Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

2012 ANNUAL REPORT

CONTENTS

AUDITED FINANCIAL STATEMENTS

PERFORMANCE OVERVIEW

A summary of the financial performance and other notable events for 2012 include:

- Loss attributable to shareholders of the Company of US$44.85 million, which was mainly attributable to (i) the write-downs of our investments in West China Coking & Gas Company Limited, Trinity Exploration & Production plc ("**Trinity**") and Allegiance Coal Limited totaling US$16.02 million, (ii) the marked-to-market losses of US$5.98 million in respect of the Company's listed equity portfolio of investments, and (iii) the deferred tax liability of US$7.20 million in relation to a potential capital gain tax liability
- Shareholders' equity of US$141.23 million or net asset value per share of Hong Kong cents 31.40, a decrease of 22.41% as compared at 31 December 2011
- Disposal of the Group's remaining shares in Polo Resources Limited , providing the Group with proceeds (before expenses) of approximately US$3.39 million during the year and a loss on disposal of US$1.01 million. However, taken as a whole, the disposal was successful because it provided the Group with an overall investment return of approximately US$5.07 million comprising sales proceeds (before expenses) of approximately US$8.43 million, dividends received of approximately US$6.72 million, net of investment costs of approximately US$10.08 million over the period from the year of 2008 to 2012
- Successful sale of the Group's interests in the Ji Ri Ga Lang Coal Project that closed in January 2012, which generated a realised gain before tax of US$4.41 million
- Increase of the Group's strategic position in BC Iron Limited ("**BCI**") to 23.11% as at 30 June 2012 (which was subsequently diluted to 20.10% following its non-participation in the BCI share placement in December 2012)
- Further increase of our strategic position in Venturex Resources Limited ("**Venturex**") to 31.87%
- Strong financial position with no debt, with over US$135.78 million in cash, listed and unlisted securities

Subsequent to year end, the Group has undertaken the following notable events:

- Disposal of the Group's entire shareholding in BCI in January 2013 for US$84.73 million in cash (total gross proceeds before expenses and taxes), and realising a loss on disposal of US$3.99 million during the period ended 31 January 2013. However, taken as a whole, the disposal was very successful because it provided the Group with an overall investment return of approximately US$44.32 million (before expenses and taxes)
- Announcement of a special dividend of HK$0.13 per share that was paid to shareholders on 15 March 2013 at a total cost of approximately US$58.47 million
- Increase in our stakes in Condor Gold plc ("**Condor**") to 9.97% at a cost of US$8.59 million without exercising its option to further subscribe for additional shares of Condor at a cost of GBP 3 million and Trinity to 3.67% at a cost of US$4.04 million (following its merger with Bayfield Energy Holdings plc)
- Appointment of James Mellon to the board of Venturex and following this appointment, the Company expects to equity account its investment going forward whereby the Group's consolidated financial statements will reflect its share (currently 31.87%) of the net profit or loss of Venturex

Going forward, we will continue to closely monitor the markets and manage our investments as we do in the ordinary discharge of our business as well as drive growth by focusing on the enhancement of our core businesses and by continuing to pursue acquisition and investment opportunities.

CHAIRMAN'S STATEMENT

Dear Shareholders

Regent Pacific is an investment holding company owning investments mainly in the resources sector. Regent is the conduit through which our shareholders, of which we, as managers and Directors are the largest group, benefit from the chosen assets. We own 29.5% of Regent's shares and measure our performance by the cash returned to shareholders through dividends and share buybacks, as well as the performance of the underlying net asset value ("**NAV**") per share. The operating earnings of the Company, which are subject to the volatility of stock markets, are not a good measure of our progress, so we urge shareholders to focus on cash returns, buybacks and NAV in their assessments of Regent. Over the past ten years or so, we have returned significant amounts of money to shareholders in this way, and have also spun off our fund management subsidiary, Charlemagne Capital Limited, which yielded further large returns on its IPO on the London Stock Exchange.

Total returns have been US$186 million in the past ten years, and we are optimistic that by judiciously adding value to our current portfolio of investments, with our dedicated teams of mining specialists, we will be able to deliver superior returns in the future.

In March of this year we made our largest ever cash distribution of US$58.5 million to shareholders by way of a special dividend.

Of course, 2012 was another difficult, challenging, volatile and uncertain year for the global economy, commodities and financial markets in general and again this uncertainty impacted our results for the year.

The start of the 2012 financial year was characterised by slowing global growth and a heightened level of economic uncertainty. International trade had contracted and China, the most significant driver of recent global economic growth, had implemented measures aimed at rebalancing its economy. China was also preparing for a transition in leadership (including commentary about China entering a hard landing), the United States was heading towards Presidential elections and there were significant concerns about the level of sovereign indebtedness, particularly in Europe.

Since then, measured economic stimulus has helped stabilise China's economy. The United States economy has made steady progress, partly driven by an improvement in the housing market, underlying construction activity and consumer spending. However, we expect uncertainty to continue to weigh on growth until the second quarter given the unresolved state of the Fiscal Debt Ceiling and likelihood that an agreement will not be reached until the eleventh hour. Eurozone markets have stabilised somewhat following the European Central Bank's commitment to provide more financial support and the region's governments now appear more likely to implement the necessary structural reforms albeit the recent stalemate experienced in the Italian parliamentary with the possibility of a hung parliament may dog the Eurozone again in the short term.

Commodity prices were particularly volatile in 2012, consistent with the prevailing level of uncertainty in the global economy. In the short term, we expect a general improvement in the global economy to support demand and prices for a number of commodities. However, the addition of low cost supply in many markets is expected to dampen the pricing upside.

Into 2013 we expect markets to be characterised by continued volatility with the contributing factor of changing expectations about when central banks will start tightening monetary policy as this will no doubt influence the financial conditions for commodity investment, adding to volatility. While we expect continuing improvement of macroeconomic conditions in China, particularly in the first half, as investment activity and re-stocking drive growth, there remain concerns over European Sovereign debt being unresolved and this will remain a source of commodity price volatility. In addition we see supply expansions resulting from earlier periods of high commodity prices providing some downward pressure on prices.

On the macroeconomic side, we see moderate but stable growth in 2013 of just above 3% globally, broadly similar to 2012. Economic and political systems continue to deal with the aftermath of the Global Financial Crisis, including the timing and pace of Quantitative Easing unwinding and the potential breakup of the Eurozone. Continued tensions in the Middle East and the South China Sea highlight the persistent geopolitical risks that threaten growth.

In China, following a smooth transition last year, we expect Chinese GDP to return above 8% during 2013. Activity did pick up in the last quarter of 2012 and we expect this positive momentum to carry into 2013, especially during the first half as re-stocking and rising investment activity restarts.

In summary, the global economy is expected to strengthen over the next 12 months, providing support for commodities demand and pricing. The longer term outlook remains robust, although supply is now better placed to keep pace with demand for some commodities.

Despite the macroeconomic challenges, during 2012, we were successful with our targeted divestment program with asset sales generating cash proceeds of US$21.51 million through the divestment of the Group's interest in Polo Resources Limited and the Ji Ri Ga Lang Coal Project. In addition, post year end, we successfully completed the sale of the Group's interest in BC Iron Limited ("**BCI**") for US$84.73 million. With this successful sale of BCI, we are committed to returning cash to shareholders and as result announced in January 2013 a special dividend of HK$0.13 per share that is payable to shareholders on 15 March 2013, a total cash outlay of US$58.47 million.

Our listed securities portfolio incurred a total loss (realised and unrealised) of US$5.98 million. The total value of our listed equity portfolio was US$119.73 million as at 31 December 2012, down from US$126.03 million in 2011.

The Group's financial position remains strong, with cash balances and listed securities standing at US$131.18 million, with no external debt. Our net asset value per share was US cents 4.05 (HK cents 31.40) at the end of 2012.

Our strategy remains the same and our strengthened financial position has us well positioned to deliver on this. We will continue to pursue growth by way of acquisitions and will target small to medium sized companies within our core commodity space.

On behalf of the Board, I want to thank our shareholders for their continued support and our employees for their hard work in a difficult year.

James Mellon
Co-Chairman

27 March 2013

The Company recorded a loss attributable to shareholders of the Company of US$44.85 million, which was mainly attributable to (i) the write-downs of our investments in West China Coking & Gas Company Limited ("**West China Coke**"), Trinity Exploration & Production plc ("**Trinity**") and Allegiance Coal Limited totaling US$16.02 million, (ii) the marked-to-market losses of US$5.98 million in respect of the Company's listed equity portfolio of investments, and (iii) the deferred tax liability of US$7.20 million on the overall unrealised gain in respect of the Company's listed equity.

Our financial results for 2012 were driven by weak global economic conditions which made for a very challenging operating environment for the global resources industry as substantially lower commodity prices and resilient producer currencies, such as the Australian dollar, weighed on miner's margins and profitability. World financial markets have intensified focus on a number of bearish factors, namely the sovereign debt issues in Europe and slowing growth in China.

Economic indicators have however improved over the last few months. In the United States, the housing market is recovering, which is supporting a broad-based economic recovery. China is still a major driver for commodities demand and the market has focused on the potential for a hard landing and the implications for pricing across a range of commodities. However, following a smooth leadership transition last year, we expect Chinese GDP to return above 8% during 2013 as infrastructure investment, exports and the real estate sector are boosting economic activity. While economic activity remains weak in Europe and Japan, there are encouraging signs that recent policy changes have mitigated downside risks and should stimulate recovery in 2013.

In the medium term, most economies should return to more normal growth rates. In China and India, economic growth should remain robust as these economies continue to benefit from continuing urbanisation, rising living standards and an expanding middle class, which should support demand for commodities.

The Company's listed equity portfolio delivered a better performance than 2011, albeit still resulting in a loss of US$5.98 million as compared to a loss of US$39.77 million in 2011. This is disappointing, but has been driven by weak global economic conditions and challenging financial markets for resource companies.

We successfully sold our stakes in Polo Resources Limited and the Ji Ri Ga Lang Coal Project ("**JRGL Coal Project**"), realising a substantial overall profit of US$9.48 million and generating cash proceeds of US$25.57 million and a dividend of US$6.72 million respectively. Subsequent to year end, we successfully sold our stake in BC Iron Limited ("**BCI**") for US$84.73 million in cash, generating an overall net realised gain of US$44.32 million (before expenses and taxes).

While we expect commodity markets to remain volatile, the recent bearish sentiment has resulted in attractive asset valuations that your company is well positioned to take advantage of. We remain confident that on a fundamental basis, demand will be underpinned by urbanisation of emerging economies and recovery of developed economies.

We ended the year with a healthy cash and listed securities balance of US$131.18 million. Subsequent to year end, we announced a special dividend of HK$0.13 per share that was paid to shareholders on 15 March 2013, which amounted to a total cash return of US$58.47 million to shareholders.

