Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 575)

2010
Interim Report

For the six months ended 30 June 2010

Highlights

Some of the highlights or achievements for the period include:

- Total comprehensive income of US$0.65 million (2009: US$10.5 million).
- Shareholders' equity decreased by 0.21% to US$223.55 million or net asset value ("**NAV**") per share of Hong Kong 44.5 cents as at 30 June 2010 from US$224.02 million as at 31 December 2009. The decrease was mainly due to the loss of US$1.51 million for the six months ended 30 June 2010.
- Further progress towards completion of the disposal of the Zhun Dong coal project for RMB 460 million or US$67.95 million (before an upwards adjustment of RMB 35 million or US$5.17 million for cash and drilling expenditure incurred).
- Conditional special dividend of HK$0.02 per share, together with implementing a possible share repurchase programme designed to narrow the discount to NAV, in each case following (and not before) the anticipated sale of the Group's Zhun Dong coal project, including having received (in full and outside the PRC) the cash proceeds of sale.
- Loss of US$1.51 million, which was mainly generated by the loss from Dapingzhang of US$0.7 million (2009: profit of US$4.1 million), largely due to the high waste removal of over 3.73 million cubic metres (2009: 1.3 million cubic metres) and the planned processing of low grade copper mineralisation, with the mine plan processing of higher grade copper mineralisation from the second half of the financial year (which recommenced on 17 August 2010), and the reduction of corporate income to US$2.4 million (2009: US$8.2 million), resulting mainly from marked-to-market losses on some of the Group's holding of listed securities (which, in some instances, have enjoyed positive re-ratings since 30 June 2010).
- Significant reduction of employee benefit expenses to US$3.5 million (2009: US$4.9 million) and professional fees to US$0.5 million (2009: US$2.6 million).
- The successful acquisition of strategic stakes in Venturex Resources Limited (19.9%) and Bathurst Resources Limited (19.7%), which are complementary to the Company's existing volcanic massive sulphide ("**VMS**") and coal assets respectively.
- Significant increase in value of the Company's strategic 16% stake in BC Iron Limited as it embarks on becoming the next iron ore producer in the Pilbara with mining commencing in September 2010 and first iron ore on ship planned in December 2010.
- Successful completion of headcount rationalisation and renewed commitment to meeting strategic objectives.
- Regent remains debt free and is a cash and securities rich company developing highly prospective operating assets.

Results

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

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

		(Unaudited) For the six months ended	
		30 June 2010	**30 June 2009**
	Notes	*US$'000*	*US$'000*
Revenue/Turnover:	3		
Corporate investment income		374	826
Other income		9	538
		383	1,364
Fair value gain		2,050	6,842
Total income		2,433	8,206
Expenses:			
Employee benefit expenses		(3,549)	(4,863)
Rental and office expenses		(243)	(304)
Information and technology expenses		(192)	(193)
Marketing costs and commissions		(5)	(4)
Professional fees		(513)	(2,637)
Finance costs	5	(2)	(169)
Other operating expenses		(830)	(611)

	Notes	(Unaudited) For the six months ended 30 June 2010 US$'000	30 June 2009 US$'000
Operating loss before impairment		(2,901)	(575)
Reversal of impairment of exploration and evaluation assets		912	—
Operating loss	4	(1,989)	(575)
Share of profits of associates		941	143
Share of (loss)/profit of a jointly controlled entity		(704)	4,098
(Loss)/Profit before taxation		(1,752)	3,666
Taxation	6	—	—
(Loss)/Profit for the period		**(1,752)**	**3,666**
Other comprehensive income			
Available-for-sale financial assets		1,970	6,996
Exchange gain/(loss) on translation of financial statements of foreign operations		72	(111)
Share of other comprehensive income of associates		117	7
Share of other comprehensive income of a jointly controlled entity		241	(11)
Other comprehensive income for the period, net of tax		**2,400**	**6,881**
Total comprehensive income for the period		**648**	**10,547**

		(Unaudited) For the six months ended	
		30 June 2010	**30 June 2009**
	Notes	*US$'000*	*US$'000*
(Loss)/Profit for the period attributable to:			
Owners of the Company		(1,510)	3,726
Non-controlling interests		(242)	(60)
		(1,752)	3,666
Total comprehensive income attributable to:			
Owners of the Company		910	10,592
Non-controlling interests		(262)	(45)
		648	10,547
(Losses)/Earnings per share for (loss)/profit attributable to the owners of the Company during the period (US cents):	8		
– Basic		(0.04)	0.09
– Diluted		N/A	N/A

Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	(Unaudited) As at 30 June 2010 US$'000	(Audited) As at 31 December 2009 US$'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		14,132	14,132
Exploration and evaluation assets		9,246	8,187
Property, plant and equipment		998	983
Interests in associates		20,444	19,508
Interest in a jointly controlled entity		36,426	36,889
Available-for-sale financial assets		3,555	1,597
		84,801	81,296
Current assets			
Cash and bank balances		6,250	3,085
Financial assets at fair value through profit and loss		48,857	26,368
Trade receivables	9	43	43
Loan receivables		4,345	4,345
Prepayments, deposits and other receivables		21,544	52,749
Derivative financial instruments	12	415	38
Assets classified as held for sale		65,047	65,305
		146,501	151,933

	Notes	(Unaudited) As at 30 June 2010 US$'000	(Audited) As at 31 December 2009 US$'000
Current liabilities			
Trade payables, deposit received, accruals and other payables	10	(4,867)	(6,102)
Amounts due to non-controlling shareholders		(175)	(44)
Deferred tax liability		(324)	(324)
Borrowings		—	(27)
Liabilities directly associated with assets classified as held for sale		(1)	(63)
		(5,367)	(6,560)
Net current assets		141,134	145,373
Total assets less current liabilities		225,935	226,669
Non-current liability			
Borrowings		—	(8)
Net assets		**225,935**	**226,661**
EQUITY			
Equity attributable to the owners of the Company			
Share capital	11	39,109	39,486
Reserves		184,442	184,529
		223,551	224,015
Non-controlling interests		2,384	2,646
Total equity		**225,935**	**226,661**
NAV per share:			
– US cents		5.72	5.67
– Hong Kong cents		44.50	44.00

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	(Unaudited) For the six months ended 30 June 2010 US$'000	30 June 2009 US$'000
Net cash generated from/ (used in) operating activities	26,058	(8,122)
Net cash used in investing activities	(21,246)	(25,431)
Net cash used in financing activities	(1,647)	(5,139)
Net increase/(decrease) in cash and cash equivalents	3,165	(38,692)
Cash and cash equivalents at the beginning of the period	3,085	57,399
Cash and cash equivalents at the end of the period	6,250	18,707
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	6,250	18,707

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners 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
Share repurchase	(377)	(377)	(778)	–	377	–	–	–	–	(1,155)	–	(1,155)
Shares purchased for share award scheme	–	–	–	–	–	–	–	(455)	–	(455)	–	(455)
Shares distributed for share award scheme	–	32	–	(184)	–	–	–	152	–	–	–	–
Share-based payment	–	–	–	236	–	–	–	–	–	236	–	236
Transactions with owners	(377)	(345)	(778)	52	377	–	–	(303)	–	(1,374)	–	(1,374)
Loss for the period	–	(1,510)	–	–	–	–	–	–	–	(1,510)	(242)	(1,752)
Other comprehensive income												
Foreign currency translation adjustment	–	–	–	–	–	–	–	–	92	92	(20)	72
Share of reserve of a jointly controlled entity	–	–	–	–	–	–	–	–	241	241	–	241
Share of reserve of associates	–	–	–	26	–	–	–	–	91	117	–	117
Disposal of available-for-sale financial assets	–	–	–	–	–	(23)	–	–	–	(23)	–	(23)
Unrealised gain in available-for-sale financial assets	–	–	–	–	–	1,993	–	–	–	1,993	–	1,993
Total comprehensive income for the period	–	(1,510)	–	26	–	1,970	–	–	424	910	(262)	648
At 30 June 2010	39,109	(208,381)	373,020	3,515	8,228	3,173	177	(759)	5,469	223,551	2,384	225,935

* 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 Changes in Equity

For the six months ended 30 June 2009

	Attributable to owners of the Company												
2009	**Share capital** *US$'000*	**Accumulated losses** *US$'000*	**Share premium** *US$'000*	**Share-based payment reserve** *US$'000*	**Preference shares reserve** *US$'000*	**Capital redemption reserve** *US$'000*	**Investment revaluation reserve** *US$'000*	**Statutory* reserve** *US$'000*	**Shares held for share award scheme** *US$'000*	**Foreign currency exchange reserve** *US$'000*	**Total** *US$'000*	**Non-controlling interests** *US$'000*	**Total equity** *US$'000*
At 1 January 2009	38,948	(218,318)	374,933	3,671	140	7,851	453	177	–	5,189	213,044	2,476	215,520
Conversion of redeemable convertible preference shares	538	–	1,428	–	(51)	–	–	–	–	–	1,915	–	1,915
Repurchase of redeemable convertible preference shares	–	–	–	–	(89)	–	–	–	–	–	(89)	–	(89)
Shares purchased for share award scheme	–	–	(16)	–	–	–	–	–	(456)	–	(472)	–	(472)
Share-based payment	–	–	–	212	–	–	–	–	–	–	212	–	212
Transactions with owners	538	–	1,412	212	(140)	–	–	–	(456)	–	1,566	–	1,566
Profit for the period	–	3,726	–	–	–	–	–	–	–	–	3,726	(60)	3,666
Other comprehensive income													
Foreign currency translation adjustment	–	–	–	–	–	–	–	–	–	(126)	(126)	15	(111)
Share of reserve of a jointly controlled entity	–	–	–	–	–	–	–	–	–	(11)	(11)	–	(11)
Share of reserve of associates	–	–	–	–	–	–	–	–	–	7	7	–	7
Unrealised gain in available-for-sale financial assets	–	–	–	–	–	–	6,996	–	–	–	6,996	–	6,996
Total comprehensive income for the period	–	3,726	–	–	–	–	6,996	–	–	(130)	10,592	(45)	10,547
At 30 June 2009	39,486	(214,592)	376,345	3,883	–	7,851	7,449	177	(456)	5,059	225,202	2,431	227,633

