



# Regent Pacific Group Limited



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

Stock Code: 0575

4 September 2008

## PRESS RELEASE



### REGENT PACIFIC RECORDS RECORD GROWTH ATTRIBUTABLE TO RECORD PRODUCTION AND EARNINGS FROM ITS MINING PROJECTS



#### Financial Highlights

<i>(Unaudited) For the six months ended</i>		
	<b>30 June 2008 (US\$'000)</b>	30 September 2007 (US\$'000)
<b>Total income</b>	<b>2,801</b>	1,391
<b>Share of profits of associates</b>	<b>2,331</b>	315
<b>Share of profit of a jointly controlled entity</b>	<b>8,086</b>	5,068
<b>Profit for the period</b>	<b>3,717</b>	1,777
<b>Attributable profit</b>	<b>4,008</b>	1,901
<b>Earnings per share (US cents) - Basic</b>	<b>0.09</b>	0.12



(4 September 2008 – HONG KONG) **Regent Pacific Group Limited** ("Regent Pacific" or the "Group", stock code: 575), a holding company which is principally engaged in investment of exploration and mining of natural resources, today announced that its unaudited consolidated profit attributable to shareholders of the Company for the six months ended 30 June 2008 was US\$4.01 million (six months ended 30 September 2007: US\$1.90 million).





Regent Pacific's Co-Chairman James Mellon said, "Regent Pacific's operational performance has been very sound with record production and earnings from Dapingzhang and an initial strong contribution from West China Coke. With the successful commissioning of the differential flotation circuits at the largest mill at Dapingzhang, we expect record annual earnings and production for copper and zinc for 2008."

## Business Review

### Yunnan Simao Shanshui Copper Company Limited ("YSSCCL")

The Group holds a 40% equity interest in Yunnan Simao Shanshui Copper Company Limited ("YSSCCL"), a Sino-foreign equity joint venture enterprise that produces copper and zinc concentrates with gold and silver credits at Dapingzhang in Yunnan Province, China. The Group also participates in the exploration activities at Dapingzhang and through its 97.54% owned Yinzishan project in Yunnan Province, China.

**The equity contribution from YSSCCL was the main reason for the increase in profit for Regent Pacific.** YSSCCL recorded an overall profit of RMB142.72 million (equivalent to US\$20.21 million) for the six months ended 30 June 2008, which exceeded 2007 annual earnings (2007: YSSCCL full year profit was RMB132.72 million or US\$17.45 million), and contributed a share of profit of US\$8.09 million to the Group.

**The Group has achieved an industry leading low cost operations at Dapingzhang.** Total cash costs for the period were US\$0.14 per pound of copper equivalent, significantly below current commodity prices. After the successful installation of the new high voltage power line at mine site in August 2008, YSSCCL's electrical costs are expected to reduce substantially. In addition, there was also an increase of 2.25 million tonnes in ore reserves (net of depletions from the 2007 reserves) at Dapingzhang.

In early May 2008, YSSCCL successfully commissioned differential flotation circuits at the largest mill at Dapingzhang where it is now producing saleable copper and zinc concentrates. The first copper shipment was made in late May 2008. **The board of YSSCCL has approved the expansion of copper production at Dapingzhang by increasing mill throughput by over 65% in 2009.**

### West China Coking and Gas Company Limited ("West China Coke")

The Group owns a 25% equity interest in West China Coking and Gas Company Limited, a chemical plant which produces coke, refined methanol, tar, ammonium sulphate and crude benzol, in Yunnan Province, China. **West China Coke was another major profit contributor for the Group**, with a share of profit of US\$2.04 million for the period.



The Group received a dividend of RMB9 million (approximately US\$1.34 million) from West China Coke for the financial year ended 31 December 2007.

### **Ji Ri Ga Lang**

The Group owns a 51% interest in the Ji Ri Ga Lang thermal coal project.

**During the half-year period, a detailed drilling programme confirmed a coal resource of 92.2 million tonnes at Ji Ri Ga Lang in accordance with the JORC Code.** The 92.2 million tonnes resource is allocated in the measured and indicated categories; 87% of which is a measured resource. This is the first classification of JORC Resources for the Ji Ri Ga Lang coal deposit, a major step forward for this strategic asset.

The Group is awaiting the receipt of final regulatory approvals from the Inner Mongolian government authorities for the conversion of its exploration license to a fully operational mining licence.

### **Project X and Ji Lin South**

The negotiation of acceptable joint venture agreements for the development of Project X and Ji Lin South coal fields remain a continuing priority for the Group. The CCEC team has made progress for securing joint venture agreements albeit at a slower rate than we expected. Currently the joint venture documentation is under negotiation with the Chinese parties.

### **Zhun Dong**

The Group completed the 100% acquisition of Yuke Coal Limited (Zhun Dong) in Xinjiang, China. It is currently evaluating the possibility of divesting this asset and any proceeds from sale of this asset will strengthen our balance sheet. In the meantime, drilling works will commence for the next phase of the geological programme that is aimed at renewing the exploration licences in January 2009.

### **Coal Mining in Indonesia**

On 27 June 2008, the Group announced that it had entered into an investment and cooperation agreement with Blue Pacific Advisors Ltd involving the formation of a coal mining joint venture in relation to coal mining interests in Indonesia. This transaction involves the Group acquiring a controlling (75 percent) interest in a Singapore incorporated joint venture company, itself having contractual rights to economic benefits flowing from certain Indonesian coal mining concessions for US\$55.59 million (subject to adjustment). The Group has a call option of purchasing a further 5 percent equity interest in the Singapore joint venture company exercisable during the period from and including 1 April 2010 to and including 30 April 2010.



## Prospects

Looking ahead, Mr. Mellon said, “We continue to develop our pipeline of growth projects, which remains a significant competitive strength. We will expand the copper production at Dapingzhang by over 65% in 2009. We will seek to bring on our coal projects as and when approvals are obtained. We have the capacity to grow strongly from our existing base, and create value for shareholders over the years ahead.”

“Our strategy remains intact in that we will continue to pursue growth and we have a number of tangible opportunities, including both the development of projects in our pipeline and potential acquisitions. In China, we are making progress with negotiations with our counterparties albeit at a slower rate than expected for forming joint ventures for significant coal properties.”

In respect of the commodities outlook, the Group expects the prices of copper and coal to remain high compared to historical levels, while there will be continued pressure on the zinc price in the short term. “We have seen extreme volatility in the commodity markets. However, we remain convinced that the long-term demand strength in minerals and metals remain intact and Regent Pacific is exceptionally well positioned to benefit. Although the decreased zinc price has reduced earnings for the first-half year at YSSCCL, we believe it should be somewhat offset by the start up of production of copper from the largest mill.”

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### *About Regent Pacific Group*

Founded in early 1990s, Regent Pacific Group Limited is principally engaged in exploration and mining of natural resources, including copper, zinc, gold, silver, lead and coal, and is a specialist in investing in mining companies. The flagship project of the Group, Dapingzhang, is located in Yunnan Province and is mainly exploring for and mining copper and zinc and is now producing copper concentrate and zinc concentrate.

For further information, please contact:

Financial Dynamics, Hong Kong

Ms Kate Cheung / Ms Winnie Lo

Tel: (852) 3716 9826 / (852) 3716 9805

E-mail: [kate.cheung@fd.com](mailto:kate.cheung@fd.com) / [winnie.lo@fd.com](mailto:winnie.lo@fd.com)