ended 31 December 2011

	Discontinued operations	Continuing operations				
	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Sub-total US$'000	Total US$'000
Interest income on bank deposits	—	—	—	632	632	632
Depreciation	(21)	—	(5)	(73)	(78)	(99)
Share-based payments	—	—	—	(2,265)	(2,265)	(2,265)
Net gains on available-for-sale financial assets	—	—	—	6,412	6,412	6,412
Net losses on financial assets at fair value through profit or loss	—	—	—	(39,774)	(39,774)	(39,774)
Net gains on derivative financial instruments	—	—	—	4,078	4,078	4,078
Provision for impairment on loan receivables	—	—	—	(4,345)	(4,345)	(4,345)
Impairment loss on goodwill	—	(4,863)	—	—	(4,863)	(4,863)
Capital expenditure	(1,779)	—	(32)	(255)	(287)	(2,066)

5. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2010

	Discontinued operations	Continuing operations				
	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Sub-total US$'000	Total US$'000
Revenue from external customers	—	—	—	5,332	5,332	5,332
Segment results	(1,866)	(24)	(5,165)	42,073	36,884	35,018
Share of profits of associates	—	2,277	—	638	2,915	2,915
Share of profit of a jointly controlled entity	—	—	3,007	—	3,007	3,007
Total results	(1,866)	2,253	(2,158)	42,711	42,806	40,940
Gain on disposal of a jointly controlled entity and the Zhun Dong Coal Project						19,834
Finance costs						(2)
Segment loss from discontinued operations						1,866
Consolidated profit before income tax expense from continuing operations						62,638

5. SEGMENT INFORMATION (Continued)

As at 31 December 2010

	Discontinued operations	Continuing operations			
	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'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

For the year ended 31 December 2010

	Discontinued operations	Continuing operations				
	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Sub-total US$'000	Total US$'000
Interest income on bank deposits and loan receivables	—	—	—	107	107	107
Depreciation	(90)	—	(53)	(72)	(125)	(215)
Share-based payments	(33)	—	—	(1,473)	(1,473)	(1,506)
Impairment loss on available-for-sale financial assets	—	—	—	(28)	(28)	(28)
Net losses on available-for-sale financial assets	—	—	—	(107)	(107)	(107)
Net gains on financial assets at fair value through profit or loss	—	—	—	55,782	55,782	55,782
Net gains on derivative financial instruments	—	—	—	151	151	151
Capital expenditure	(3,525)	—	(374)	(208)	(582)	(4,107)

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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
PRC	655	648	21,397	41,423
Hong Kong (domicile)	92	—	289	197
Australia	249	199	—	—
United States	—	6	—	—
Europe[1]	3,664	4,479	3,337	3,166
South East Asia[2]	9	—	—	—
	4,669	5,332	25,023	44,786

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

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 (LOSS)/PROFIT

	Continuing operations		Discontinued operations		Total	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Operating (loss)/profit is arrived at after charging:						
Auditors' remuneration						
– charge for the year	247	315	—	96	247	411
– under provision in prior year	37	36	29	—	66	36
Depreciation of owned property, plant and equipment	78	125	21	90	99	215
Operating lease charges on property and equipment	704	524	—	73	704	597
Loss on disposal of property, plant and equipment	104	349	—	12	104	361
Provision for impairment on loan receivables (note 23)	4,345	—	—	—	4,345	—
Provision for legal claims (note 41)	—	—	3,269	—	3,269	—
Transaction cost on termination of acquisition of BC Iron Limited^	5,487	—	—	—	5,487	—
Impairment loss on available-for-sale financial assets	—	28	—	—	—	28
Realised loss on disposal of available-for-sale financial assets@ (1)	—	107	—	—	—	107
Unrealised loss on financial assets at fair value through profit or loss@ (2)	43,448	—	—	—	43,448	—
Unrealised loss on derivative financial instruments@ (3)	—	740	—	—	—	740
Net foreign exchange loss*	—	229	—	—	—	229
Share-based payments (equity and cash settled)#	2,265	1,473	—	33	2,265	1,506

6. OPERATING (LOSS)/PROFIT (Continued)

	Continuing operations		Discontinued operations		Total	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
and crediting:						
Interest income on bank deposits and loan receivables*	632	107	—	—	632	107
Reversal of impairment loss on exploration and evaluation assets	—	912	—	—	—	912
Realised gain on disposal of financial assets at fair value through profit or loss@ (2)	3,674	16,783	—	—	3,674	16,783
Realised gain on disposal of a jointly controlled entity and the Zhun Dong Coal Project	—	19,834	—	—	—	19,834
Realised gain on disposal of the Yinzishan Mining Project (note 32)	2,401	—	—	—	2,401	—
Unrealised gain on financial assets at fair value through profit or loss@ (2)	—	38,999	—	—	—	38,999
Realised gain on derivative financial instruments@ (3)	2,594	891	—	—	2,594	891
Unrealised gain on derivative financial instruments@ (3)	1,484	—	—	—	1,484	—
Realised gain on disposal of available-for-sale financial assets@ (1)	6,412	—	—	—	6,412	—
Net foreign exchange gain*	554	—	—	—	554	—
Dividend income from listed equities*	3,083	4,427	—	—	3,083	4,427
Dividend income from unlisted equities*	41	380	—	—	41	380

6. OPERATING (LOSS)/PROFIT (Continued)

* *Included in revenue*

\# *Included in share-based payments were (i) employee share-based payment of Nil (2010: US$132,000) (note 29.1) in relation to share options granted to Directors and employees, (ii) non-employee share-based payment of Nil (2010: US$8,000) (note 29.1) in relation to share options granted to the Group's consultants, (iii) cash and equity settled employee share-based payment of US$677,000 and US$1,552,000, respectively (2010: US$937,000 and US$429,000, respectively) in relation to share awards granted to Directors and employees, and (iv) non-employee share-based payment of U$36,000 (2010: Nil) in relation to share awards granted to the Group's consultant.*

@ *These amounts constitute the fair value loss of US$29,284,000 (2010: gain of US$55,826,000) in the consolidated statement of comprehensive income.*

^ *Amount represented legal and professional fees incurred in relation to the Group's offer to acquire the entire issued capital of BC Iron Limited, which was terminated in May 2011.*

(1) *During the year ended 31 December 2011, net gains on available-for-sale financial assets (the Group's interest in Matthews International Capital Management LLC) amounted to US$6,412,000 (2010: losses of US$107,000).*

(2) *During the year ended 31 December 2011, net losses on financial assets at fair value through profit or loss amounted to US$39,774,000 (2010: gains of US$55,782,000).*

(3) *During the year ended 31 December 2011, net gains on derivative financial instruments amounted to US$4,078,000 (2010: US$151,000).*

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Continuing operations		Discontinued operations		Total	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Salaries, discretionary bonuses and benefits in kind	5,768	19,522	198	1,016	5,966	20,538
Pension costs - defined contribution plans (note 34)	21	21	—	—	21	21
Share options granted to Directors and employees	—	99	—	33	—	132
Share awards granted to Directors and employees	2,229	1,366	—	—	2,229	1,366
	8,018	21,008	198	1,049	8,216	22,057

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

a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2011 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 Director							
Jamie Gibson	—	1,450	—	—	—	841	2,291
Non-Executive Directors							
James Mellon	25	158	—	—	—	82	265
Stephen Dattels	25	197	—	—	—	—	222
Jayne Sutcliffe	20	—	—	—	—	—	20
Independent Non-Executive Directors							
David Comba	30	—	—	—	—	—	30
Julie Oates	30	—	—	—	—	—	30
Mark Searle	30	—	—	—	—	—	30
Total	160	1,805	—	—	—	923	2,888

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 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.