* 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.

Notes to the Interim Financial Report

For the six months ended 30 June 2010

1. General information and basis of preparation

The Company was incorporated in the Cayman Islands with limited liability. Its registered office is at P O Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and principal place of business in Hong Kong is at Suite 1001, Henley Building, 5 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") and are also traded on the OTC market (Freiverkehr) of the Frankfurt Stock Exchange.

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

The interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the "**HK Listing Rules**") on the HK Stock Exchange and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

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

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

2. Adoption of new or revised HKFRSs

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

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

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

HKAS 27 Consolidated and separate financial statements (Revised 2008)

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

HKFRS 3 Business combinations (Revised 2008)

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

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

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

Annual improvements 2009

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

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

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

HKFRS 9 Financial instruments

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

3. Segment information

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

The Group has identified the following reportable segments.

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

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

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

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

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

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

There are no sales between the reportable segments.

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

For the six months ended 30 June 2010

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

For the six months ended 30 June 2009

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

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

4. Operating Loss

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

5. Finance costs

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

6. Taxation

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

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

7. Dividend

Dividend attributable to the interim period:

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

8. (Losses)/Earnings per share

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

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

9. Trade receivables

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

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

The Group applies credit policies appropriate to the particular business circumstances concerned but generally requires outstanding amounts to be paid within 30 days of invoice.

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

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

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

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

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

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

11. 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 30 June 2010 and 31 December 2009	10,000,000,000	100,000	550,000,000	5,500	10,550,000,000	105,500

Issued and fully paid:	Total number of shares	Total US$'000
At 1 January 2009	3,894,897,419	38,948
Conversion of redeemable convertible preference shares	53,793,104	538
At 31 December 2009	3,948,690,523	39,486
Share repurchases	(37,700,000)	(377)
At 30 June 2010	3,910,990,523	39,109

* Unclassified shares of US$0.01 each, which may be issued as ordinary shares or as non-voting convertible deferred shares of US$0.01 each

As at 1 January 2010, the total issued ordinary share capital of the Company consisted of 3,948,690,523 shares. During the six months ended 30 June 2010, an aggregate of 37,700,000 shares were repurchased by the Company on the HK Stock Exchange at a total consideration of HK$8,914,110 (approximately US$1,142,835). The repurchased shares were cancelled accordingly. Therefore, as at 30 June 2010, the total issued ordinary share capital of the Company consisted of 3,910,990,523 shares.

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

1. **Share Option Scheme (2002)**

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

Upon adoption of the Long Term Incentive Plan 2007 (as referred to in note 11.2) on 8 December 2007, no further options under the Share Option Scheme (2002) will be granted.

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

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

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

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

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

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

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

As at 1 January 2010, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 178,116,132 (1 January 2009: 210,616,132) ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.51% (1 January 2009: 5.41%) of the Company's then issued ordinary share capital and 4.32% (1 January 2009: 5.13%) of the enlarged ordinary share capital. Amongst the outstanding options, options in respect of an aggregate of 152,103,414 shares or 85.40% were vested (1 January 2009: options in respect of an aggregate of 105,107,364 shares or 49.90%).

During the six months ended 30 June 2010:

- No new options were granted (2009: nil);
- No vested options were exercised (2009: nil);
- No outstanding options lapsed (2009: an option in respect of 4,000,000 shares and an option in respect of 12,000,000 shares lapsed upon resignation of an employee and a Director respectively); and
- No options were cancelled (2009: an option in respect 16,500,000 shares was cancelled upon termination of the services of a consultant).

Accordingly, as at 30 June 2010, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 178,116,132 (30 June 2009: 178,116,132) ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.55% (30 June 2009: 4.51%) of the Company's then issued ordinary share capital and 4.36% (30 June 2009: 4.32%) of the enlarged ordinary share capital. Amongst the outstanding options, options in respect of an aggregate of 156,103,414 shares or 87.64% were vested (30 June 2009: options in respect of an aggregate of 125,924,035 shares or 70.70%). Exercise in full of the outstanding options would result in the issue of 178,116,132 additional ordinary shares for aggregate proceeds, before expenses, of HK$115,353,278 (approximately US$14,788,882).