During the year, we increased our strategic equity stake in Venturex Resources Limited ("**Venturex**") to 31.87%, shares of which are traded on the ASX. In addition, James Mellon was appointed to the board of Venturex in February 2013 and following his appointment, the Company expects to equity account its investment going forward whereby the Group's consolidated financial statements will reflect its share (currently 31.87%) of the net profit or loss of Venturex.

Venturex enjoyed a milestone year in 2012. The company continued the advancement of the Pilbara Copper-Zinc Project on numerous fronts in addition to continuing with exploration on their 100% owned gold tenements in Brazil.

In December 2012, Venturex delivered a definitive feasibility study ("**DFS**") on the Pilbara Copper Zinc Project. The DFS positions Venturex as Australia's next significant copper-zinc producer with production anticipated to commence in 2015. Key project metrics include;

- An 8.5 year mine life with strong potential for mine life extensions given only three of six known mineral resources were included in the study,
- Annual payable metal production of 16,500 tonnes copper, 30,000 tonnes zinc and 200,000 ounces of silver,
- Cash costs of US$1.57/lb of copper equivalent (net of by-product credits) compared with current copper pricing of US$3.47/lb,
- Capital costs which equate to US$10,500/tonne of annual copper equivalent production. This positions the project within the 2nd quartile of copper development projects.

The DFS was underpinned by a year in which Venturex continued its exploration on the Pilbara tenements which yielded significant increases to project resources and reserves whilst advancing project permitting in addition to continuing its aggregation strategy and increasing its tenement holdings via the acquisition of various tenements which include the Kangaroo Caves copper-zinc deposit. Kangaroo Caves hosts a JORC compliant resource of 6.3 Mt grading 0.5 per cent copper, 3.3 per cent zinc and 12.1 grams per tonne silver while being located only 6 kilometres from the projects planned processing plant.

In Brazil, Venturex continued with their exploration activities on their nine, 100% owned projects which are considered to be highly prospective for large scale gold mineralisation. The Nova Canaa project yielded the highlights for the period with drilling results including 8 metres at 15.3 grams per tonne and trenching which assayed 6 metres at 9.9 grams per tonne.

Venturex enters 2013 with objectives which include advancing the Pilbara Copper-Zinc Project permitting, continuing with an aggressive exploration program in order to extend the project's mine life beyond ten years, further refine the DFS such that the project is optimised whilst also continuing with the exploration program on the highly prospective Brazilian gold projects.

After the year end, we announced our acquisition of a 9.97% stake in Condor Gold plc ("**Condor**") (shares of which are traded on AIM), a UK based exploration company focused on developing gold projects in Central America. Condor has reported cash of over GBP 8 million at February 2013, leaving it well funded to complete its drilling programme and economic studies. Our investment in Condor increases our leverage to the gold price which we are comfortable with, and remains a hedge against global inflation and central banks printing money.

Condor's concession holdings in Nicaragua currently contain an attributable CIM/JORC compliant resource base of 2.4 million ounces of gold equivalent at 4.6 g/t with a 977k ounce high grade (3.7 g/t) open-pittable resource and an underground resource of 1.4 million ounces at 5.5 g/t. Condor recently announced the results of a preliminary economic assessment ("**PEA**") on their Nicaraguan project. The highlights of the PEA are:

- A 13 year mine life using both open pit and underground mining methods at an average gold grade of 3.8 g/t gold for total production of 1,463,000 ounces recovered gold
- Average production of 152,000 ounces gold per annum for first 8 years. Years 1 to 4 of the mine life produce an average of 172,000 ounces of gold per annum and years 5 to 8 produce 133,000 ounces gold per annum
- Life of mine average cash costs of US$575 per ounce gold
- Pre-production capital cost of US$180.5 million for mine construction and processing plant construction, with an estimated 3 year pay back period
- Cumulative LOM earnings before interest, tax, depreciation and amortisation of US$1,046 million and net cash flow of US$512 million
- Net present value after tax of US$325 million, based on a US$1,400 gold price and 5% discount rate, producing an internal rate of return of 33%

The PEA was based on mineral resource as documented in the Independent NI43-101 Technical report prepared by SRK in September 2012 and excludes the current 15,000m drilling programme.

Condor's targets for 2013 are to produce an indicated JORC compliant resource of 800k ounces of open-pittable material within the La India/California veins sets and 500k ounces at the America vein sets, for over 1 million ounces of indicated open-pittable resources whilst also completing requisite metallurgical and geotechnical studies which are required for the commencement of a pre-feasibility study. The company will also continue with exploration of other known targets at America, Central Breccia and Mestiza which are highly prospective for both open pit and underground gold resources.

The Group also increased its stake in Trinity (shares of which are traded on AIM) to 3.67% after year end following its merger with Bayfield Energy Holdings plc. Trinity is an upstream oil and gas exploration and production company with interests onshore and offshore Trinidad and South Africa. Trinity holds a 65% operated interest in the Galeota E&P license located offshore the East Coast of Trinidad. The Galeota licence covers 30,084 acres (121.6 km^2) in the shallow waters (55 feet to 150 feet) of the Bayfield Basin.

Trinity raised US$90 million through a recent equity offering that completed in February 2013 with the proceeds being used to accelerate its work programme, which is expected to grow net production to 5,000 barrels of oil per day ("**bopd**") by the end of 2013 and includes six exploration wells targeting net un-risked best estimate prospective resources of 46 million barrels of oil equivalent in 2013 and 2014. Trinity is fully funded to fulfill its existing licence obligations and the assets are expected to generate strong cash flows for re-investment.

Trinity is currently producing both onshore and offshore 3,430 bopds with production expected to increase to 4,000 bopds per day by the end of March 2013. Trinity has given market guidance of 5,000 bopds for 2013 exit production.

Trinity has an asset base containing 1P reserves of approximately 10 million barrels of oil equivalent ("**mmboe**") (91% offshore), 2P reserves of approximately 31 mmboes (93% offshore) and 38 mmboes of contingent resources. Trinity has prospective resources of 98 mm boe (12 mmboe risked), of which 46mm boe (6mm boe risked) will be targeted in 2013 and 2014.

We are pleased to report that Regent Markets Holdings Limited ("**Regent Markets**"), a 49.90% associated company, had a record year surpassing its highest ever turnover with over US$201.47 million bets being sold (2011: US$151.9 million bets were sold) and generated a net profit of US$3.29 million (2011: US$1.0 million). In light of the excellent performance, Regent Markets paid a record dividend of US$0.11 per share or a distribution of US$2.35 million, of which Regent received US$1.10 million in January 2013.

Our existing 25% associated investment in West China Coke experienced a difficult operating environment in 2012 whereby the steel market was in over supply, with soft demand and consequently suffered lower prices for its products. West China Coke produced 789,886 tonnes of coke (2011: 878,633 tonnes) and 62,104 tonnes (2011: 113,699 tonnes) of methanol and other by-products. Total revenue was RMB 1,632.72 million (2011: RMB 1,929.14 million) (approximately US$258.79 million (2011: US$ 298.47 million)) and its loss was RMB 75.30 million (2011: profit of RMB 31.51 million) (approximately US$11.94 million (2011: profit of US$ 4.88 million)). We equity accounted a loss of US$2.98 million for the year ended 31 December 2012 as compared to a profit of US$1.22 million in 2011.

Our strong balance sheet, with no debt, high quality assets and positive long-term outlook will enable us to continue to pursue growth opportunities by way of accretive acquisitions, which remains our key priority. With our well established and highly credentialed in-house M&A, execution and technical teams, we enter 2013 well positioned and with enhanced options for value-adding growth.

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

REVENUE AND PROFIT

The Company recorded a net loss after tax and non-controlling interests of US$44.85 million in 2012, compared with a loss of US$48.53 million in 2011.

The corporate division (revenue and fair value loss on financial instruments) recorded a loss of US$0.89 million (2011: US$24.62 million).

The Group's associates, Regent Markets and West China Coke, contributed a share of profit of US$1.55 million and a loss of US$2.98 million respectively to the Group.

REVENUE AND PROFIT (Continued)

The main elements of the loss are analysed as follows:

	US$ million
Share of profit from Regent Markets	1.55
Share of loss from West China Coke	(2.98)
Gain on disposal of the JRGL Coal Project	4.41
Impairment loss on West China Coke	(9.34)
Impairment loss on available-for-sale financial assets	(6.69)
Corporate investment	(18.98)
Metals mining	(1.90)
Others	0.16
Taxation	(11.08)
Total loss attributable to owners of the Company	(44.85)

FINANCIAL POSITION

Shareholders' equity decreased by 22.41% to US$141.23 million as at 31 December 2012 from US$182.02 million as at 31 December 2011. The decrease was mainly due to: (i) the loss of US$44.85 million for the year ended 31 December 2012, (ii) the purchase of shares of the Company for a cost of US$4.81 million, which are held for the Group's long term incentive share award scheme, (iii) the decrease of the exchange reserve by US$0.11 million mainly due to the disposal of subsidiaries, (iv) the exchange loss of US$0.07 million on translation of foreign operations, and (v) the decrease of the statutory reserve of US$0.81 million due to the share of reserve from an associate and these were offset against: (vi) the share-based payment reserve increase of US$9.75 million due to the share-based payment on the Group's long term incentive share award scheme, the reversal of the share-based payment reserve from the forfeited share awards and the share of reserve from an associate, and (vii) the increase of the exchange reserve by US$0.11 million due to the share of reserve from associates.

The investments in Regent Markets of US$3.73 million and West China Coke of US$8.04 million accounted for 2.64% and 5.69% of shareholders' equity respectively. The Group's assets also comprised: (i) cash and bank balances of US$11.45 million, (ii) listed and unlisted investments of US$124.34 million, (iii) derivative financial instruments of US$1.57 million, and (iv) other assets and receivables of US$2.74 million.

The Group's liabilities comprised: (i) payables and accruals of US$3.37 million and (ii) the deferred tax liability of US$7.20 million.

STRATEGIC PLAN

The Board and the Company's senior management play an active role in the Group's strategy development and planning process. The Chief Executive Officer arranged offsite meetings with senior management in December 2012, during which management presented to the Chief Executive Officer proposed initiatives based on the Group's strategy for the 2013 financial year and beyond, and the status of strategy implementation together with the key initiatives undertaken. The Chief Executive Officer regularly interacts with the Board in respect of the strategic plan and direction of the Group, during which meetings the Chief Executive Officer seeks and is provided input in respect of the proposed priorities and initiatives previously discussed and agreed with senior management, aiming at developing an agreed approach for the Group to generate and preserve its long-term value, while agreeing shorter term priorities and objectives. In addition, the risks associated with the current operations and strategy of the Group are currently being tested by way of an internal audit process conducted through an independent service provider, with the aim of identifying ways in which the Group can better identify and manage its risks.