No Directors waived or agreed to waive any emoluments in respect of the years ended 31 December 2011 and 2010.

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

b) Five highest paid individuals

Of the five highest paid individuals, one (2010: two) was a Director of the Company and his remuneration has been included in the Directors' remuneration. The total emoluments payable to the five highest paid individuals for the year are as follows:

	2011 US$'000	2010 US$'000
Fees	—	25
Salaries and other emoluments	3,393	2,880
Discretionary bonuses	—	11,938
Pension costs - defined contribution plans	5	2
Share options granted to Directors	—	75
Share awards granted to Directors and employees	1,670	870
	5,068	15,790

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

		Number of employees	
		2011	2010
HK$3,500,001- HK$4,000,000	(US$449,623-US$513,854)	1	—
HK$4,000,001- HK$4,500,000	(US$513,855-US$578,087)	1	—
HK$5,500,001- HK$6,000,000	(US$706,550-US$770,782)	1	—
HK$6,500,001- HK$7,000,000	(US$835,014-US$899,246)	—	1
HK$7,500,001- HK$8,000,000	(US$963,478-US$1,027,710)	1	—
HK$10,500,001- HK$11,000,000	(US$1,348,869-US$1,413,101)	—	1
HK$13,000,001- HK$13,500,000	(US$1,670,028-US$1,734,260)	—	1
HK$17,500,001- HK$18,000,000	(US$2,248,115-US$2,312,347)	1	—
HK$24,000,001- HK$24,500,000	(US$3,083,129-US$3,147,361)	—	1
HK$68,000,001- HK$68,500,000	(US$8,735,532-US$8,799,764)	—	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 2011 and 2010.

8. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Interest on hire purchase	—	2	—	—	—	2

9. TAXATION

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

	Continuing operations		Discontinued operations		Total	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Current tax- overseas						
– tax for the year	—	1,000	—	—	—	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 2011 and 31 December 2010. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

Share of associates' tax charge for the year ended 31 December 2011 of US$74,000 (2010: US$374,000) and share of a jointly controlled entity's tax charge of Nil (2010: US$340,000) 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 (loss)/profit at applicable tax rates are as follows:

	2011 US$'000	2010 US$'000
(Loss)/Profit before taxation:		
Continuing operations	(46,556)	62,638
Discontinued operations	(3,758)	(1,866)
Less:		
Share of profits of associates	(1,705)	(2,915)
Share of profit of a jointly controlled entity	—	(3,007)
(Loss)/Profit before share of profits of associates and a jointly controlled entity and taxation	(52,019)	54,850
Nominal tax on (loss)/profit before income tax, calculated at the rate applicable to profits in the tax jurisdictions concerned	(1,112)	1,789
Income not subject to taxation	(32)	(1,435)
Expenses not deductible for taxation purposes	444	187
Tax effect of tax losses not recognised	700	459
Taxation charge	—	1,000

At 31 December 2011, the Group has unrecognised tax losses of approximately US$24,124,000 (2010: US$20,089,000) 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 2011, the Group has no deferred tax liabilities in respect of the aggregate amount of temporary differences associated with undistributed earnings of its associates. 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. 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. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The (loss)/profit attributable to shareholders includes a loss of US$37,688,000 (2010: profit of US$30,802,000) 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:

	2011 US$'000	2010 US$'000
Special dividend declared and payable at the end of the reporting period of HK$0.03 per share (2010: HK$0.02 per share)	13,463	10,050

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

	2011 US$'000	2010 US$'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. (LOSSES)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of basic (losses)/earnings per share is based on the loss attributable to the shareholders for the year of US$48,527,000 (2010: profit of US$59,792,000) and on the weighted average of 3,692,855,655 (2010: 3,877,225,920) ordinary shares in issue during the year.

The share options outstanding have an anti-dilutive effect on the basic (losses)/earnings per share of the Group for the years ended 31 December 2011 and 2010. Accordingly, the effect of the share options was not included in the calculation of diluted (losses)/earnings per share for the years ended 31 December 2011 and 2010.

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

12. (LOSSES)/EARNINGS PER SHARE (Continued)

(b) From continuing operations

The calculation of basic (losses)/earnings per share is based on the loss from continuing operations attributable to the shareholders for the year of US$46,396,000 (2010: profit of US$61,769,000) and on the weighted average of 3,692,855,655 (2010: 3,877,225,920) ordinary shares in issue during the year.

The share options outstanding have an anti-dilutive effect on the basic (losses)/earnings per share from continuing operations of the Group for the years ended 31 December 2011 and 2010. Accordingly, the effect of the share options was not included in the calculation of diluted (losses)/earnings per share for the years ended 31 December 2011 and 2010.

(c) From discontinued operations

The calculation of basic losses per share is based on the loss from discontinued operations attributable to the shareholders for the year of US$2,131,000 (2010: US$1,977,000) and on the weighted average of 3,692,855,655 (2010: 3,877,225,920) ordinary shares in issue during the year.

The share options outstanding have an anti-dilutive effect on the basic losses per share from discontinued operations of the Group for the years ended 31 December 2011 and 2010. Accordingly, the effect of the share options was not included in the calculation of diluted losses per share for the years ended 31 December 2011 and 2010.

13. GOODWILL

Group

	2011 US$'000	2010 US$'000
At 1 January		
Gross carrying amount	155,310	157,186
Accumulated impairment	(143,054)	(143,054)
Net carrying amount	12,256	14,132
Carrying amount at 1 January	12,256	14,132
Disposal of subsidiaries (note 32)	—	(1,876)
Assets classified as held for sale (note 25)	(7,393)	—
Impairment - coking coal CGU	(4,863)	—
Net carrying amount at 31 December	—	12,256
At 31 December		
Gross carrying amount	15,271	155,310
Accumulated impairment	(15,271)	(143,054)
Net carrying amount	—	12,256

Impairment testing

Goodwill arising from the acquisition of subsidiaries and business has been allocated to the following CGUs for impairment testing:

— Copper and zinc products CGU

— Coal product CGU

— Coking coal product CGU

13. GOODWILL (Continued)

Impairment testing (Continued)

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

	2011 US$'000	2010 US$'000
Copper and zinc products CGU	—	1,177
Coal product CGU	—	138,862
Coking coal product CGU	15,271	15,271
	15,271	155,310

Copper and zinc products CGU

For the year ended 31 December 2011, since the copper and zinc products CGU has been disposed of during the year, no impairment assessment has been performed for the year.