Subsequent to period end date and prior to the date of this report, no new options were granted, no vested options were exercised, and no options were cancelled. An option in respect of 8,000,000 shares, an option in respect of 6,000,000 shares and an option in respect of 7,000,000 shares at the exercise price of HK$0.300 per share, HK$0.325 per share and HK$1.152 per share respectively lapsed upon resignation of an Executive Director. Accordingly, as at the date of this report, there are outstanding options entitling the holders to subscribe, in stages, for an aggregate of 157,116,132 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.02% of the Company's existing issued ordinary share capital and 3.86% of the enlarged ordinary share capital. Amongst the outstanding options, options in respect of an aggregate of 137,436,748 shares or 87.47% were vested. Exercise in full of the outstanding options would result in the issue of 137,436,748 additional ordinary shares for aggregate proceeds, before expenses, of HK$102,939,278 (approximately US$13,197,343).

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

i. *Directors, Chief Executive and substantial shareholders*

As at 1 January 2010, outstanding options in respect of an aggregate of 108,600,000 shares were held by the Chief Executive Officer (also an Executive Director) and other Directors, details of which are set out below:

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

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

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

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

During the six months ended 30 June 2010, no new options were granted, no vested options were exercised, and no outstanding options lapsed or were cancelled.

Subsequent to the period end date and prior to the date of this report, no new options were granted, no vested options were exercised, and no options were cancelled. All outstanding options held by the aforesaid Executive Director, being: (i) the option granted on 4 April 2006 in respect of 8,000,000 shares at the exercise price of HK$0.300 per share; (ii) the option granted on 14 December 2006 in respect of 6,000,000 shares at the exercise price of HK$0.325 per share; and (iii) the option granted on 2 October 2007 in respect of 7,000,000 shares at the exercise price of HK$1.152 per share, lapsed on 31 July 2010 upon her resignation as an Executive Director. Accordingly, as at the date of this report, there are outstanding options entitling the Chief Executive Officer (also an Executive Director) and other Directors to subscribe, in stages, for an aggregate of 87,600,000 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

Particulars of the options granted to and held by the Directors and the Chief Executive Officer are set out in detail under the section headed “Directors’ Interests in Securities and Options” in this 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 period 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 this report, or their respective associates, at any time during the period or prior to the date of this report.

ii. Full-time employees

As at 1 January 2010, outstanding options in respect of an aggregate of 55,516,132 shares were held by the full-time employees of the Group (excluding the Directors of the Company), details of which are set out below:

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

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

3. Options, which were granted on 14 December 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 4,854,000 ordinary shares at the exercise price of HK$0.325 per share; and

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

During the six months ended 30 June 2010 and prior to the date of this report, no new options were granted, no vested options were exercised, and no outstanding options lapsed or were cancelled.

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 six months ended 30 June 2010 or prior to the date of this report.

iv. *Suppliers of goods and services*

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

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

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

During the six months ended 30 June 2010 and prior to the date of this report, no new options were granted, no vested options were exercised, and no outstanding options lapsed or were cancelled.

v. *Other participants*

No options were granted to or held by participants other than those referred to in sub-paragraphs (i) to (iv) above at any time during the six months ended 30 June 2010 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.

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

	30 June 2010		30 June 2009	
	Number	**Weighted average exercise price HK$**	**Number**	**Weighted average exercise price HK$**
Outstanding at 1 January	178,116,132	0.648	210,616,132	0.689
Forfeited	—	—	(4,000,000)	0.325
Forfeited	—	—	(12,000,000)	0.780
Cancelled	—	—	(16,500,000)	1.152
Outstanding at 30 June	178,116,132	0.648	178,116,132	0.648

No share options were exercised during the six months ended 30 June 2009 and 2010. All remaining share options as at 30 June 2010 have been accounted for under HKFRS 2. The Group has granted the following outstanding share options and exercise prices:

Exercisable beginning in financial year	30 June 2010 Number	30 June 2010 Weighted average exercise price HK$	30 June 2009 Number	30 June 2009 Weighted average exercise price HK$
-31 December 2008	—	—	92,940,698	0.520
-31 December 2009	152,103,414	0.571	59,162,716	0.651
-31 December 2010	26,012,718	1.095	26,012,718	1.095
Outstanding at 30 June	178,116,132	0.648	178,116,132	0.648

The weighted average remaining contractual life of the outstanding options as of 30 June 2010 is 6.34 years (2009: 7.34 years).

In total, a charge of US$99,000 for share-based payment of share options has been included in the consolidated statement of comprehensive income for the six months ended 30 June 2010 (2009: US$464,000). No liabilities were recognised due to share-based payment transactions.