In order to generate or preserve value over the longer term, the Group is committed to:

- transform into a diversified mid-tier mining house by divesting of non-core assets and investments to enable the Group to pursue growth opportunities (by acquiring and developing strategic 'economic' mining assets, of sufficient grade and scale, supported by infrastructure) covering our targeted commodities of choice (iron ore, copper, zinc, thermal and coking coal and gold);
- leverage off our expert international and local teams to tackle difficult markets, deliver results and achieve global recognition;
- actively fund and execute exploration plans with the view of adding to the Group's global resource base; and
- utilise the Company's Hong Kong listing through strong liquidity, demand for resource equities and access to international capital markets, together with maintaining our corporate governance and social responsibility standards in line with the policies set down by The Stock Exchange of Hong Kong Limited and best practice.

The Company is also committed to creating shareholder value and returns through accretive acquisitions and returning surplus capital to shareholders by way of an effective dividend policy and share repurchase programme.

The current strategy of the Group can be seen in the latest Company presentation available on the Company's website (www.regentpac.com).

FUNDING

As at 31 December 2012, the Group had US$11.45 million in cash and US$0.59 million on margin deposits held with the Group's brokers for trading of derivatives that represented 8.11% and 0.42% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$119.73 million.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 December 2012.

BCI

In January 2013, we announced the successful sale of our shareholding in BCI, which generated cash proceeds (before expenses and taxes) of US$84.73 million. The sale realised a net gain of approximately US$44.32 million on its disposal in 2012, before expenses and taxes, with prior unrealised gains being recognised in prior years.

AUSTRALIAN TAX ON BCI SALE

The Group refers to its recent announcements, dated 18 December 2012 and 16 and 28 January 2013 (the "**Announcements**"), together with the circular to shareholders dated 24 December 2012 (the "**Circular**"), in respect of its recently completed disposal of its interests in BCI.

As foreshadowed in the Announcements and Circular, the Group publicly stated that it expected to deal with a potential taxable outcome upon the sale of its investment in BCI and in the Circular it provided an estimate of the potential taxes and expenses in respect thereof (being approximately US$12,628,636 (or approximately HK$98,503,361)), assuming the minimum disposal price of A$3.20 per BCI share. As announced on 16 January 2013, the Group achieved an ultimate disposal price of A$3.40 per BCI share, more than the minimum disposal price of A$3.20 per BCI share approved by its shareholders at the Group's extraordinary general meeting held on 16 January 2013.

As previously announced, on 24 January 2013 the Company received orders from the Federal Court of Australia in relation to a notice of assessment issued by the Commissioner of Taxation in the amount of A$12.78 million (or approximately US$13.50 million) following completion of the sale of its securities in BCI for gross proceeds of A$81.61 million (or approximately US$86.21 million). The orders provide that the Company must not remove from Australia or dispose of, deal with or diminish the value of its assets in Australia up to the unencumbered value of the assessed amount.

The amount of potential tax assessed is expressed to be due and payable on 2 December 2013.

The Company was not notified that an application had been made to the Court. The orders were extended by the Court to 19 April 2013.

The Company is taking external professional advice in relation to the orders and the assessment and understands that the ultimate determination of the potential taxation liability will be subject to a valuation of BCI's real property (including mining tenements) and non-real property assets. Following the receipt of advice, the Company will consider its position and provide an update to shareholders and the market in due course.

Jamie Gibson
Chief Executive Officer

27 March 2013

ENVIRONMENT, COMMUNITY, HEALTH AND SAFETY

ENVIRONMENT, COMMUNITY, HEALTH AND SAFETY

Our environmental, community, health and safety focus is a significant priority in promoting sustainable practices for social and environmental responsibility. Our core approach is the health and safety of our employees, including: respect for the individual, for each other, for stakeholders and for the cultures that we operate in.

HEALTH AND SAFETY

The Group bases its health and safety strategy on three cornerstone elements:

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

There were no lost time injuries during the financial year for the Company.

COMMUNITY

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

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

There were no reportable community concerns during the financial year.

ENVIRONMENT

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

- encouraging environmentally sustainable practices in its daily decision making processes, including land use, operations, planning and purchasing;
- undertaking alternative practices and procedures to minimise negative impacts on the environment;
- integrating environmental awareness and responsibility throughout its host communities; and
- being mindful, in the operations of the Company, of all appropriate economic, environmental and social concerns.

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

- undertaking baseline studies to better understand the rehabilitation process and identify key indicators for reclamation success;
- following disturbance, we aim with our partners, to rehabilitate the land to a form and state agreed by stakeholders, including the local community and government. This focuses on the early development of final landforms with direct return of topsoils where possible to minimise costs and maximise the restoration process; and
- aiming to conduct progressive rehabilitation, wherever possible, to reduce the impacts on the environment, and minimise the residual impacts of the site or rehabilitation works at the time of mine closure.

There were no reportable environmental incidents during the financial year.

DIRECTORS' REPORT

The Directors (the "**Directors**" or the "**Board**") of Regent Pacific Group Limited (the "**Company**" and collectively with its subsidiaries, the "**Group**") are pleased to submit their report and the audited financial statements of the Company and the Group for the year ended 31 December 2012 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

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

Principal activities of the respective subsidiaries of the Company during the year are set out in note 15 to the Financial Statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2012 are set out in the Consolidated Statement of Comprehensive Income on pages 70 to 72.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

SUMMARY FINANCIAL INFORMATION

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

SUMMARY FINANCIAL INFORMATION (Continued)

Results:

	For the year ended 31 December				
	2012 US$'000	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000
Total income					
– Continuing operations	(885)	(24,615)	61,158	20,553	6,142
– Discontinued operations	—	—	—	—	—
	(885)	(24,615)	61,158	20,553	6,142
Income less expenses before impairment losses and provision	(20,895)	(45,212)	34,134	5,212	(13,912)
Reversal of impairment	—	—	912	—	—
Impairment losses	(16,024)	(4,863)	(28)	—	(154,696)
Write down	—	(4,345)	—	(6,384)	—
Finance costs – interest on redeemable convertible preference shares and hire purchase	—	—	(2)	(170)	(854)
Operating (loss)/profit	(36,919)	(54,420)	35,016	(1,342)	(169,462)
Gain on disposal of the JRGL Coal Project	4,409	—	—	—	—
Gain on disposal of a jointly controlled entity and the Zhun Dong Coal Project	—	—	19,834	—	—
Gain on disposal of the Yinzishan Mining Project	—	2,401	—	—	—
Share of results of associates	(1,430)	1,705	2,915	3,447	403
Share of profit of a jointly controlled entity	—	—	3,007	9,092	7,701
(Loss)/Profit before taxation	(33,940)	(50,314)	60,772	11,197	(161,358)
Taxation	(11,084)	—	(1,000)	—	(324)
(Loss)/Profit for the year	(45,024)	(50,314)	59,772	11,197	(161,682)
Non-controlling interests	170	1,787	20	(145)	739
(Loss)/Profit attributable to shareholders of the Company	(44,854)	(48,527)	59,792	11,052	(160,943)

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	As at 31 December				
	2012 US$'000	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000
Goodwill	—	—	12,256	14,132	52,137
Exploration and evaluation assets	—	—	9,485	8,187	31,391
Property, plant and equipment	294	296	558	983	1,195
Interests in associates	11,774	24,727	22,487	19,508	17,363
Interest in a jointly controlled entity	—	—	—	36,889	34,295
Available-for-sale financial assets	5,279	9,287	7,025	1,597	7,386
Current assets	134,517	172,175	249,226	151,933	79,907
Total assets	151,864	206,485	301,037	233,229	223,674
Current liabilities	3,374	23,137	28,699	6,560	2,897
Non-current liabilities	7,197	—	—	8	5,257
Total liabilities	10,571	23,137	28,699	6,568	8,154
Net assets	141,293	183,348	272,338	226,661	215,520

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates are set out in notes 15 and 16 respectively to the Financial Statements.

GOODWILL

Details of movements in the goodwill of the Group during the year are set out in note 12 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 14 to the Financial Statements.

SHARE CAPITAL, OPTIONS AND SHARE AWARDS

Details of the Company's share capital, outstanding share options under the Share Option Scheme (2002) and outstanding units under the Long Term Incentive Plan 2007 are set out below and in note 26 to the Financial Statements.

1. Share Capital

As at 1 January 2012, the total issued ordinary share capital of the Company consisted of 3,485,730,523 shares. During the year ended 31 December 2012 and prior to the date of this report, no new shares were issued and allotted by the Company, and no shares were repurchased by the Company.

2. Share Option Scheme (2002)

The Company's share option scheme, named "Share Option Scheme (2002)" (the "**Share Option Scheme (2002)**"), which was adopted with shareholders' approval at the Company's annual general meeting held on 15 November 2002, expired on 15 November 2012, being the tenth anniversary of its commencement date. The provisions of the rules of the Share Option Scheme (2002) shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted and remaining outstanding prior to the date of the expiry.

Upon adoption of the Long Term Incentive Plan 2007 (as referred to in sub-paragraph (3) below) on 8 December 2007, no further options under the Share Option Scheme (2002) were granted.

Details of the Share Option Scheme (2002) and particulars of the options held under the scheme by various participants are set out in note 26.1 to the Financial Statements.

As at 1 January 2012, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 153,866,132 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

During the year ended 31 December 2012:

- No new options were granted;
- No vested options were exercised;
- An outstanding option in respect of 3,500,000 shares at the exercise price of HK$1.152 per share lapsed upon termination of the employment of an employee; and
- No options were cancelled.

Accordingly, as at 31 December 2012, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 150,366,132 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

Subsequent to the year end date and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled.

SHARE CAPITAL, OPTIONS AND SHARE AWARDS (Continued)

3. Long Term Incentive Plan 2007

The Company adopted a new long term incentive plan, named "Long Term Incentive Plan 2007" (the "**Long Term Incentive Plan 2007**"), with shareholders' approval at the 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, unless otherwise extended by the shareholders of the Company.

The establishment and operation of the Long Term Incentive Plan 2007 are not subject to Chapter 17 of The Rules Governing the Listing of Securities (the "**HK Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**"). Upon adoption of the Long Term Incentive Plan 2007 on 8 December 2007, no further options under the Share Option Scheme (2002) (as referred to in sub-paragraph (2) above) were granted.

Details of the Long Term Incentive Plan 2007 are set out in note 26.2 to the Financial Statements.

(i) Grant and vesting of units

Going into 2012, the Company had already granted, in prior years, units in respect of an aggregate of 236,700,000 shares to eligible participants under the Long Term Incentive Plan 2007, with all such units having vested during 2012 in accordance with the plan rules.