For the year ended 31 December 2010, 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.

On 21 December 2011, the Group has entered into sales and purchase agreement to dispose of the Ji Ri Ga Lang Coal Project, which represented the Group's coal product CGU. As such, the carrying value of goodwill in relation to coal product CGU of US$7,393,000 has been reclassified as assets held-for-sale (note 25). No further impairment was considered necessary with reference to the sales proceeds from the disposal of the Ji Ri Ga Lang Coal Project.

13. GOODWILL (Continued)

Impairment testing (Continued)

Coal product CGU (Continued)

During the year ended 31 December 2010, 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 covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 0%. The rate used to discount the forecast cash flow is 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 and growth rates, while the prices of the coking coal and its related products are assumed to remain constant 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 recoverable amount of the CGU is calculated based on cash flow forecasts covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated growth rate of 2% (2010: 0%). The rate used to discount the forecast cash flows from the CGU is 11.5% (2010: 10%).

Based on the impairment testing, an impairment loss of US$4,863,000 has been recognised in the profit or loss for the goodwill attributable to the Group's coking coal product CGU as the recoverable amount of the relevant CGU is less than the carrying amounts as a result of an assessment of the current market value of assets, with significant increase in costs of production over the appreciation in commodities and thermal coal prices negatively affecting the value of the CGU.

13. GOODWILL (Continued)

Impairment testing (Continued)

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

	2011 US$'000	2010 US$'000
Copper and zinc products CGU	—	—
Coal product CGU	—	7,393
Coking coal product CGU	—	4,863
	—	12,256

Company

The Company has no goodwill.

14. EXPLORATION AND EVALUATION ASSETS

Group

	US$'000
At 1 January 2010	
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
Year ended 31 December 2011	
Opening net book amount	9,485
Addition	1,811
Amortisation charge for the year	—
Disposal of subsidiary (note 32)	(1,297)
Assets classified as held for sale (note 25)	(9,999)
Closing net book amount	—
At 31 December 2011	
Cost	—
Accumulated amortisation	—
Accumulated impairment	—
Net book amount	—

14. EXPLORATION AND EVALUATION ASSETS (Continued)

The exploration and evaluation assets related to the mines which were not yet operative during the year ended 31 December 2011 and 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 CGUs for impairment testing:

– Copper and zinc products CGU
– Coal product CGU

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 CGUs, the previously recognised impairment loss of US$912,000 has been reversed and recognised in the consolidated statement of comprehensive income.

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

	2011 US$'000	2010 US$'000
Copper and zinc products CGU	—	1,265
Coal product CGU	—	8,220
	—	9,485

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 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

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 2011						
Cost	50	293	266	181	200	990
Accumulated depreciation	(37)	(110)	(216)	(44)	(25)	(432)
Net book amount	13	183	50	137	175	558
Year ended 31 December 2011						
Opening net book amount	13	183	50	137	175	558
Exchange differences	2	3	1	—	1	7
Additions	—	241	14	—	—	255
Disposals	—	(176)	(53)	—	—	(229)
Disposal of subsidiaries (note 32)	—	—	(5)	(133)	(174)	(312)
Reclassified to held-for-sale assets (note 25)	(5)	—	(4)	—	—	(9)
Depreciation charge for the year	(10)	(53)	(30)	(4)	(2)	(99)
Depreciation written back on disposals	—	73	52	—	—	125
Closing net book amount	—	271	25	—	—	296
At 31 December 2011						
Cost	—	357	199	—	—	556
Accumulated depreciation	—	(86)	(174)	—	—	(260)
Net book amount	—	271	25	—	—	296

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Computer and other equipment US$'000
At 1 January 2010	
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 and 2011	
Cost	—
Accumulated depreciation	—
Net book amount	—

16. INTERESTS IN SUBSIDIARIES

Company

	2011 US$'000	2010 US$'000
Investments - unlisted shares, at cost	271,618	271,618
Less: Provision for impairment	(251,771)	(191,329)
	19,847	80,289

During the year ended 31 December 2011, an impairment loss of US$60,442,000 (2010: Nil) was recognised for investments in subsidiaries as their recoverable amount, which is determined with reference to the net assets value of these subsidiaries, is considered to be less than the carrying value as a result of prolonged unsatisfactory operating results.

16. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2011 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, Sino-foreign equity joint venture company	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
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 and provision of administrative and management services to related companies

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 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 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

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 2011 were not audited by BDO Limited.*

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Investments - unlisted shares, at cost less impairment	—	—	2,000	2,000
Share of net assets - unlisted	24,727	22,487	—	—
	24,727	22,487	2,000	2,000

Share of associates' tax charge for the year ended 31 December 2011 of US$74,000 (2010: US$374,000) is included in the consolidated statement of comprehensive income as share of profits of associates.

Particulars of the associates as at 31 December 2011 are as follows:

Name of associate	Country of incorporation	Kind of legal entity	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	International Business Company	Ordinary shares of US$9,980	49.9%	—	Online betting
West China Coking & Gas Company Limited*	PRC	Sino-foreign Joint Venture Company	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.

	2011 US$'000	2010 US$'000
Assets	378,279	328,954
Liabilities	285,957	243,629

	2011 US$'000	2010 US$'000
Revenue	451,642	327,054
Profit after taxation	5,891	11,373

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	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Investments - unlisted shares, at cost	—	—	—	—
Share of net assets - unlisted	—	—	—	—
	—	—	—	—

Share of a jointly controlled entity's taxation for the year ended 31 December 2011 of Nil (2010: US$340,000) is included in the consolidated statement of comprehensive income as share of profit of a jointly controlled entity.

Disposal of the jointly controlled entity was completed on 2 December 2010 (note 32).

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 results	2011 US$'000	2010 US$'000
Income	—	21,517
Expenses	—	18,510
Profit after taxation	—	3,007

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
At 1 January	7,025	1,597	19	156
Additions	9,268	—	9,268	—
Disposals	(7,006)	(107)	—	(107)
Impairment loss	—	(30)	—	(30)
Change in fair value – unrealised portion	—	5,565	—	—
At 31 December	9,287	7,025	9,287	19

Available-for-sale financial assets include the following:

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Unlisted securities				
Club debenture, at cost	19	19	19	19
Equity security, at cost	9,268	—	9,268	—
Equity security, at fair value	—	7,006	—	—
	9,287	7,025	9,287	19

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

At 31 December 2011, available-for-sale financial assets included investments in unlisted securities which are measured at cost less impairment as there is no quoted market price in active markets for the investments and the variability in the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group and the Company plan to hold these investments in the foreseeable future.