2. **Long Term Incentive Plan 2007**

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

The establishment and operation of the Long Term Incentive Plan 2007 are not subject to Chapter 17 of the 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 11.1) 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 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 right to acquire shares subject to such conditions (if any) as the remuneration committee of the Company (the "**Remuneration Committee**") may direct on their vesting. A grantee is not required to pay for the grant of any unit.

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

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

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

i. *Grant and vesting of units*

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

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

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

During the six months ended 30 June 2010:

- On 7 January 2010, an aggregate of 9,874,998 shares were vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung) (2009: nil);

- On 9 April 2010, new units in respect of an aggregate 16,000,000 shares were granted to a number of eligible participants (2009: nil), which would be vested in three equal tranches on the first, second and third anniversary dates of the date of grant; and

- No outstanding units lapsed or were cancelled (2009: nil).

Accordingly, as at 30 June 2010, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 35,750,002 (30 June 2009: 29,625,000) ordinary shares, which were to be vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung) in stages in accordance with their respective vesting schedules, representing 0.91% (30 June 2009: 0.75%) of the Company's then issued ordinary share capital.

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

- On 20 July 2010, new units in respect of an aggregate of 24,000,000 shares were granted to a number of eligible participants, which would be vested in three equal tranches on the first, second and third anniversary dates of the date of grant;
- No units were vested; and
- No outstanding units lapsed or were cancelled.

Accordingly, as at the date of this report, there are outstanding units in respect of an aggregate of 59,750,002 ordinary shares, which are to be vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung) in stages, representing 1.53% of the Company's existing issued ordinary share capital.

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

ii. *Acquisition of shares*

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

During the six months ended 30 June 2010:

- On 7 January 2010, an aggregate of 9,874,998 shares were vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung) (2009: nil); and
- During the period from 24 May 2010 to 27 May 2010, an aggregate of 16,000,000 shares were acquired from the market at a total consideration of HK$3,524,150 (approximately US$454,968) (2009: nil).

Accordingly, as at 30 June 2010 and the date of this report, an aggregate of 35,750,002 shares were/are held by the trustee for the plan (30 June 2009: nil), which were/are to be vested to the respective eligible participants (not including Jamie Gibson and Clara Cheung) in accordance with the aforesaid vesting schedule.

12. Derivative financial instruments

At 30 June 2010, there were outstanding forward, futures, options and CFD contracts amounting to approximately US$130,341,000 (31 December 2009: US$86,550,000) undertaken by the Group in the equity markets.

In the course of the Group's normal trading in derivatives, margin deposits of varying amounts of cash are held by the Group's brokers. As at 30 June 2010, the amount of these margin deposits was US$5,477,000 (31 December 2009: US$34,118,000).

13. Operating lease commitments

	(Unaudited) As at 30 June 2010 *US$'000*	(Audited) As at 31 December 2009 *US$'000*
At 30 June 2010 and 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
– within 1 year	486	394
– in the 2nd to 5th year, inclusive	677	845
	1,163	1,239
Equipment:		
– within 1 year	5	5
– in the 2nd to 5th year, inclusive	14	16
	19	21
	1,182	1,260

14. Capital commitments

	(Unaudited) As at 30 June 2010 US$'000	(Audited) As at 31 December 2009 US$'000
Contracted but not provided for		
Subscription of new shares of Venturex Resources Limited	1,492	—
Purchasing of remaining share of a subsidiary- Abagaqi Changjiang Mining Company Limited	14,771	14,646

15. Contingent liabilities

The Group has no material contingent liabilities as at 30 June 2010.

16. Material related party transactions

The Group has no material related party transactions for the six months ended 30 June 2010.

17. Events after reporting date

The Board announced that Ms Clara Cheung has resigned as an Executive Director of the Company with effect from 31 July 2010.

Tranche Two of the Subscription in the shares of Ventruex Resources Limited has completed in its entirety, with the first instalment having occurred on 21 June 2010 and the second instalment having occurred on 16 August 2010. Accordingly, the 38,888,888 new Venturex Shares subscribed for by the Company under Tranche Two of the Subscription, each at AUD 0.09 (or approximately US$0.0774 or HK$0.6037) per Venturex Share, for an aggregate amount of AUD 3,500,000 (or approximately US$3,010,000 or HK$23,478,000), have been allotted and issued to the Company.