To reflect natural attrition and change in personnel and to better rebalance the incentives on offer to eligible and retained staff members, following a review by the Remuneration Committee during the year ended 31 December 2012 the Company cancelled, allowed to lapse or eligible participants agreed to surrender units in respect of an aggregate of 147,000,001 shares and, after netting off the cancelled, lapsed or surrendered units, further units in respect of an aggregate 148,999,999 shares were granted to eligible participants under the plan rules. Of these new units, units in respect of an aggregate of 81,099,999 shares were vested in 2012, while units in respect of an aggregate of 67,900,000 shares remained unvested.

The realignment of the incentives offered under the Long Term Incentive Plan 2007 was, in part, in recognition of the efforts of the relevant eligible participants in a year in which they did not receive any cash bonus.

Subsequent to the year end date and prior to the date of this report, no new units were granted; and no outstanding units lapsed or were vested or cancelled.

SHARE CAPITAL, OPTIONS AND SHARE AWARDS (Continued)

3. Long Term Incentive Plan 2007 (Continued)

(ii) Acquisition of shares

As at 1 January 2012, an aggregate of 236,700,000 shares were held by the trustee appointed by the Company for the plan, which were acquired by the trustee from the market during the previous periods and were to be vested to the respective eligible participants in accordance with their respective vesting schedules.

During the year ended 31 December 2012:

- An aggregate of 317,799,999 shares were vested to the respective eligible participants; and
- An aggregate of 148,999,999 shares were acquired from the market for a total consideration of HK$37,275,889.76 (approximately US$4,814,000).

Accordingly, as at 31 December 2012, an aggregate of 67,900,000 shares were held by the trustee, which were to be vested to the respective eligible participants in accordance with their respective vesting schedules.

Subsequent to the year end date and prior to the date of this report, no shares were vested to the eligible participants; and no further shares were acquired by the trustee from the market.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 27 to the Financial Statements. The Company considers that only profits and share premium are distributable to shareholders.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

1. Under the repurchase mandates

A general mandate was granted to the Directors at the Company's annual general meeting held on 1 June 2011 to repurchase, on the HK Stock Exchange, shares up to a maximum of 387,247,052 shares (the "**2011 Repurchase Mandate**"). Shares repurchased by the Company on the HK Stock Exchange prior to 1 January 2012 pursuant to the 2011 Repurchase Mandate were duly reported in the Company's last annual report published for the year ended 31 December 2011. Since 1 January 2012, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2011 Repurchase Mandate.

Given that the 2011 Repurchase Mandate was about to be fully exercised and in light of the significant premium of the unaudited net asset value per share to the current price of the shares on the HK Stock Exchange, the Directors sought at the extraordinary general meeting held on 28 March 2012 a new general mandate to repurchase, on the HK Stock Exchange, shares up to a maximum of 348,573,052 shares (the "**2012 March Repurchase Mandate**"). Since 28 March 2012, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2012 March Repurchase Mandate.

The 2012 March Repurchase Mandate expired upon close of the Company's annual general meeting held on 30 May 2012, at which a new general mandate was granted to the Directors to repurchase, on the HK Stock Exchange, shares up to a maximum of 348,573,052 shares (the "**2012 May Repurchase Mandate**"). Since 30 May 2012 and prior to the date of this report, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2012 May Repurchase Mandate.

2. For the Long Term Incentive Plan 2007

During the period from 11 April to 15 June 2012, the Company, through its independent trustee, acquired from the market and on the HK Stock Exchange an aggregate of 148,999,999 shares at prices ranging from HK$0.234 to HK$0.265 per share, for a total consideration of HK$37,275,889.76 (approximately US$4,814,000), which are to be vested to the respective eligible participants under the Company's Long Term Incentive Plan 2007 in accordance with the vesting schedules 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 year ended 31 December 2012 or subsequent to the year end date and prior to the date of this report.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at all times during the year ended 31 December 2012 and prior to the date of this report, the Company has complied with the public float requirement prescribed in the HK Listing Rules for the Company.

DIRECTORS

The Directors of the Company who held office during the year ended 31 December 2012 and up to the date of this report were:

James Mellon *(Co-Chairman)**
Stephen Roland Dattels *(Co-Chairman)**
Jamie Alexander Gibson *(Chief Executive Officer)*
Charles David Andrew Comba#
Julie Oates#
Stawell Mark Searle#
Jayne Allison Sutcliffe*

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

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

In accordance with Article 87, at each annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation, providing that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years (which is in compliance with Code Provision A.4.2 of the Corporate Governance Code). A retiring Director shall be eligible for re-election.

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company, and Julie Oates, Mark Searle and Jayne Sutcliffe will retire by rotation pursuant to Article 87 at the forthcoming annual general meeting of the Company. All of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to shareholders. Rotational retirement and re-election of the retiring Directors will be dealt with by a separate resolution for each of the retiring Directors at the Company's annual general meeting.

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

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

DIRECTORS (Continued)

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

1. ***James Mellon***, aged 56, British, was appointed as an Executive Director of the Company in July 1991, and was re-designated as a Non-Executive Director in May 2002, and is currently Non-Executive Co-Chairman of the Board of Directors. He holds a Master's degree in Politics, Philosophy and Economics from Oxford University and, since graduating in 1978, his whole career has been spent in asset management. Mr Mellon worked for GT Management Plc from 1978 to 1984. In July 1984, he joined the Thornton Group where he was Managing Director of the Asian operation. From 1988 to 1990, he was an executive director of Tyndall Holdings Plc responsible for business expansion and corporate development. In 1990, Mr Mellon co-founded and became Chief Executive of Regent Pacific Group. In 1994, he became Chairman of Regent Pacific Group. Mr Mellon has over 20 years' investment experience in Asia. He specialises in the development and restructuring of international investment vehicles, and travels extensively across the region on company visits and fact-finding missions. He is also director of certain subsidiaries of Regent Pacific Group. Mr Mellon is also: (i) a non-executive director of Brazilian Gold Corporation and a non-executive director of Miraculins Inc, both of which are listed on the Toronto Venture Exchange ("**TSX-V**"); (ii) a non-executive director of Charlemagne Capital Limited, a non-executive director of Condor Gold plc, the executive chairman of the board of Manx Financial Group plc, a non-executive director of Plethora Solutions Holdings plc, the executive chairman of the board of Port Erin Biopharma Limited, the executive chairman of the board of Speymill plc, a non-executive director of Summit Corporation plc and a non-executive co-chairman of the board of West African Minerals Corporation, all of which are listed on the Alternative Investment Market ("**AIM**") of the London Stock Exchange; (iii) a non-executive director of Polo Resources Limited, which is dually listed on AIM and TSX-V; (iv) the non-executive chairman of the board of Rivington Street Holdings Limited, which is listed on PLUS in the United Kingdom; (v) the non-executive chairman of the board of Speymill Deutsche Immobilien Company plc (which was delisted from AIM on 31 May 2011); and (vi) a non-executive director of Venturex Resources Limited ("**VXR**", a company listed on the Australian Securities Exchange ("**ASX**")), appointed on 5 February 2013, representing the Company's interest held in VXR (as announced by the Company on 5 February 2013). He was formerly a non-executive director of Webis Holdings plc (an AIM-listed company) and resigned on 19 January 2012.

2. ***Stephen Roland Dattels***, aged 65, Canadian, was appointed as Non-Executive Co-Chairman of the Board in February 2008. Mr Dattels is an experienced senior mining executive, and was one of the key executives at Barrick Gold Corporation (whose shares are listed on the Toronto Stock Exchange and the New York Stock Exchange) during its formative years before leaving in 1987. He has helped to form and finance a number of mining ventures, including UraMin Inc, an African based uranium company. He has a Bachelor of Arts degree from McGill University, a law degree (cum laude) from the University of Western Ontario and has completed the Program for Management Development at Harvard University. Mr Dattels is also a non-executive director of GCM Resources plc and the chief executive and an executive co-chairman of the board of West African Minerals Corporation, both of which are listed on AIM, and the joint executive chairman of the board of Polo Resources Limited, which is dually listed on AIM and TSX-V. Mr Dattels was: (i) a director of Extract Resources Limited (a company listed on ASX and the Toronto Stock Exchange) for the period from July 2009 to April 2010; and (ii) a non-executive director of Caledon Resources plc (which was delisted from AIM and ASX on 30 August 2011 upon completion of a scheme of arrangement) for the period from July 2008 to November 2010.

DIRECTORS (Continued)

3. ***Jamie Alexander Gibson***, aged 47, British, joined Regent Pacific Group in April 1996 and was appointed as an Executive Director and Chief Operating Officer of the Company in January 2002. In May 2002, he became Chief Executive Officer of the Company. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers & Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also director of a number of subsidiaries of Regent Pacific Group, including Amerinvest Coal Industry Holding Company Limited, which in turn holds a 25% equity interest in West China Coking & Gas Company Limited. Mr Gibson is the alternate director to James Mellon on the board of VXR (appointed on 12 March 2013). He was appointed on 16 July 2012 as a non-executive director of BC Iron Limited ("**BCI**", a company listed on ASX), representing the Company's 23.11 per cent interest then held in BCI (as announced by the Company on 16 July 2012), and resigned from such directorship on 18 December 2012 in anticipation of the Company's contemplated disposal of its entire interest in BCI (as announced by the Company on 18 December 2012).

4. ***Charles David Andrew Comba***, aged 69, Canadian, has been an Independent Non-Executive Director of the Company since October 2005. He is currently director of three Canadian listed companies, namely: (i) Cogitore Resources Inc (listed on TSX-V); (ii) First Nickel Inc (listed on the Toronto Stock Exchange); and (iii) North American Palladium Ltd (listed on the Toronto Stock Exchange and the American Stock Exchange). Until his retirement in May 2005, he held senior staff positions as Director Issues Management and more recently as Director of Regulatory Affairs with the Prospectors and Developers Association of Canada. Mr Comba also served the association as a Director prior to joining staff in 1998. He served on or led mineral exploration teams that have made eleven significant discoveries of base and precious metals, primarily for Falconbridge Group companies. Five discoveries were taken to production. After holding Falconbridge Regional Exploration Manager positions in Timmins, Ontario and Sudbury, Ontario, Mr Comba was transferred to Toronto, Ontario in 1990 as Vice President of Exploration Falconbridge Gold Corporation. Subsequent to the sale of FGC to Kinross Gold Corporation he became a director, President and Chief Executive Officer of a Kinross controlled exploration company, Pentland Firth Ventures Limited. Mr Comba obtained two geological degrees from Queen's University Kingston, Ontario, Canada, an MSc (1975) and a Hon BSc (1972).