During the year ended 31 December 2010, the Group determined the value of its investment in certain delisted 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, an impairment loss of US$28,000 was recognised in profit or loss in 2010.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
At 1 January	114,080	26,368	111,694	26,368
Additions	66,157	86,122	66,157	84,238
Disposals	(10,763)	(37,409)	(10,763)	(37,409)
Change in fair value - unrealised portion	(43,448)	38,999	(42,650)	38,497
At 31 December	126,026	114,080	124,438	111,694

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

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Held for trading – overseas				
– Listed equities, at fair value	126,026	114,080	124,438	111,694

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

21. CASH AND BANK BALANCES

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Cash and balances with banks	1,949	3,276	1,077	1,458
Money at call and short notice	14,463	120,540	14,284	120,220
	16,412	123,816	15,361	121,678

The Group's subsidiary maintains trust accounts with banks as part of its normal business transactions in prior years. While such business discontinued in prior years, at 31 December 2011, included in the Group's cash at banks were trust accounts brought forward of US$29,000 (2010: US$29,000).

As at 31 December 2011, included in cash and balances with banks were bank balances of US$359,000 (2010: US$1,200,000) 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 2011 and 2010, the ageing analysis of trade receivables was as follows:

	Group	
	2011	2010
	US$'000	US$'000
1 to 3 months old	—	—
More than 12 months old	—	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	
	2011	2010
	US$'000	US$'000
Over 360 days past due	—	43

As at 31 December 2011 and 2010, no trade receivables were neither past due nor impaired.

23. LOAN RECEIVABLES

	Group	
	2011 US$'000	2010 US$'000
Loan receivables	3,915	3,915
Interest receivables	430	430
Impairment	(4,345)	—
	—	4,345

Movements on the provision for impairment of loan and interest receivables are as follows:

	Group	
	2011 US$'000	2010 US$'000
At 1 January	—	—
Provision for impairment	4,435	—
At 31 December	4,435	—

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, which was terminated in late 2009.

Impairment loss in respect of the outstanding balance of US$4,345,000 has been recognised for the year ended 31 December 2011 since management considered that there has been a significant change in credit quality and financial liquidity of Blue Pacific and the balance is considered to be unrecoverable.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Prepayments, deposits and other receivables#	9,685	5,691	9,019	3,739
Amount due from an associate*	349	399	349	399
	10,034	6,090	9,368	4,138

Included in the balance of prepayments, deposits and other receivables was a margin deposit of US$8,932,000 (2010: US$2,243,000) placed with broker firms for the trading of derivatives.

* *The amount due from an associate is unsecured, interest-free and repayable on demand.*

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

The balance outstanding as at 31 December 2011 was neither past due nor impaired.

25. ASSETS CLASSIFIED AS HELD FOR SALE

On 21 December 2011, the Company entered into a sale and purchase agreement with Wang Hongyu and Yao Guangyi (together the "**Purchaser**"), pursuant to which the Company agreed to sell and assign, and the Purchaser agreed to purchase and have assigned to it, the entire issued share capital of Regent Coal (BVI), for an aggregate consideration of approximately US$18,120,000 in cash (the "**Disposal**"). The Purchaser has paid approximately US$3,634,000 in cash as a deposit on the Disposal (note 26).

The Disposal represented the sale of the Group's underlying investment in the Ji Ri Ga Lang Coal Project ("**JRGL Coal Project**"). As such, the assets and liabilities in relation to the JRGL Coal Project were reclassified as assets held for sale and 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 2011.

Having estimated the cost to sell and assessed the recoverable amounts of the relevant assets and liabilities with reference to the sales proceeds, the Directors consider that no further impairment provision is required against these assets at 31 December 2011.

Major assets and liabilities of JRGL Coal Project classified as assets held for sale and liabilities directly associated with the assets held for sale as at 31 December 2011 are as follows:

	US$'000
Goodwill (note 13)	7,393
Exploration and evaluation assets (note 14)	9,999
Property, plant and equipment (note 15)	9
Other receivables	185
Cash and bank balances	142
Total assets classified as held for sale	17,728
Liabilities directly associated with the assets classified as held for sale	(3,649)
Net assets attributable to the subsidiary to be disposed of	14,079

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

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Trade payables	99	97	—	—
Deposit received, accruals and other payables	5,435	17,812	4,973	4,873
	5,534	17,909	4,973	4,873

At 31 December 2011 and 2010, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Due within 1 month or on demand	2	—	—	—
More than 6 months	97	97	—	—
	99	97	—	—

Included in trade payables were those payables placed in trust accounts amounting to US$29,000 as at 31 December 2011 (2010: US$29,000).

As at 31 December 2011, included in deposit received, accruals and other payables was a deposit of approximately US$3,634,000 received in relation to the Group's proposed disposal of its JRGL Coal Project. The deposit will be recognised as part of the gain on disposal upon the completion of the transaction on 17 January 2012.

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

Group

	2011 US$'000	2010 US$'000
Amounts due from minority shareholders	—	852

Company

	2011 US$'000	2010 US$'000
Amounts due from subsidiaries	58,230	48,423
Less: Provision for impairment	(44,951)	—
	13,279	48,423
Amounts due to subsidiaries	(14,572)	(118,483)

Movements on the provision for impairment of amounts due from subsidiaries are as follows:

Company

	2011 US$'000	2010 US$'000
At 1 January	—	—
Provision for impairment	44,951	—
At 31 December	44,951	—

The amounts due from/(to) subsidiaries and minority shareholders 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. DISCONTINUED OPERATIONS

As disclosed in note 25, on 21 December 2011, the Company entered into a sale and purchase agreement for the sale of its interests in the entire issued share capital of Regent Coal (BVI) and ACMC, which mainly holds the JRGL Coal Project, to the Purchaser for a total consideration of RMB 115,000,000 (or equivalent to approximately US$18,120,000), payable in cash. In the financial statements for the year ended 31 December 2011, the JRGL Coal Project which represents the segment of coal mining, was presented as discontinued operations. The disposal of JRGL Coal Project was completed on 17 January 2012.