Review and Prospects

Main Activities

The Group's principal activities during the period were:

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

Financial Results

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

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

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

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

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

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

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

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

Review of Results and Operations

Yunnan Simao Shanshui Copper Company Limited ("YSSCCL" or "Dapingzhang")

Mining, Productiion and Costs

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

Table 1

	Copper Production * Units			Copper and Zinc Production ^ Units	
Ore mined	t	787,788	Ore mined	t	194,763
Grade Cu	%	0.50	Grade Zn	%	1.37
			Grade Cu	%	0.75
Ore milled	t	274,643	Ore milled	t	234,417
Cu grade	%	0.69#	Zn grade	%	1.35
			Cu grade	%	0.73
Cu recoveries	%	91.62	Zn recoveries	%	59.31
			Cu recoveries	%	78.77

* Single copper flotation from processing disseminated copper ore

^ Differential flotation from processing massive copper and zinc rich ore

\# The copper grade processed is higher than the grade of copper mined during the period as some copper ore was processed from stockpiles on site

Table 2

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

* Single copper flotation from processing disseminated copper ore

^ Differential flotation from processing massive copper and zinc rich ore

Table 3

Operating Costs (Copper equivalent) (HKFRS adjusted)	US$'000
Operating costs*	15,602
Transportation costs	874
By-product credit^	(1,096)
Total cash costs	15,380
Depreciation and amortisation#	2,628
Total production cost	18,008

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

^ Revenue from sale of gold and silver

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

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

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

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

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

Safety

There were no reportable safety incidents in the period.

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

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

Environment

There were no reportable environmental incidents in the period.

Exploration

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

Simao Regent Minerals Limited

Simao Regent Minerals Limited focused on the early stage drill testing of Shuanghuwang and Tianfang prospects during the six months period to 30 June 2010. This included a total of 1,200 meters of HQ diamond drilling at a total cost of approximately RMB 0.72 million (approximately US$0.106 million). A summary is outlined in Table 1 and 2 on pages 41 and 42 respectively of this report.

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

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

No further exploration work was conducted during this period.

West China Coke

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

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

Ji Ri Ga Lang

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

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

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

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

Zhun Dong

As previously announced, the Group remains in the process of disposing of its Zhun Dong coal project. As part of this disposal, on 30 April 2010 the Group announced that it had executed an equity transfer agreement with a counter party in the PRC introduced to it by the purchaser pursuant to which a deposit of RMB 400 million is to become payable on or prior to 31 October 2010 following the satisfaction of certain conditions. The equity transfer is conditional upon, inter alia, the approval of the Foreign Investment Authority, transfer of equity of Xin Jiang Regent Coal Limited ("**XJRC**", an indirect wholly owned subsidiary of the Company) and the completion of an appraisal by Xin Jiang Department of Land and Resources (the "**XJ DOLAR**") of the mineral resources within the exploration licences. These approvals are ongoing and we expect that approval from the XJ DOLAR will be granted shortly and before the end of September 2010.

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

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

The aim of the 2010 exploration program is to:

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

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

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

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

Regent Markets

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

Conditional Special Dividend

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

Outlook

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

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

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

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

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

Disclosure Requirements for Mineral Companies under Chapter 18 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

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

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

As part of the amendments to Chapter 18 of the HK Listing Rules, a new Rule 18.14 now requires "Mineral Companies" (as defined in the new 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.

In accordance with the above mentioned continuing disclosure obligations of Mineral Companies in respect of the new Rule 18.14 of the HK Listing Rules, as it relates to interim (half-yearly) reports, please refer to the Table 1 and 2 below for the relevant exploration, development and mining production activities and expenditure information for the six months ended 30 June 2010:

Table 1

		Exploration Summary[5]			
Division	**Project**	**Holes drilled**	**Exploration Holes in Progress**	**Total Meters**	**Total Expenditure[1] US$'000**
Coal exploration	Zhun Dong	9	8	10,404	1,836
	Ji Ri Ga Lang	—	—	—	—
Metals mining	Dapingzhang	—	—	—	—
	Rongfa	5	—	757	167
	Shuanghuwang	2	1	1,100	97
	Tianfeng	—	1	100	9
Total		16	10	12,361	2,109

Table 2

Production and Development Summary[5]				
Division	Project	Development[2]	Production	Total Expenditure[1] US$'million
Coal exploration	Zhun Dong	—	—	—
	Ji Ri Ga Lang	—	—	—
Metals mining	Dapingzhang	1. Mill 3 upgrade.	Copper: 2,907t	31.82
		2. 110Kv power line		
		3. Electrical substation	Zinc: 1,882t	
		4. Dewatering tunnel		
		5. Water pump station		
		6. Mine site buildings		
		7. Explosives storage[3]		
	Rongfa	—	—	—
	Shuanghuwang	—	—	—
	Tianfeng	—	—	—
Total Expenditure[4] US$'million		13.81	18.01	31.82

Footnotes for tables 1 and 2:

1. Expenditures refer to incurred charges for work done and may not match actual outgoings for the period.
2. Development refers to activities other than exploration that are of a capital nature.
3. Only significant site development projects are listed, and does not include ancillary or ongoing capital expenditures.
4. Includes all expenditures for development and production on site.
5. Nil or zero values represent a negative statement that no expenditure or activity has been incurred or taken place.