5. ***Julie Oates***, aged 51, British, has been an Independent Non-Executive Director of the Company since September 2004. She trained with PKF (Isle of Man) LLC and qualified in 1987 as a member of The Institute of Chartered Accountants in England and Wales. Mrs Oates later joined the international firm of Moore Stephens, and was appointed partner in the Isle of Man firm in 1997. In 2002, she joined a local trust company as Managing Director and in 2003 established her own accountancy practice. Mrs Oates has experience in both the general practice areas of accounting and business assurance as well as offshore corporate and trust administration. Mrs Oates acts as director for a number of companies and is licensed by the Isle of Man Government Financial Supervision Commission and approved to act as a director of insurance companies by the Isle of Man Government Insurance and Pensions Authority.

DIRECTORS (Continued)

6. ***Stawell Mark Searle***, aged 69, British, has been an Independent Non-Executive Director of the Company since October 2001. He has over 30 years' experience in the investment management industry. Having trained with Jardine Matheson, the Far Eastern trading house in London, he was seconded to Samuel Montagu where he worked for two years in their Investment Department. Subsequently, Mr Searle joined Investment Intelligence Limited becoming Investment Director responsible for management of a stable of open ended funds. Between 1982 and 1987, he was Managing Director of Richards Longstaff Limited, a privately owned investment consultancy. In the following ten years, he was Investment Director of Gerrard Asset Management. Mr Searle has been a director of a number of closed-ended funds during his career and most recently was a director of Invesco Perpetual European Absolute Return Investment Trust Plc (formerly a listed company on the London Stock Exchange), which was liquidated at the end of October 2009 at the request of a majority of shareholders.

7. ***Jayne Allison Sutcliffe***, aged 49, British, was appointed as the Group Corporate Finance Director in August 1991 and was re-designated as a Non-Executive Director in June 2000. Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded Regent Pacific Group in 1990 where she established, and was responsible for, the Group's corporate finance activities. She has a Master's degree in Theology from Oxford University. Mrs Sutcliffe is also director of a subsidiary of Regent Pacific Group. She is also the Group Chief Executive of Charlemagne Capital Limited, which is listed on AIM.

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

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

DIRECTORS (Continued)

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

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee (Note 1)	Connected Transactions Committee (Note 2)	Technical Committee (Notes 3&4)	Inside Information Committee (Notes 5&6)
James Mellon	Member of Audit Committee	Member of Remuneration Committee	Chairman of Nomination Committee	Chairman of Investment Committee			
Stephen Dattels							
Jamie Gibson				Member of Investment Committee	Member of Connected Transactions Committee	Chairman of Technical Committee	Member of Inside Information Committee
David Comba						Member of Technical Committee	
Julie Oates	Chairlady of Audit Committee	Member of Remuneration Committee	Member of Nomination Committee		Chairlady of Connected Transactions Committee		
Mark Searle	Member of Audit Committee	Chairman of Remuneration Committee	Member of Nomination Committee		Member of Connected Transactions Committee		
Jayne Sutcliffe							

DIRECTORS (Continued)

Notes:

1. The Investment Committee oversees the investments of the Group.
2. The Connected Transactions Committee reviews and monitors any conflict of interests that the Group may have with any of its directors, employees or members and, moreover, any actual or potential connected or related party transaction (including connected transactions exempted under the HK Listing Rules that the Group is proposing to enter into, including any approvals thereof.
3. The Technical Committee reviews and monitors the compliance of the Company with the requirements of Chapter 18 of the HK Listing Rules (together with associated provisions of the HK Listing Rules).
4. The Technical Committee comprises other members who are not Directors of the Company.
5. The Inside Information Committee reviews and monitors the compliance of the Company with its statutory disclosure obligations under Part XIVA of the Securities and Futures Ordinance of Hong Kong, the HK Listing Rules and other applicable laws and regulations in respect of disclosure and transparency relevant to the Company.
6. The Inside Information Committee comprises other members who are not Directors of the Company.

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

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

DIRECTORS' INTERESTS IN SECURITIES, OPTIONS AND SHARE AWARDS

As at 31 December 2012, 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	124,986,181	3.59%
	A	Beneficiary of a trust	Long position	375,821,134	10.78%
Stephen Dattels	B	Beneficiary of a trust	Long position	284,266,097	8.16%
Jamie Gibson		Beneficial owner	Long position	104,419,138	3.00%
David Comba		—	—	—	—
Julie Oates	C	Interests held jointly with another person	Long position	2,500,000	0.07%
Mark Searle		Beneficial owner	Long position	4,000,000	0.12%
	D	Beneficiary of a trust	Long position	1,000,000	0.03%
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	0.49%
	E	Beneficiary of a trust	Long position	27,965,226	0.80%

* These numbers do not include the number of the shares to be issued upon exercise of the outstanding options under the Share Option Scheme (2002) and the shares subject to unvested units under the Long Term Incentive Plan 2007 held by the Directors, which are disclosed in sub-paragraphs (b) and (c) below.

** The total issued ordinary share capital of the Company as at 31 December 2012 consisted of 3,485,730,523 shares. There were no changes in the Company's issued share capital subsequent to the year end date and prior to the date of this report.

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

I. Securities of the Company (Continued)

b. Options under Share Option Scheme (2002)

Please refer to note 26.1 to the Financial Statements as to the details of the Share Option Scheme (2002).

As at 31 December 2012, the following Directors of the Company had personal interests in options granted under the Share Option Scheme (2002), entitling them to subscribe for ordinary shares of US$0.01 each in the capital of the Company in accordance with, and subject to, the terms of the scheme:

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

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

During the year ended 31 December 2012 and prior to the date of this report, no new options were granted to the Directors of the Company under the Share Option Scheme (2002), and none of the outstanding options were exercised or cancelled or lapsed.

Save for the above, during the year ended 31 December 2012 and prior to the date of this report, no Directors of the Company exercised any of their rights under the respective options granted to them pursuant to the Share Option Scheme (2002) and subscribed for shares in the Company; and no options were granted or cancelled or lapsed.

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

1. Securities of the Company (Continued)

c. Share awards under Long Term Incentive Plan 2007

Please refer to note 26.2 to the Financial Statements as to the details of the Long Term Incentive Plan 2007.

As at 31 December 2012, the following Directors of the Company had personal interests in share awards granted under the Long Term Incentive Plan 2007:

Name of Director	Date of grant	Total number of shares subject to the unit	Vesting date[1]	Number of shares to be vested
James Mellon	20 November 2012	30,000,000	3 April 2013[2]	10,000,000[2]
			3 April 2014[2]	10,000,000[2]
			3 April 2015[2]	10,000,000[2]
Jamie Gibson	20 November 2012	37,900,000	3 April 2013[2]	12,633,333[2]
			3 April 2014[2]	12,633,333[2]
			3 April 2015[2]	12,633,334[2]

(1) A grantee is not required to pay for the grant of any unit. Unless otherwise stated, the shares are to be vested in three equal tranches on the first, second and third anniversary dates of the date of grant at no cost.

(2) On 20 November 2012, new units in respect of 30,000,000 shares and 37,900,000 shares were granted under the plan to James Mellon and Jamie Gibson respectively, which are to be vested in three equal tranches on 3 April 2013, 3 April 2014 and 3 April 2015, providing that all the shares (then remaining outstanding) will be vested in full on the happening of the "trigger event" (as referred to in the offer letters dated 20 November 2012).

During the year ended 31 December 2012:

(i) On 3 April 2012, new units in respect of 60,000,000 shares and 70,000,000 shares were granted under the plan to James Mellon and Jamie Gibson respectively, which are to be vested in three equal tranches on the first, second and third anniversary dates of the date of grant, providing that all the shares (then remaining outstanding) will be vested in full on the happening of the "trigger event" (as referred to in the offer letters dated 10 April 2012).

(ii) On 19 November 2012, the units granted on 3 April 2012 to James Mellon and Jamie Gibson in respect of an aggregate of 130,000,000 shares (as referred to in (i) above) were surrendered and cancelled pursuant to the letters of agreement, both dated 19 November 2012, between the Company and James Mellon and Jamie Gibson respectively.

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

1. Securities of the Company (Continued)

c. *Share awards under Long Term Incentive Plan 2007 (Continued)*

(iii) On 20 November 2012, new units in respect of 30,000,000 shares and 37,900,000 shares were granted under the plan to James Mellon and Jamie Gibson respectively, which are to be vested in three equal tranches on 3 April 2013, 3 April 2014 and 3 April 2015, providing that all the shares (then remaining outstanding) will be vested in full on the happening of the "trigger event" (as referred to in the offer letters dated 20 November 2012).

(iv) On 26 November 2012, in accordance with the rules of the Long Term Incentive Plan 2007 and as approved by the Remuneration Committee, 50,000,000 shares and 100,000,000 shares (in respect of the outstanding units granted on 1 November 2011) were vested to James Mellon and Jamie Gibson respectively, which were otherwise to be vested in full on the happening of the "trigger event" (as referred to in the offer letters dated 7 November 2011) or on 1 November 2014.

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

2. Securities of associated corporations

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

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

Notes:

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

B. The 284,266,097 ordinary shares in the Company and 5,250,000 ordinary shares in AstroEast.com Limited are held by an investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary.

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

D. The 1,000,000 ordinary shares in the Company are held to the order of a pension fund, of which Mark Searle is the sole beneficiary.

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

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

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

Save as disclosed herein, as at 31 December 2012 and as at the date of this report, none of the Directors (or their associates) had any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

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

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS

No connected transactions (as defined in Chapter 14A of the HK Listing Rules) or significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) of the Company, to which the Company or any of its subsidiaries was/is a party and in which a Director or Directors of the Company had/has/have a material interest, either directly or indirectly, subsisted/subsists as at 31 December 2012 or as at the date of this report or at any time during the year or prior to the date of this report.

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

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with any Director of the Company or any person engaged in the full-time employment of the Company, subsisted/subsists as at 31 December 2012 or as at the date of this report or at any time during the year or prior to the date of this report, whereby any individual, firm or body corporate undertook/undertakes the management and administration of the whole or any substantial part of any business of the Company.

RELEVANT TRANSACTIONS

As at 31 December 2012 and as at the date of this report and at any time during the year and prior to the date of this report, none of the Directors of the Company owed/owes any outstanding amount on any relevant transactions (including loans, quasi-loans and credit transactions) as required to be disclosed under Paragraph 28(8) of Appendix 16 to the HK Listing Rules and Section 161B of the Companies Ordinance of Hong Kong.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

(1) Brazilian Gold Corporation

Brazilian Gold Corporation ("**Brazilian Gold**", TSX-V: BGC) is a well financed publicly traded junior exploration company listed on the Toronto Venture Exchange, a Canadian Stock Exchange, and based in Vancouver, British Columbia. It owns a portfolio of road accessible, grass-roots to advance stage (São Jorge) gold projects in the Tapajós region of northern Brazil. The company is focused on expanding the resource and advancing technical studies at São Jorge whilst also discovering new deposits on their extensive land holdings.