The revenue, results and cash flows of the discontinued operations are as follows:

	Notes	2011 US$'000	2010 US$'000
Revenue/Turnover:		—	—
Expenses:			
Employee benefit expenses	7	(198)	(1,049)
Rental and office expenses		—	(73)
Information and technology expenses		(22)	(90)
Professional and consulting fees		(46)	(157)
Other operating expenses		(3,492)	(497)
Operating loss	6	(3,758)	(1,866)
Loss for the year from discontinued operations		(3,758)	(1,866)
Loss for the year from discontinued operations attributable to:			
Shareholders of the Company		(2,131)	(1,977)
Non-controlling interests		(1,627)	111
		(3,758)	(1,866)

28. DISCONTINUED OPERATIONS (Continued)

The cash flows from the discontinued operations are as follows:

	2011 US$'000	2010 US$'000
Net cash used in operating activities	(251)	(2,570)
Net cash used in investing activities	(1,779)	(43)
Net cash (used in)/generated from financing activities	—	—
Effect of foreign exchange rates	998	216
Net	(1,032)	(2,397)

For the purpose of presenting discontinued operations, the comparative consolidated statement of comprehensive income and the related notes have been restated as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

29. 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 2011 and 31 December 2010	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 2010	3,948,690,523	39,486
Shares repurchased and cancelled	(37,700,000)	(377)
At 31 December 2010	3,910,990,523	39,109
Shares repurchased and cancelled	(425,260,000)	(4,252)
At 31 December 2011	3,485,730,523	34,857

* *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*

29. SHARE CAPITAL (Continued)

As at 1 January 2011, the total issued ordinary share capital of the Company consisted of 3,910,990,523 shares. During the year ended 31 December 2011, an aggregate of 425,260,000 shares were repurchased by the Company on the HK Stock Exchange for a total consideration of HK$115,501,910 (approximately US$14,911,000), 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 2011, the total issued ordinary share capital of the Company consisted of 3,485,730,523 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.

Details of the Company's Share Option Scheme (2002) and Long Term Incentive Plan 2007 are set out below:

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 29.2) 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, incentivizing, 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.

29. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

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.

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.

29. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

As at 1 January 2011, 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 157,116,132 ordinary shares (1 January 2010: 178,116,132 shares) at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.02% (1 January 2010: 4.51%) of the Company's then issued ordinary share capital and 3.86% (1 January 2010: 4.32%) of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 157,116,132 shares or 100% were vested (1 January 2010: options in respect of an aggregate of 152,103,414 shares or 85.40%).

During the year ended 31 December 2011:

- No new options were granted (2010: nil);
- No vested options were exercised (2010: nil);
- An outstanding option in respect of 2,500,000 shares at the exercise price of HK$0.300 per share and an option in respect of 750,000 shares at the exercise price of HK$0.325 per share lapsed upon redundancy of two employees respectively (2010: options in respect of an aggregate of 21,000,000 shares lapsed upon resignation of an Executive Director); and
- No outstanding options were cancelled (2010: nil).

Accordingly, as at 31 December 2011, 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 153,866,132 ordinary shares (31 December 2010: 157,116,132 shares) at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.41% (31 December 2010: 4.02%) of the Company's then issued ordinary share capital and 4.23% (31 December 2010: 3.86%) of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 153,866,132 shares or 100% were vested (31 December 2010: options in respect of an aggregate of 157,116,132 shares or 100%). Exercise in full of the outstanding options would result in the issue of 153,866,132 additional ordinary shares for aggregate proceeds, before expenses, of HK$101,945,528 (approximately US$13,069,939).

Subsequent to year end date and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options were cancelled. An outstanding option in respect of 3,500,000 shares at the exercise price of HK$1.152 per share lapsed upon termination of the employment of an employee. Accordingly, as at the date of this report, under the Share Option Scheme (2002) there are outstanding options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 150,366,132 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.31% of the Company's existing issued ordinary share capital and 4.14% of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 150,366,132 shares or 100% were vested. Exercise in full of the outstanding options would result in the issue of 150,366,132 additional ordinary shares for aggregate proceeds, before expenses, of HK$97,913,528 (approximately US$12,553,016).

29. 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 2011, outstanding options in respect of an aggregate of 87,600,000 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. An option, which was granted on 4 April 2006, entitling the Chief Executive Officer to subscribe, in stages, for 45,600,000 ordinary shares at the exercise price of HK$0.300 per share; and

3. Options, which were granted on 2 October 2007, entitling the Non-Executive Co-Chairman (James Mellon), the Chief Executive Officer and an Independent Non-Executive Director to subscribe, in stages, for an aggregate of 31,000,000 ordinary shares at the exercise price of HK$1.152 per share.

During the year ended 31 December 2011 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.

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, Options and Share Awards" 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.

29. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

ii. Full-time employees

As at 1 January 2011, 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 2011, no new options were granted; no vested options were exercised; and no outstanding options were cancelled. An outstanding option granted on 4 April 2006 in respect of 2,500,000 shares at the exercise price of HK$0.300 per share and an option granted on 14 December 2006 in respect of 750,000 shares at the exercise price of HK$0.325 per share lapsed on 8 October 2011 upon redundancy of two employees respectively.

Accordingly, as at 31 December 2011, there were outstanding options entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 52,266,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

Subsequent to year end date and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options were cancelled. An outstanding option granted on 2 October 2007 in respect of 3,500,000 shares at the exercise price of HK$1.152 per share lapsed on 15 March 2012 upon termination of the employment of an employee. Accordingly, as at the date of this report, there are outstanding options entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages for an aggregate of 48,766,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

29. 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 2011 or prior to the date of this report.

iv. Suppliers of goods and services

As at 1 January 2011, 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 2011 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 2011 or prior to the date of this report.

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.

29. SHARE CAPITAL (Continued)

1. Share Option Scheme (2002) (Continued)

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

	2011		2010	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
Outstanding at 1 January	157,116,132	0.655	178,116,132	0.648
Forfeited	(2,500,000)	0.300	(8,000,000)	0.300
Forfeited	(750,000)	0.325	(6,000,000)	0.325
Forfeited	—	—	(7,000,000)	1.152
Total forfeited	(3,250,000)	0.306	(21,000,000)	0.591
Cancelled	—	—	—	—
Outstanding at 31 December	153,866,132	0.663	157,116,132	0.655

29. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

No option has been exercised during the year ended 31 December 2011 and 2010. All remaining share options as at 31 December 2011 have been accounted for under HKFRS 2. The Group has granted the following outstanding share options and exercise prices:

	2011		2010	
Exercisable beginning in financial year	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
– 31 December 2009	—	—	—	—
– 31 December 2010	153,866,132	0.663	157,116,132	0.655
Outstanding at 31 December	153,866,132	0.663	157,116,132	0.655

The weighted average remaining contractual life of the outstanding options as of 31 December 2011 is 4.83 years (2010: 5.82 years).

In total, Nil (2010: US$132,000) of employee share-based payment and Nil (2010: US$8,000) of non-employee share-based payment in relation to share options granted have been included in the consolidated statement of comprehensive income for the year ended 31 December 2011. No liabilities were recognised due to share-based payment transactions.