For further information on the exploration, development and mining production activities and related expenditure of the Group's exploration and mining projects, please also refer to the preceding "Review and Prospects" section of this report.

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

Trading Record over Last Five Years

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

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

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

The corporate division recorded revenue of US$2.43 million.

The jointly controlled entity of the Group, YSSCCL, incurred a share of loss of US$0.7 million while the Group's associates Regent Markets and West China Coke, contributed a share of profit of US$0.13 million and US$0.81 million respectively to the Group for the six months ended 30 June 2010.

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

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

The main elements of the loss are analysed as follows:

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

Financial Positon

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

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

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

Future Funding

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

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

Management of Risk

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

Charge on Assets

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

Financial Instruments

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

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

Contingent Liabilities

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

Changes Since 30 June 2010

There were no other significant changes in the Group's financial position and from the information disclosed under Management's Discussion and Analysis in the interim report for the six months ended 30 June 2010.

Employees

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

Conditional Special Dividend

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

Update on Directors' Biographies

The director's fee payable by the Company to the Independent Non-Executive Directors, namely David Comba, Julie Oates and Mark Searle, has been increased from US$20,000 (equivalent to HK$156,000 at the exchange rate of HK$7.80 to US$1.00) per annum to US$30,000 (equivalent to HK$234,000 at the exchange rate of HK$7.80 to US$1.00) per annum with effect from 1 April 2010.

Directors' Interests in Securities and Options

As at 30 June 2010, the Directors of the Company had the following beneficial interests in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company or of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "**SFO**")), which were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to The Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the HK Listing Rules:

1. Securities of the Company

a. Ordinary shares of US$0.01 each

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares*	Approximate % holding**
James Mellon		Beneficial owner	Long position	64,516,180	1.65%
	A	Beneficiary of a trust	Long position	375,821,131	9.61%
Stephen Dattels	B	Beneficiary of a trust	Long position	264,057,353	6.75%
Jamie Gibson		Beneficial owner	Long position	4,419,138	0.11%
Clara Cheung	C	Beneficial owner	Long position	1,200,000	0.03%
David Comba		—	—	—	—
Julie Oates	D	Interests held jointly with another person	Long position	2,500,000	0.06%
Mark Searle		Beneficial owner	Long position	4,194,444	0.11%
	E	Beneficiary of a trust	Long position	50,000	0.00%
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	0.44%
	F	Beneficiary of a trust	Long position	27,965,226	0.72%

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

** The total issued ordinary share capital of the Company as at 30 June 2010 consisted of 3,910,990,523 shares. There were no changes in the Company's issued share capital subsequent to the period end date and prior to the date of this report.

B. Share Option Scheme (2002)

Please refer to note 11.1 to the Financial Statements as to the details of the Share Option Scheme (2002).

As at 30 June 2010, the following Directors of the Company had personal interests in options granted under the Share Option Scheme (2002), entitling them to subscribe for ordinary shares of US$0.01 each in the capital of the Company in accordance with, and subject to, the terms of the scheme:

Name of Director	Date of grant	Total number of shares subject to the option #	Subscription price per share (HK$)	Exercise period #	Number of shares subject to vested options #	Consideration for grant of option (HK$)
James Mellon	2 October 2007	13,000,000	1.152	2 October 2008 – 1 October 2017	8,666,666	10.00
Jamie Gibson	9 September 2004	11,000,000	0.266	9 September 2005 – 8 September 2014	11,000,000	10.00
	4 April 2006	45,600,000	0.300	4 April 2007 – 3 April 2016	45,600,000	10.00
	2 October 2007	13,000,000	1.152	2 October 2008 – 1 October 2017	8,666,666	10.00
Clara Cheung	4 April 2006	8,000,000	0.300	4 April 2007 – 3 April 2016	8,000,000	10.00
	14 December 2006	6,000,000	0.325	14 December 2007 – 13 December 2016	6,000,000	10.00
	2 October 2007	7,000,000	1.152	2 October 2008 – 1 October 2017	4,666,666	10.00
David Comba	2 October 2007	5,000,000	1.152	2 October 2008 – 1 October 2017	3,333,333	10.00

The options entitle the holders to exercise one-third of the option at each of the first, second and third anniversary dates after the date of grant. Any entitlements unexercised in any prior period may be carried forward to the following periods but, in any event, must be exercised within 10 years from the date of grant. All entitlements then remain unexercised will lapse.

During the six months ended 30 June 2010 and prior to the date of this report, no new options were granted to the Directors of the Company under the Share Option Scheme (2002), and none of the outstanding options were exercised or cancelled or lapsed.