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

- The Company (and its subsidiaries) holds approximately 3.81 per cent of its total issued share capital;
- James Mellon (himself and through his associate) holds approximately 3.21 per cent of its total issued share capital; and
- An investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 7.31 per cent of its total issued share capital.

(2) Circum Minerals Limited

Circum Minerals Limited ("**Circum Minerals**") is an unlisted natural resources company and an emerging Potash producer.

Stephen Dattels is a director of Circum Minerals, and as at the date of this report:

- The Company does not hold any interests in its total issued share capital; and
- An investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 21.30 per cent of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(3) Condor Gold plc

Condor Gold plc ("**Condor**", AIM: CNR and FSX: W5X) is a UK based exploration Company dually listed on the Alternative Investment Market ("**AIM**") of the London Stock Exchange and the Frankfurt Stock Exchange, focused on proving a large commercial reserve on its 100 per cent owned La India Project in Nicaragua.

James Mellon is a non-executive director of Condor, and as at the date of this report:

- The Company holds approximately 9.97 per cent of its total issued share capital;
- James Mellon (himself and through his associate) holds less than 3 per cent of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s); and
- Polo Resources Limited (see below) holds less than 3 per cent of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s).

(4) GCM Resources plc

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

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

- The Company does not hold any interests in its total issued share capital; and
- Polo Resources Limited (see below) holds approximately 29.80 per cent of its total issued share capital.

(5) Global Tin Corporation

Global Tin Corporation is an unlisted natural resources company, focusing on investing in tin, tantalum and lithium exploration and mining projects, which ceased trading on 4 June 2012.

As at the date of this report, an investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 51 per cent of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(6) Polo Resources Limited

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

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

- The Company does not hold any interest in its total issued share capital (having ceased to hold interests on 14 June 2012);
- James Mellon (himself and through his associate) holds less than 3 per cent of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s);
- An investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 15.70 per cent of its total issued share capital; and
- GCM Resources (see above) does not hold any interest in its total issued share capital (having ceased to hold interests on 31 January 2013).

(7) Venturex Resources Limited

Venturex Resources Limited ("**Venturex**", ASX: VXR) is an emerging resources company based in Perth, Western Australia, and listed on the Australian Securities Exchange ("**ASX**"). It is committed to the identification, acquisition and development of mineral resources that will deliver substantial and sustainable value to its shareholders. Its principal asset is the Pilbara Copper-Zinc Project which is located in the Pilbara Region of Western Australia. It also controls a number of gold exploration projects in Brazil.

James Mellon was appointed on 5 February 2013 as a non-executive director of Venturex, representing the Company's interest held in Venturex (as announced by the Company on 5 February 2013), and Jamie Gibson was appointed on 12 March 2013 as the alternate director to James Mellon, and as at the date of this report, the Company holds approximately 31.87 per cent of its total issued share capital.

(8) West African Minerals Corporation

West African Minerals Corporation ("**West African Minerals**", AIM: WAFM) is an AIM listed company, focusing on investing in natural resources companies and/or physical resources assets.

James Mellon is a non-executive co-chairmen of the board of directors and Stephen Dattels is the chief executive and an executive co-chairman of the board of directors of West African Minerals, and as at the date of this report:

- The Company does not hold any interest in its total issued share capital;
- James Mellon (himself and through his associate) holds approximately 6.31 per cent of its total issued share capital; and
- An investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 9.09 per cent of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

Notes:

(A) Subsequent to the date of the Company's last annual report, Jamie Gibson was appointed on 16 July 2012 as a non-executive director of BC Iron Limited ("**BCI**", a company listed on ASX), representing the Company's 23.11 per cent interest then held in BCI (as announced by the Company on 16 July 2012). Mr Gibson resigned from such directorship on 18 December 2012 in anticipation of the Company's contemplated disposal of its entire interest in BCI (as announced by the Company on 18 December 2012).

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

(B) MinFer Holdings Limited ("**MinFer Holdings**"), an unlisted natural resources company and emerging Brazilian Iron Ore producer in which the Company did not hold any interests, was disclosed under the "Directors' Interests in Competing Businesses" in the Company's last annual report given that: (i) an investment wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, then held approximately 14.75 per cent of its total issued share capital; (ii) Polo Resources (see above) had subscribed for 30 per cent of the issued share capital of MinFer Holdings in February 2011, and MinFer Holdings had granted to Polo Resources a warrant, exercisable in two years from 4 February 2011, to subscribe for new shares in MinFer Holdings which would represent approximately 13.04 per cent of the issued share capital of MinFer Holdings enlarged by the subscription of the warrant; (iii) James Mellon is a non-executive director of Polo Resources, then holding (himself and his associates) less than 3 per cent of its total issued share capital, which was not discloseable under the rules of the relevant regulator(s); and (iv) Stephen Dattels is the joint executive chairman of the board of directors of Polo Resources, then holding (through an investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary) approximately 9.77 per cent of its total issued share capital.

On 20 February 2013, Polo Resources disposed of all its interests (then 62.82 per cent) in MinFer Holdings and Stephen Dattels resigned as its director (who was appointed on 24 June 2011).

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

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

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, the following persons (other than James Mellon, Stephen Dattels and Jamie Gibson, whose interests are set out in detail under the section headed "Directors' Interests in Securities, Options and Share Awards") had the following 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):

Name of Shareholder	Class of shares	Capacity in which the Shares are held	Long/Short position	Total interests (Number of Shares)	Approximate % holding**	Derivative interests (Number of Shares)
Peh Kong Wan	Ordinary shares	Beneficial owner	Long position	6,000,000	0.17%	Nil
	Ordinary shares	Interests held by controlled corporation (Note A)	Long position	303,200,000	8.70%	Nil
Tamai Investments Corp.	Ordinary shares	Beneficial owner	Long position	287,500,000	8.25%	Nil

** The total issued ordinary share capital of the Company as at 31 December 2012 consisted of 3,485,730,523 shares. There were no changes in the Company's issued share capital subsequent to the year end date and prior to the date of this report.

Notes:

A. The 303,200,000 shares in the Company disclosed in the "interests held by controlled corporation" by Peh Kong Wan included the entirety of the interests disclosed by Tamai Investments Corp.

B. Each of Peh Kong Wan and Tamai Investments Corp. filed a return dated 4 February 2013 with the HK Stock Exchange in respect of his/its cessation to hold a substantial shareholder's interest in the Company on 31 January 2013, which were copied to the Company on 6 February 2013.

Save for such interests, the Directors are not aware of any other persons who, as at the 31 December 2012 or as at the date of this report, had/has beneficial interests and short positions in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company, which would have to be recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests and short positions which they were/are deemed or taken to have under such provisions of the SFO).

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITORS

The Financial Statements were audited by BDO Limited.

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

BDO Limited will retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. An ordinary resolution has been proposed for the Company's annual general meeting for Year 2013 for the re-appointment of BDO Limited.

CORPORATE GOVERNANCE REPORT

Shareholders' attention is also drawn to the Corporate Governance Report included in this annual report, in compliance with Appendix 14 to the HK Listing Rules.

On Behalf of the Board

James Mellon
Co-Chairman

27 March 2013

REVENUE AND PROFIT

The Company recorded a net loss after tax and non-controlling interests of US$44.85 million, compared with the net loss of US$48.53 million in 2011.

The corporate division (revenue and fair value loss on financial instruments) recorded a loss of US$0.89 million (2011: US$24.62 million).

The Group's associates, Regent Markets Holdings Limited ("**Regent Markets**") and West China Coking & Gas Company Limited ("**West China Coke**"), contributed a share of profit of US$1.55 million and a loss of US$2.98 million respectively to the Group.

The main elements of the loss are analysed as follows:

	US$ million
Share of profit from Regent Markets	1.55
Share of loss from West China Coke	(2.98)
Gain on disposal of Ji Ri Ga Lang Coal Project ("**JRGL Coal Project**")	4.41
Impairment loss on West China Coke	(9.34)
Impairment loss on available-for-sale financial assets	(6.69)
Corporate investment	(18.98)
Metals mining	(1.90)
Others	0.16
Taxation	(11.08)
Total loss attributable to shareholders of the Company	(44.85)

FINANCIAL POSITION

Shareholders' equity decreased by 22.41% to US$141.23 million as at 31 December 2012 from US$182.02 million as at 31 December 2011. The decrease was mainly due to: (i) the loss of US$44.85 million for the year ended 31 December 2012, (ii) the purchase of shares of the Company for a cost of US$4.81 million, which are held for the Group's long term incentive share award scheme, (iii) the decrease of the exchange reserve by US$0.11 million mainly due to the disposal of subsidiaries, (iv) the exchange loss of US$0.07 million on translation of foreign operations, and (v) the decrease of the statutory reserve of US$0.81 million due to the share of reserve from an associate and these were offset against: (vi) the share-based payment reserve increase of US$9.75 million due to the share-based payment on the Group's long term incentive share award scheme, the reversal of the share-based payment reserve from the forfeited share awards and the share of reserve from an associate, and (vii) the increase of the exchange reserve by US$0.11 million due to the share of reserve from associates.

The investments in Regent Markets of US$3.73 million and West China Coke of US$8.04 million accounted for 2.64% and 5.69% of shareholders' equity respectively. The Group's assets also comprised: (i) cash and bank balances of US$11.45 million, (ii) listed and unlisted investments of US$124.34 million, (iii) derivative financial instruments of US$1.57 million, and (iv) other assets and receivables of US$2.74 million.

The Group's liabilities comprised: (i) payables and accruals of US$3.37 million and (ii) the deferred tax liability of US$7.20 million.

STRATEGIC PLAN

The Board and the Company's senior management play an active role in the Group's strategy development and planning process. The Chief Executive Officer arranged offsite meetings with senior management in December 2012, during which management presented to the Chief Executive Officer proposed initiatives based on the Group's strategy for the 2013 financial year and beyond, and the status of strategy implementation together with the key initiatives undertaken. The Chief Executive Officer regularly interacts with the Board in respect of the strategic plan and direction of the Group, during which meetings the Chief Executive Officer seeks and is provided input in respect of the proposed priorities and initiatives previously discussed and agreed with senior management, aiming at developing an agreed approach for the Group to generate and preserve its long-term value, while agreeing shorter term priorities and objectives. In addition, the risks associated with the current operations and strategy of the Group are currently being tested by way of an internal audit process conducted through an independent service provider, with the aim of identifying ways in which the Group can better identify and manage its risks.