29. 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 29.1) 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 Company sought shareholders' approval at the annual general meeting held on 1 June 2011 for "refreshing" the mandate limits under the plan. Accordingly, the total number of shares which may be transferred on vesting of all units to be granted under the plan after 1 June 2011 is limited to 387,247,052 shares and the total number of shares subject to a unit or units to be granted to an individual eligible participant after 1 June 2011 is limited to 193,623,526 shares, being 10% and 5% of the Company's total issued ordinary share capital as at the date of approval of the "refreshed" limits 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 limit as "refreshed".

29. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

i. *Grant and vesting of units*

As at 1 January 2011, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 59,750,002 ordinary shares (1 January 2010: 29,625,000 shares), which were to be vested to the respective eligible participants (not including Jamie Gibson, as referred to below) in stages in accordance with their respective vesting schedules, representing 1.53% (1 January 2010: 0.75%) of the Company's then issued ordinary share capital (excluding the unit in respect of 99,000,000 shares granted on 7 January 2009 to Jamie Gibson (as referred to below)), details of which are set out below:

1. Outstanding units (which were granted on 7 January 2009 to a number of eligible participants and to be vested in three equal tranches on the first, second and third anniversary dates of the date of grant) in respect of an aggregate of 19,750,002 shares (not including the unit in respect of 99,000,000 shares granted to Jamie Gibson, who received his entitlement on 7 January 2009 in the full cash equivalent of HK$15,543,000 (approximately US$1,992,692), being at HK$0.157 per share, which would be amortized over three years in line with the share scheme starting in the financial year ended 31 December 2009);

2. Units (which were granted on 9 April 2010 to a number of eligible participants and to be vested in three equal tranches on the first, second and third anniversary dates of the date of grant) in respect of an aggregate of 16,000,000 shares; and

3. Units (which were granted on 20 July 2010 to a number of eligible participants and to be vested in three equal tranches on the first, second and third anniversary dates of the date of grant) in respect of an aggregate of 24,000,000 shares.

29. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

i. Grant and vesting of units (Continued)

During the year ended 31 December 2011:

- (i) An aggregate of 9,874,998 shares (in respect of the outstanding units granted on 7 January 2009) were vested to the respective eligible participants (not including Jamie Gibson) on 7 January 2011; (ii) an aggregate of 5,333,333 shares (in respect of the outstanding units granted on 9 April 2010) were vested to the respective eligible participants on 9 April 2011; and (iii) an aggregate of 37,541,671 shares (in respect of all outstanding units granted prior to 2 December 2010) were vested to the respective eligible participants (not including Jamie Gibson) on 11 July 2011 in accordance with the rules of the plan and as approved by the Remuneration Committee (2010: an aggregate of 9,874,998 shares);

- (i) New units in respect of an aggregate of 16,700,000 shares were granted on 23 February 2011 to a number of eligible participants, which are to be vested in three equal tranches on the first, second and third anniversary dates of the date of grant; and (ii) new units in respect of an aggregate of 220,000,000 shares were granted on 1 November 2011 to a number of eligible participants, which are to be vested in full on the happening of the "trigger event" (as referred to in the offer letters dated 7 November 2011) or otherwise on 1 November 2014 (2010: new units in respect of an aggregate of 40,000,000 shares);

- An outstanding unit in respect of 4,000,000 shares and an outstanding unit in respect of 3,000,000 shares lapsed on 30 June 2011 upon resignation of two employees respectively (2010: nil); and

- No outstanding units were cancelled (2010: nil).

Accordingly, as at 31 December 2011, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 236,700,000 ordinary shares (31 December 2010: 59,750,002 shares), which were to be vested to the respective eligible participants in stages in accordance with their respective vesting schedules, representing 6.79% (31 December 2010: 1.53%) of the Company's then issued ordinary share capital.

29. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

i. Grant and vesting of units (Continued)

Subsequent to the year end date and prior to the date of this report:

- An aggregate of 5,566,665 shares (in respect of the outstanding units granted on 23 February 2011) were vested to the respective eligible participants on 23 February 2012;
- No new units were granted;
- Three outstanding units in respect of 1,666,667 shares each and three outstanding units in respect of 4,000,000 shares each lapsed on 15 March 2012 upon termination of the employment of three employees; and
- No outstanding units 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 214,133,334 ordinary shares, which are to be vested to the respective eligible participants in stages in accordance with their respective vesting schedules, representing 6.14% of the Company's existing issued ordinary share capital.

Particulars of the units 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, Options and Share Awards" in the Directors' Report. No units 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 units 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.

29. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

ii. Acquisition of shares

As at 1 January 2011, an aggregate of 59,750,002 shares were held by the trustee appointed by the Company for the plan (1 January 2010: an aggregate of 29,625,000 shares), which were acquired by the trustee from the market during the previous periods and were to be vested to the respective eligible participants (not including Jamie Gibson) in stages in accordance with their respective vesting schedules.

During the year ended 31 December 2011:

- An aggregate of 52,750,002 shares were vested to the respective eligible participants (not including Jamie Gibson), being: (i) an aggregate of 9,874,998 shares (in respect of the outstanding units granted on 7 January 2009) vested on 7 January 2011; (ii) an aggregate of 5,333,333 shares (in respect of the outstanding units granted on 9 April 2010) vested on 9 April 2011; and (iii) an aggregate of 37,541,671 shares (in respect of all outstanding units granted prior to 2 December 2010) vested on 11 July 2011 in accordance with the rules of the plan and as approved by the Remuneration Committee (2010: an aggregate of 9,874,998 shares); and

- An aggregate of 229,700,000 shares were acquired from the market, being: (i) an aggregate of 16,700,000 shares acquired during the period from 25 to 28 March 2011 for a total consideration of HK$5,709,300 (approximately US$734,800); and (ii) an aggregate of 213,000,000 shares acquired during the period from 8 November to 6 December 2011 for a total consideration of HK$52,700,180 (approximately US$6,802,200) (2010: an aggregate of 40,000,000 shares).

Accordingly, as at 31 December 2011, an aggregate of 236,700,000 shares (31 December 2010: 59,750,002 shares) were held by the trustee, which were to be vested to the respective eligible participants in stages in accordance with their respective vesting schedules.

Subsequent to the year end date and prior to the date of this report:

- An aggregate of 5,566,665 shares were vested to the respective eligible participants (in respect of the outstanding units granted on 23 February 2011) on 23 February 2012; and

- No shares were acquired.

Accordingly, as at the date of this report, an aggregate of 231,133,335 shares are held by the trustee, including: (i) an aggregate of 214,133,334 shares, which are to be vested to the respective eligible participants in stages in accordance with their respective vesting schedules; and (ii) an aggregate of 17,000,001 shares subject to the units lapsed on 15 March 2012 (referred to in sub-paragraph (i) above), which are available for the grant of new units.