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

Save for the above, during the six months ended 30 June 2010 and prior to the date of this report, no Directors of the Company exercised any of their rights under the respective options granted to them pursuant to the Share Option Scheme (2002) and subscribed for shares in the Company; and no options were granted or cancelled or lapsed.

c. Long Term Incentive Plan 2007

Please refer to note 11.2 to the Financial Statements as to the details of the Long Term Incentive Plan 2007.

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

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

2. Securities of Associated Corporations

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

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding
James Mellon		—	—	—	—
Stephen Dattels	B	Beneficiary of a trust	Long position	5,250,000	18.74%
Jamie Gibson		Beneficial owner	Long position	225,000	0.80%
Clara Cheung	C	—	—	—	—
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 264,057,353 ordinary shares in the Company and 5,250,000 ordinary shares in AstroEast.com Limited are held by a company wholly owned by the trustee of a discretionary trust, under which Stephen Dattels is a beneficiary.

The company owned by the above-mentioned trustee further acquired 11,018,744 ordinary shares in the Company on 27 July 2010.

C. Clara Cheung resigned as an Executive Director of the Company on 31 July 2010 and ceased to have a disclosure obligation under the SFO.

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

E. The 50,000 ordinary shares in the Company are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.

F. 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.

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

Save as disclosed herein, as at 30 June 2010 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 period or prior to the date of this report.

Substantial Shareholders

As at 30 June 2010, the following persons (other than James Mellon and Stephen Dattels, whose interests are set out in detail under the section headed "Directors' Interests in Securities and Options") had the following beneficial interests in the shares of the Company, which were recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests which they were deemed or taken to have under such provisions of the SFO):

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

** The total issued ordinary share capital of the Company as at 30 June 2010 consisted of 3,910,990,523 shares. There were no changes in the Company's issued share capital subsequent to the period end date and prior to the date of this report.

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

Save for such interests, the Directors are not aware of any other persons who, as at 30 June 2010, had beneficial interests and short positions in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company, which would have to be recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests and short positions which they were deemed or taken to have under such provisions of the SFO).

THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

As far as the Directors are aware, the Company has complied with the code provisions set out in the Code on CG Practices during the six months ended 30 June 2010.

THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

In compliance of Code Provision A.5.4 of the Code on CG Practices, a code for securities transactions by Directors and employees (the "**Group's Code**"), on exactly the terms and required standard contained in the Model Code, was adopted by the Group on 31 March 2004.

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

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

Directors' interests in securities and options of the Company are set out in detail under the section headed "Directors' Interests in Securities and Options".

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

Independent Non-Executive Directors

In compliance of Rule 3.10(1) of the HK Listing Rules, the Board currently comprises three Independent Non-Executive Directors, namely David Comba, Julie Oates and Mark Searle. Each of the Independent Non-Executive Directors has confirmed: (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. Amongst them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). Julie Oates and Mark Searle serve in the audit committee, connected transactions committee and remuneration committee of the Company, while Julie Oates is the Chairlady of the first two committees.

Review by the Audit Committee

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

The Audit Committee was established on 11 March 1999, with written terms of reference amended on 18 March 2005, in compliance of the code provisions in C.3 of the Code on CG Practices, and further revised on 5 January 2007 to incorporate issues relating to internal controls. The committee's purpose is to assist the Board in providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the Company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

In compliance of Rule 3.21 of the HK Listing Rules, the Audit Committee currently comprises the Non-Executive Co-Chairman of the Board (James Mellon) and two Independent Non-Executive Directors, namely Julie Oates and Mark Searle. The committee is chaired by Julie Oates. The Audit Committee is in compliance of Rule 3.21 of the HK Listing Rules.

The Audit Committee discharged their duties in accordance with their terms of reference with no exceptions reported.

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

Internal Control

Pursuant to Code Provision C.2.1 of the Code on CG Practices, the Audit Committee has engaged an independent professional firm to undertake a review of the Group's internal control systems, including its financial, operational and compliance functions. The process will also review the ongoing operational and investment risks within the Group. The recommendations provided by the professional firm will be considered by the Audit Committee and incorporated into the future review programme as appropriate.

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).

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

Remuneration Committee

The remuneration committee of the Company was established on 5 November 2004, with its written terms of reference adopted on 18 March 2005 in compliance of the code provisions in B.1 of the Code on CG Practices and slightly amended on 8 February 2010. It currently comprises the Non-Executive Co-Chairman of the Board (James Mellon) and two Independent Non-Executive Directors, namely Julie Oates and Mark Searle, and is responsible to review and approve the remuneration packages of the Directors. The committee is chaired by James Mellon.

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

Purchase, Sale and Redemption of Listed Securities

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

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

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

The repurchased shares were cancelled accordingly.

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

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

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

Publication on Websites

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

On behalf of the Board of
Regent Pacific Group Limited

James Mellon
Co-Chairman

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

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

Hong Kong, 30 August 2010