In order to generate or preserve value over the longer term, the Group is committed to:

- transform into a diversified mid-tier mining house by divesting of non-core assets and investments to enable the Group to pursue growth opportunities (by acquiring and developing strategic 'economic' mining assets, of sufficient grade and scale, supported by infrastructure) covering our targeted commodities of choice (iron ore, copper, zinc, thermal and coking coal and gold);
- leverage off our expert international and local teams to tackle difficult markets, deliver results and achieve global recognition;
- actively fund and execute exploration plans with the view of adding to the Group's global resource base; and
- utilise the Company's Hong Kong listing through strong liquidity, demand for resource equities and access to international capital markets, together with maintaining our corporate governance and social responsibility standards in line with the policies set down by The Stock Exchange of Hong Kong Limited and best practice.

The Company is also committed to creating shareholder value and returns through accretive acquisitions and returning surplus capital to shareholders by way of an effective dividend policy and share repurchase programme.

The current strategy of the Group can be seen in the latest Company presentation available on the Company's website (www.regentpac.com).

FUNDING

As at 31 December 2012, the Group had US$11.45 million in cash and US$0.59 million on margin deposits held with the Group's brokers for trading of derivatives that represented 8.11% and 0.42% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$119.73 million.

GEARING RATIO

No gearing ratio (being long term debts over total equity and long term debts) is calculated as there was no long term debt as at 31 December 2012.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 December 2012.

CHARGE ON ASSETS

None of the Group's assets was pledged as at 31 December 2012.

MANAGEMENT OF RISK

In 2012, the most significant risk affecting the profitability and viability in respect of the Group is the continued success and revenue derived from its listed equity portfolio and in respect of the Group's interest in West China Coke. Risks relating to the Group's interests include:

Equity Markets

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

Price Risk

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

The fluctuations in commodity prices are influenced by numerous factors beyond the control of the Group. Exchange rates, interest rates, inflation, and the world's supply and demand for commodities can each cause significant fluctuations in commodity prices. Such external economic factors are, in turn, influenced by changes in international economic growth patterns and political developments.

Co-operation of the Joint Venture Partners

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

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

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

MANAGEMENT OF RISK (Continued)

Operational Risks

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

Uncertainties Related to Exploration

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

Licence Period of Exploration and Mining Rights

The Group, together with companies in which the Group invests, may obtain mining rights for conducting mining activities in a specific mining area during the licence period. There can be no assurance that the Group or the relevant investee company will be able to exploit the entire mineral resources of its mine during the initial licence period. If the Group or relevant investee company fails to renew its exploration licences upon expiry or it cannot effectively utilise the resources within a licence period specified in such licence, the operation and performance of the Group or the Group's investment(s) may be adversely affected.

Capital Requirements and Funding Sources

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

Government Regulations

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

Political and Economic Considerations

Governments have been making efforts to promote reforms of their economic system and manage through the global financial issues. These reforms can bring about marked economic growth and social progress. However, revisions or amendments may be made to these policies and measures from time to time, and the Company is not in a position to predict whether any change in the political, economic or social conditions may adversely affect the operating results of the Group.

MANAGEMENT OF RISK (Continued)

Legal Considerations

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

The underlying exploration and mining projects of companies in which the Group has invested also involve other developing and emerging markets, in which regulations are relatively new and the availability of public cases as well as the judicial interpretation of them are limited in number, both the implementation and interpretation of these regulations are uncertain in many areas.

Competition for Resources

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

Foreign Exchange Risk

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

Interest Rate Risk

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

Environmental and Employee Health and Safety Risks

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

MANAGEMENT OF RISK (Continued)

Accidents and Insufficient Insurance Coverage

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

FINANCIAL INSTRUMENTS

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

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 December 2012, the amount of these margin deposits was US$0.59 million (2011: US$8.93 million). In terms of the total operations of the Group, activities of this nature are of limited materiality.

FOREIGN CURRENCY

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

MATERIAL ACQUISITIONS AND DISPOSALS

As previously announced, during the year the Group:

- bolstered its strategic position in BC Iron Limited ("**BCI**") to 23.11% of its issued and outstanding share capital as at 30 June 2012 (which was subsequently diluted to 20.10% following its non-participation in the BCI share placement in December 2012), following which, it sought and had appointed Jamie Gibson to the board of BCI as a non-executive director;
- further increased its strategic position in Venturex Resources Limtied ("**Venturex**") to 31.87% through a series of on-market acquisitions and participation in an entitlements issue;
- disposed of its remaining interest in Polo Resources Limited, providing the Group with an overall investment return of approximately US$5.07 million comprising sales proceeds (before expenses) of approximately US$8.43 million, dividends received of approximately US$6.72 million, net of investment costs of approximately US$10.08 million over the period from the year of 2008 to 2012; and
- disposed of its interests in the JRGL Coal Project in January 2012, which generated a realised gain before tax of US$4.41 million.

MATERIAL ACQUISITIONS AND DISPOSALS (Continued)

As previously announced, post year end the Group:

- increased its stakes in Condor Gold plc ("**Condor**") to 9.97% at a cost of US$8.59 million without exercising its option to further subscribe for additional shares of Condor at a cost of GBP 3 million and Trinity Exploration & Production plc to 3.67% at a cost of US$4.04 million (following its merger with Bayfield Energy Holdings plc);
- disposed of its entire shareholding in BCI in January 2013 for US$84.73 million in cash (total gross proceeds before expenses and taxes), providing the Group with an overall investment return of approximately US$44.32 million (before expenses and taxes); and
- sought and had appointed James Mellon to the board of Venturex as a non-executive director.

SEGMENTAL INFORMATION

During the year ended 31 December 2012, there were no changes in the Group's industry segments.

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

EMPLOYEES

The Group, including subsidiaries but excluding associates, employed approximately 24 employees at 31 December 2012 (2011: 27 employees). The remuneration policy is to reward key employees by a combination of salaries, profit related discretionary bonuses, share options and share awards, where appropriate. For employees below Board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the Remuneration Committee of the Company. In all cases, profit related discretionary bonuses grants of share rewards will be agreed by the Remuneration Committee of the Board. During the year and up to the date of this report, 166,000,000 share awards were granted to eligible participants.

THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE CORPORATE GOVERNANCE CODE

The Directors have noted that The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") published on 28 October 2011 the Consultation Conclusions on the "Review of the Corporate Governance Code and Associated Listing Rules" (the "**Consultation Conclusions**") and introduced a number of amendments to the provisions of The Rules Governing the Listing of Securities on the HK Stock Exchange (the "**HK Listing Rules**"), The Code on Corporate Governance Practices (the "**Code on CG Practices**" which was renamed as "The Corporate Governance Code" (the "**CG Code**")) as set out in Appendix 14 to the HK Listing Rules and the disclosures to be made in the Corporate Governance Report (which was formerly set out in Appendix 23 to the HK Listing Rules), which were designated to take effect on 1 January 2012 or 1 April 2012 or otherwise.

The Company is committed to a high standard of corporate governance, for which the Directors are accountable to the Company, and has applied the principles of the Code on CG Practices and later the CG Code in a manner consistent with best practices of a listed issuer. The primary responsibility for performing the corporate governance functions for the Company, as referred to in the terms of reference set out in Code Provision D.3.1 of the CG Code, rests with the Board of Directors (the "**Board**"), with the full support of the Company's secretary and its executive management.

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

As far as the Directors are aware, the Company has complied with the code provisions set out in: (i) the Code on CG Practices, during the period from 1 January to 31 March 2012; and (ii) the CG Code, during the period from 1 April to 31 December 2012 and prior to the date of this report.

THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

In compliance with Code Provision A.5.4 of the Code on CG Practices, which was re-stated as Code Provision A.6.4 of the CG Code with effect from 1 April 2012, a code for securities transactions by Directors and employees (the "**Group's Code**"), on exactly the terms and required standard contained in The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the HK Listing Rules, was adopted by the Group on 31 March 2004.

The Group's Code was last revised on 10 December 2012 (to take effect from 1 January 2013) in order to comply with the amendments made to the Model Code consequential to the introduction of the statutory disclosure regime in respect of inside information under the new Part XIVA of the Securities and Futures Ordinance of Hong Kong (the "**SFO**").

Having made specific enquiries, all Directors of the Company confirmed that they have complied with the Group's Code during the year ended 31 December 2012 and prior to the date of this report.

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

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

BOARD OF DIRECTORS

Composition

During the year ended 31 December 2012 and prior to the date of this report, there were no changes in the directorate.

The Board currently consists of seven Directors, namely:

James Mellon *(Non-Executive Co-Chairman of the Board)*
Stephen Roland Dattels *(Non-Executive Co-Chairman of the Board)*
Jamie Alexander Gibson *(Executive Director and Chief Executive Officer)*
Charles David Andrew Comba *(Independent Non-Executive Director)*
Julie Oates *(Independent Non-Executive Director)*
Stawell Mark Searle *(Independent Non-Executive Director)*
Jayne Allison Sutcliffe *(Non-Executive Director)*

The Directors who held office during the year ended 31 December 2012 and up to the date of this report, accompanied by their respective biographical details, are listed in the Directors' Report under the section headed "Directors". It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interests of the Company. All Directors are aware of the required levels of fiduciary duties and duties of skill, care and diligence under the new Rule 3.08 of the HK Listing Rules, which took effect on 1 January 2012.

In compliance with Code Provision A.3.2 of the CG Code, an updated list of the Company's Directors identifying their role and function are available from the "List of Directors" on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkexnews.hk).

In accordance with Article 86(3) of the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the shareholders in general meeting, as an addition to the existing Board. Any Director so appointed shall retire at the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. In addition, Article 87 provides that at each annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation, providing that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years (which is in compliance with Code Provision A.4.2 of the CG Code). A retiring Director shall be eligible for re-election.

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company, and Julie Oates, Mark Searle and Jayne Sutcliffe will retire by rotation pursuant to Article 87 at the forthcoming annual general meeting of the Company. All of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to shareholders. Rotational retirement and re-election of the retiring Directors will be dealt with by a separate resolution for each of the retiring Directors at the Company's annual general meeting.

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

BOARD OF DIRECTORS (Continued)

Composition (Continued)

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

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

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

Board meetings and attendance and written resolutions

During the year ended 31 December 2012, the Directors held meetings at least at a quarterly interval and in total five Board meetings were held during the year. The attendance of the respective Directors at the Board meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
James Mellon	5	3	2	60.00%
Stephen Dattels	5	5	0	100.00%
Jamie Gibson	5	5	0	100.00%
David Comba	5	4	1	80.00%
Julie Oates	5	5	0	100.00%
Mark Searle	5	4	1	80.00%
Jayne Sutcliffe	5	0	5	0.00%

Subsequent to the year end date and prior to the date of this report, the Directors held two Board meetings, which were attended by all Directors, except that Jayne Sutcliffe was absent from one of the meetings.