30. RESERVES

	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
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 or loss on disposal of a jointly controlled entity and the Zhun Dong Coal Project	—	—	—	—	—	—	—	(4,610)	(4,610)
Shares repurchased	(377)	(778)	—	377	—	—	—	—	(778)
Shares 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

30. RESERVES (Continued)

	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
Group									
At 1 January 2011	(146,754)	357,949	3,575	8,228	6,858	177	(1,503)	2,096	230,626
Foreign currency translation adjustment	—	—	—	—	—	—	—	410	410
Share of reserves of associates	—	—	(15)	—	—	804	—	1,025	1,814
Reclassified to profit or loss on disposal of the Yinzishan Mining Project	—	—	—	—	—	—	—	(225)	(225)
Shares repurchased	—	(10,659)	—	—	—	—	—	—	(10,659)
Shares purchased for share award scheme	—	—	—	—	—	—	(7,537)	—	(7,537)
Distribution of shares awarded	168	—	(1,454)	—	—	—	1,286	—	—
Reclassified to profit or loss on disposals of available-for-sale financial assets	—	—	—	—	(6,858)	—	—	—	(6,858)
Dividend payment	—	(13,465)	—	—	—	—	—	—	(13,465)
Share-based payment	—	—	1,588	—	—	—	—	—	1,588
Share options forfeited	27	—	(27)	—	—	—	—	—	—
Loss for the year	(48,527)	—	—	—	—	—	—	—	(48,527)
At 31 December 2011	(195,086)	333,825	3,667	8,228	—	981	(7,754)	3,306	147,167

* *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.*

30. RESERVES (Continued)

	Accumulated losses US$'000	Share premium US$'000	Share-based payment 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 2010	(205,800)	376,063	3,330	7,851	(90)	(456)	(20)	180,878
Shares repurchased	(377)	(778)	—	377	—	—	—	(778)
Distribution of shares awarded	32	—	(184)	—	—	152	—	—
Shares purchased for share award scheme	—	—	—	—	—	(1,199)	—	(1,199)
Dividend payment	—	(15,071)	—	—	—	—	—	(15,071)
Share-based payment	—	—	569	—	—	—	—	569
Share options forfeited	—	—	(325)	—	—	—	—	(325)
Reclassified to profit or loss on 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
Shares repurchased	—	(10,659)	—	—	—	—	—	(10,659)
Distribution of shares awarded	168	—	(1,454)	—	—	1,286	—	—
Shares purchased for share award scheme	—	—	—	—	—	(7,537)	—	(7,537)
Dividend payment	—	(13,465)	—	—	—	—	—	(13,465)
Share-based payment	—	—	1,588	—	—	—	—	1,588
Share options forfeited	—	—	(27)	—	—	—	—	(27)
Foreign currency adjustment	—	—	—	—	—	—	1	1
Loss for the year	(37,688)	—	—	—	—	—	—	(37,688)
At 31 December 2011	(212,863)	336,090	3,497	8,228	—	(7,754)	1	127,199

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Total derivatives	US$'000	US$'000	US$'000	US$'000
Foreign exchange traded futures and options	—	270	—	569
Equity, government notes and stock index futures and options	1,975	221	—	171
Total derivatives	1,975	491	—	740

At 31 December 2011, there were outstanding forwards, futures and contract-for-difference contracts amounting to approximately US$85,269,000 (2010: US$76,166,000) undertaken by the Group in the foreign exchange and equity markets. At 31 December 2011, there was an unrealised gain of US$1,484,000 (2010: unrealised loss of US$740,000) 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 2011, the amount of these margin deposits was US$8,932,000 (2010: US$2,243,000).

32. DISPOSAL OF SUBSIDIARIES

On 31 March 2011, the Group disposed of its entire equity interest in its subsidiaries, Regent Minerals Limited ("**RMI**") and Simao Regent Minerals Limited ("**SRM**"), which mainly held the Yinzishan Mining Project in Yunnan, PRC.

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

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.

32. DISPOSAL OF SUBSIDIARIES (Continued)

The net assets of the disposed subsidiaries at their respective date of disposal were as follows:

	2011	2010		
	RMI and SRM US$'000	RC(HK) and XJRC US$'000	RML US$'000	Total US$'000
Exploration and evaluation assets (note 14)	1,297	28,665	—	28,665
Cash and bank balances	—	325	—	325
Dividend and other receivables	—	—	13,306	13,306
Goodwill	—	38,005	1,876	39,881
Interest in a jointly controlled entity	—	—	40,940	40,940
Property, plant and machinery	312	—	—	—
Prepayments	4	—	—	—
Accruals	(7)	(602)	—	(602)
Deferred tax liabilities	—	—	(324)	(324)
Exchange reserve	(225)	250	(4,860)	(4,610)
Net assets disposed of	1,381	66,643	50,938	117,581
Gain on disposal of subsidiaries	2,401	7,592	12,242	19,834
Total consideration	3,782	74,235	63,180	137,415
Satisfied by:				
Deposit received in prior year	—	3,514	—	3,514
Cash received during the year	3,782	70,721	63,180	133,901
Total cash	3,782	74,235	63,180	137,415
Net cash inflow arising on disposal:				
Cash consideration	3,782	74,235	63,180	137,415
Cash and bank balance transferred	—	(325)	—	(325)
Deposit received in prior year	—	(3,514)	—	(3,514)
Cash received during the year	3,782	70,396	63,180	133,576

33. DEFERRED TAX

Balance as at 1 January 2010 represented deferred tax liability arose from the dividend receivable by the Group from its PRC's jointly controlled entity. During 2010, 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:

	2011 US$'000	2010 US$'000
At 1 January	—	324
Derecognised upon disposal of interests in a jointly controlled entity	—	(324)
At 31 December	—	—

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.

34. 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 2011, there were no forfeited contributions (2010: Nil) and the Group's contribution was US$21,000 (2010: US$21,000).

35. OPERATING LEASE COMMITMENTS

Group

	2011 US$'000	2010 US$'000
At 31 December 2011 and 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
– within 1 year	838	468
– in the 2nd to 5th year, inclusive	1,305	443
	2,143	911
Equipment:		
– within 1 year	5	5
– in the 2nd to 5th year, inclusive	17	12
	22	17
	2,165	928

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.

36. CAPITAL COMMITMENTS

Group

	2011 US$'000	2010 US$'000
Contracted but not provided for:		
Purchase of the remaining share of a subsidiary - ACMC	—	15,134

Company

The Company has no capital commitments.

37. CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 31 December 2011.

38. 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.

The Group operates using US$. As such, the Group is exposed to foreign currency fluctuations arising from operations of its subsidiaries and associates 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 fluctuated during the year. However, as the Group's results are reported in US$, there will be a translation gain/(loss) as a result of the RMB, GBP, AUD and CAD fluctuation. 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.

38. 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 2011

	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	359	—	282	—	—	—	282	—
Financial assets at fair value through profit or loss	—	7,971	90,693	23,207	—	7,971	90,693	21,620
Prepayments, deposits and other receivables	2	5,019	—	—	—	5,019	—	—
Accruals and other payables	(3,269)	—	—	—	—	—	—	—
Current net exposures	(2,908)	12,990	90,975	23,207	—	12,990	90,975	21,620

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 or 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 net exposures	—	18,773	82,315	18,948	—	18,773	82,315	16,564

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).

38. 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 2011				
If US$ weaken against RMB	5	(145)	5	—
If US$ strengthen against RMB	(5)	145	(5)	—
If US$ weaken against GBP	5	650	5	650
If US$ strengthen against GBP	(5)	(650)	(5)	(650)
If US$ weaken against AUD	5	4,549	5	4,549
If US$ strengthen against AUD	(5)	(4,549)	(5)	(4,549)
If US$ weaken against CAD	5	1,160	5	1,081
If US$ strengthen against CAD	(5)	(1,160)	(5)	(1,081)
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)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

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.

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:

	Group					Company				
2011	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 6 months or on demand US$'000	6 to 12 months US$'000	1 to 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 6 months or on demand US$'000	6 to 12 months US$'000	1 to 5 years US$'000
Trade payables	99	99	99	—	—	—	—	—	—	—
Accruals and other payables	1,801	1,801	1,801	—	—	1,339	1,339	1,339	—	—
Dividend payable	13,463	13,463	13,463	—	—	13,463	13,463	13,463	—	—
Derivative financial instruments	491	491	491	—	—	491	491	491	—	—
Amounts due to subsidiaries	—	—	—	—	—	14,572	14,572	14,572	—	—
	15,854	15,854	15,854	—	—	29,865	29,865	29,865	—	—

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Group					Company				
2010	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 6 months or on demand US$'000	6 to 12 months US$'000	1 to 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 6 months or on demand US$'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	—	—

The Group enjoyed a healthy financial position at the end of 2011, with cash and cash equivalents amounting to US$16,412,000 as at 31 December 2011 (2010: US$123,816,000).

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 coking coal which can affect the Group's share of profit from its associate.

38. 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 2011, 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$164,000 (2010: US$1,238,000). 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

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

At 31 December 2011

		The Group				The Company			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Note	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets									
Listed securities held for trading	(a)	126,026	—	—	126,026	124,438	—	—	124,438
Derivative financial instruments	(d)	—	1,975	—	1,975	—	1,975	—	1,975
		126,026	1,975	—	128,001	124,438	1,975	—	126,413
Liabilities									
Derivative financial instruments	(c)	491	—	—	491	491	—	—	491

At 31 December 2010

		The Group				The Company			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Note	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Assets									
Available-for-sale financial assets	(b)	—	7,006	—	7,006	—	—	—	—
Listed securities held for trading	(a)	114,080	—	—	114,080	111,694	—	—	111,694
		114,080	7,006	—	121,086	111,694	—	—	111,694
Liabilities									
Derivative financial instruments	(c)	740	—	—	740	740	—	—	740

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

There have been no significant transfers among 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 held for trading

The listed equity securities are denominated in US dollars, British pounds, Canadian 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.

(d) Derivatives

Where derivatives are not traded either on exchanges or liquid over-the-counter markets, the fair value is determined with reference to the market price of equity shares to which the derivatives are linked to using pricing models.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities amounting to US$126,026,000 classified as financial assets at fair value through profit or loss (2010: US$114,080,000).

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 2011, if equity prices had increased/decreased by 20% and all other variables were held constant, profit for the year would increase/decrease by US$25,205,000 (2010: US$22,816,000). 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.

38. 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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
(i) Financial assets				
Non-current assets				
Available-for-sale financial assets	9,287	7,025	9,287	19
Current assets				
Financial assets at fair value through profit or loss	126,026	114,080	124,438	111,694
Derivative financial instruments	1,975	—	1,975	—
Loans and receivables:				
– Cash and bank balances	16,412	123,816	15,361	121,678
– Amounts due from subsidiaries	—	—	13,279	48,423
– Trade receivables	—	43	—	—
– Loan receivables	—	4,345	—	—
– Prepayments, deposits and other receivables	10,034	6,090	9,368	4,138
– Amount due from minority shareholders	—	852	—	—
	154,447	249,226	164,421	285,933
	163,734	256,251	173,708	285,952

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Summary of financial assets and liabilities by category (Continued)

	Group		Company	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
(ii) Financial liabilities				
Current liabilities				
Derivative financial instruments	491	740	491	740
Financial liabilities measured at amortised cost:				
– Trade payables, accruals and other payables	1,900	17,909	1,339	4,873
– Dividend payable	13,463	10,050	13,463	10,050
– Amounts due to subsidiaries	—	—	14,572	118,483
	15,854	28,699	29,865	134,146

39. 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 2011 amounted to approximately US$182,024,000 (2010: US$269,735,000), which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

40. MATERIAL RELATED PARTY TRANSACTIONS

The Group has no material related party transactions for the years ended 31 December 2011 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.

41. LITIGATION

As previously disclosed, 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% 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 Company had previously been informed that the claim related only to 16% of the actual amount paid by Regent Coal (BVI) for equity in ACMC, which was RMB 80 million (US$12.05 million). The arbitration commission handed down an arbitration award on 20 August 2009 supporting the claim.

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

On 26 December 2011, the Inner Mongolian Xilinhot Court handed down a ruling that it would enforce the arbitration award against ACMC, with the implementation notice indicating that ACMC is to pay the Claimant RMB20,579,465 (or approximately US$3.27 million) within 3 days of the notice, failing which certain of ACMC's assets may be the subject of enforcement measures.

In view of the ruling from the Inner Mongolian Xilinhot Court, provision for legal claims of US$3,269,000 has been made for the year ended 31 December 2011.

Except for the above mentioned, 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.

42. POST BALANCE SHEET EVENTS

(i) On 17 January 2012, the Company announced the completion of the Group's disposal of the JRGL Coal Project.

(ii) Subsequent to year end date and prior to the date of this report, the Company has further acquired, in aggregate, 1,923,327 shares of BC Iron Limited by a series of transactions on the market at an aggregate amount of cash consideration of AUD 5,421,031 (or approximately US$5,797,531). Following the acquisitions, the Company now holds 23,507,458 shares of BC Iron Limited, representing approximately 22.63% of the existing issued share capital of BC Iron Limited.

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