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

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

BOARD OF DIRECTORS (Continued)

Board meetings and attendance and written resolutions (Continued)

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

Resolutions were also passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary. In any event, the matters in which a substantial shareholder or a Director has a conflict of interest, which the Board has determined to be material, will be considered at a Board meeting but not to be dealt with by way of circulation of written resolutions or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a Board meeting). Independent Non-Executive Directors, who, and whose associates, have no material interest in the transaction will also be asked to attend such Board meeting. Pursuant to Rule 13.44 of the HK Listing Rules and Article 103 of the Company's Articles of Association, interested Directors will be required to abstain from voting on any Board resolution in which they or any of their associates have a material interest and that they shall not be counted in the quorum present at the relevant Board meeting. Further, the Company established a connected transactions committee on 20 October 2008 (as detailed below).

General meetings and attendance

The Company held its annual general meeting for Year 2012 on 30 May 2012, which was attended and chaired by Jamie Gibson, an Executive Director of the Company.

Due to other business commitments, James Mellon and Stephen Dattels, the Co-Chairmen of the Board, were unable to attend and chair the annual general meeting, with apologies. The Directors of the Company had appointed Jamie Gibson to take the chair of the meeting.

Shareholders also noted that:

(i) James Mellon was also the Chairman of the Company's Nomination Committee;

(ii) Julie Oates was the Chairlady of the Company's Audit Committee; and

(iii) Mark Searle was the Chairman of the Company's Remuneration Committee.

The Chairman or Chairlady of the above board committees were not available to attend the meeting due to other business commitments, with apologies. They had, in accordance with Code Provision E.1.2 of the CG Code, appointed Jamie Gibson to answer any questions shareholders might raise at the meeting with respect to the respective committees.

In accordance with Code Provision E.1.2 of the CG Code, the Company had invited representatives of its external Auditor, BDO Limited, to attend the annual general meeting to answer questions about the audit of the Company's financial statements, including the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

Further, during the year ended 31 December 2012 the Company held an extraordinary general meeting on 28 March 2012, which was attended and chaired by Jamie Gibson from the Board.

BOARD OF DIRECTORS (Continued)

General meetings and attendance (Continued)

The attendance of the respective Directors at the general meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
James Mellon	2	0	2	0.00%
Stephen Dattels	2	0	2	0.00%
Jamie Gibson	2	2	0	100.00%
David Comba	2	0	2	0.00%
Julie Oates	2	0	2	0.00%
Mark Searle	2	0	2	0.00%
Jayne Sutcliffe	2	0	2	0.00%

Subsequent to the year end date and prior to the date of this report, the Company held an extraordinary general meeting on 16 January 2013, which was attended and chaired by Jamie Gibson, an Executive Director of the Company.

Time commitment

As for the contribution required from a Director to perform his responsibilities to the Company, the Board has determined that:

(i) Executive Directors are full time employees of the Company and thus must contribute all their working time to managing the Company's affairs; and

(ii) Non-Executive Directors and Independent Non-Executive Directors should contribute no less than 12 days per annum on the Company's business.

The Board has also determined that an annual review should be conducted on the above contribution requirements and whether each Director has contributed sufficient time performing their responsibilities to the Company during the year. The first annual review of the Directors' contribution to the Company was conducted in March 2013, with no exceptions being reported, such that the Directors were able to perform their duties and responsibilities in compliance with the HK Listing Rules and the CG Code.

Further, the Directors have disclosed, on a semi-annual basis, to the Company the number and nature of offices held in public companies and organisations and other significant commitments and, on a timely basis, any changes to their commitments, including the identity of the public companies or organisations and an indication of the time involved.

BOARD OF DIRECTORS (Continued)

The Board and management

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

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

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

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

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

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

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

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

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

Details of the composition of the various committees of the Board are set out in the Directors' Report under the section headed "Directors", which, in compliance with Code Provision A.3.2 of the CG Code, are available from the "List of Directors" on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkexnews.hk).

BOARD OF DIRECTORS (Continued)

Directors' training

All Directors are mindful that they should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

By emails circulated by the Company Secretary from time to time, Directors are provided with updates on the HK Listing Rules and the relevant statutes, rules and regulations. Updates which were circulated during the year ended 31 December 2012 included:

- The "Consultation Conclusions on Review of the Corporate Governance Code and Associated Listing Rules" published by the HK Stock Exchange on 28 October 2011 and the related amendments, guides and guidelines referred to in the Consultation Conclusions;
- The "Guide on Connected Transaction Rules" (in plain language) published by the HK Stock Exchange on 20 April 2012;
- The Securities and Futures (Amendment) Ordinance 2012 published in the Government Gazette on 4 May 2012 in respect of the new inside information disclosure regime;
- The "Consultation Conclusions on Environmental, Social and Governance Reporting Guide" published by the HK Stock Exchange on 31 August 2012;
- The "Consultation Conclusions on Rule Changes Consequential on the Statutory Backing of Continuing Obligation for Listed Companies to Disclose Inside Information" published by the HK Stock Exchange on 30 November 2012; and
- The "Consultation Conclusions on Board Diversity" published by the HK Stock Exchange on 13 December 2012.

Directors also reported that they have attended various training programmes and seminars during the year ended 31 December 2012 (which were funded by the Company upon request) and confirmed that they have complied with the new Code Provision A.6.5 of the CG Code.

Subsequent to the year end date and prior to the date of this report, an update, among other things, was circulated by the Company Secretary to the Directors on the "Results of Stock Exchange Review of Listed Issuers' Financial Reports" published by the HK Stock Exchange on 25 January 2013. Further, the Company has arranged certain in-house training programmes for the Directors.

Board evaluation

In compliance with Code Provision B.1.9 of the CG Code, the Board has determined that an annual evaluation should be conducted on the Board's performance. The first annual performance evaluation was conducted in March 2013 with no exceptions being reported.

Directors' and officers' liability insurance policy

In compliance with Code Provision A.1.8 of the CG Code, the Company has arranged appropriate directors' and officers' liability insurance policy in respect of legal action against its Directors, which is reviewed and renewed on an annual basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with the existing Rule 3.10(1) and the new Rule 3.10A (which was introduced by the Consultation Conclusions for compliance before 31 December 2012) of the HK Listing Rules, the Board currently comprises three Independent Non-Executive Directors, namely David Comba, Julie Oates and Mark Searle, representing more than one-third of the Board. Pursuant to paragraph 12B of Appendix 16 to the HK Listing Rules, each of the Independent Non-Executive Directors has confirmed by an annual confirmation: (i) that he/she complies with each of the independence criteria referred to in Rule 3.13(1) to (8); (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any connected person (as such term is defined in the HK Listing Rules) of the Company; and (iii) that there are no other factors that may affect his/her independence at the same time as the submission of his/her Declaration and Undertaking in Form B of Appendix 5 to the HK Listing Rules.

In accordance with Article 87 of the Company's Articles of Association, Julie Oates, Mark Searle and Jayne Sutcliffe will retire by rotation at the forthcoming annual general meeting of the Company. All of them, being eligible, offer themselves for re-election. It is noted that:

(i) Mark Searle, who was appointed as an Independent Non-Executive Director on 31 October 2001, has served for more than 9 years when he was last re-elected as a Director at the Company's annual general meeting held for Year 2011 (which was before Code Provision A.4.3 becoming effective on 1 April 2012); and

(ii) Julie Oates, who was appointed as an Independent Non-Executive Director on 28 September 2004, will be serving her 9th year in 2013.

The Directors consider that all three Independent Non-Executive Directors (including Julie Oates and Mark Searle) continue to be independent under the independence criteria referred to in Rule 3.13(1) to (8) and are capable to efficiently exercise independent judgement. Among them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). Julie Oates and Mark Searle serve in the audit committee, connected transactions committee, nomination committee and remuneration committee of the Company, while Julie Oates is the Chairlady of the first two committees and Mark Searle is the Chairman of the remuneration committee. And, David Comba is a member of the technical committee of the Company. Accordingly, the Directors consider that Julie Oates and Mark Searle should be re-elected as Independent Non-Executive Directors at the Company's forthcoming annual general meeting. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to shareholders. Rotational retirement and re-election of the retiring Directors will be dealt with by a separate resolution for each of the retiring Directors at the Company's annual general meeting.

CO-CHAIRMEN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

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

Pursuant to Code Provision A.2.7 of the CG Code, in December 2012 the Co-Chairmen of the Board held an annual private meeting with the Non-Executive Directors (including the Independent Non-Executive Directors) without the presence of the Executive Director, which was attended by all Non-Executive Directors.

Subsequent to the year end date and prior to the date of this report, the Co-Chairmen of the Board held a private meeting in March 2013 with the Non-Executive Directors (including the Independent Non-Executive Directors) without the presence of the Executive Director, which was attended by all Non-Executive Directors except Jayne Sutcliffe.

NON-EXECUTIVE DIRECTORS

The letter of appointment of James Mellon (for the position as Non-Executive Co-Chairman of the Board) does not specify a term for his appointment. However, in compliance with Code Provision A.4.1 of the Code on CG Practices and later the CG Code, his appointment may be terminated by either party giving 30 calendar days' notice, and he is also subject to the directors' retirement provisions as set out in the Company's Articles of Association. Further, Mr Mellon's advisory agreement specifies that his appointment as an adviser of the Company may be terminated by either party giving one year's notice. The letter of appointment of each of the remaining five Non-Executive Directors (including the independent Directors) provides that his/her appointment may be terminated by either party giving 30 calendar days' notice and he/she is also subject to the directors' retirement provisions as set out in the Company's Articles of Association.

REMUNERATION COMMITTEE

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

Since its establishment, the Remuneration Committee has adopted the model where the committee should determine, with delegated responsibility, remuneration packages of individual Executive Directors and senior management, being the model referred to in Code Provision B.1.2(c) of the CG Code. No Directors or any of their associates are involved in deciding their own remuneration.

During the year ended 31 December 2012, the Remuneration Committee held one meeting with respect to the Company's Long Term Incentive Plan 2007 (the "**Plan**"), approving: (i) the cancellation and re-grant of units under the Plan, (ii) the amendments to the rules of the Plan; (iii) the award of new units to employees; and (iv) the vesting of certain outstanding awards. The attendance of the respective Directors at the Remuneration Committee's meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
Mark Searle	1	1	0	100.00%
James Mellon	1	0	1	0.00%
Julie Oates	1	1	0	100.00%

Further, the Remuneration Committee passed six sets of written resolutions during the year ended 31 December 2012 with respect to: (i) the approval of the 2012 payroll and the extension of James Mellon's and Jamie Gibson's notice period to 12 months, the amendments to the rules of the Company's Long Term Incentive Plan 2007, the ratification of re-allocation of shares subject to the units granted under the Plan on 23 February 2011, and the offers to grant units under the Plan; (ii) the approval of Jamie Gibson's new service agreement and James Mellon's new advisory agreement; (iii) further approval of Jamie Gibson's new service agreement; (iv) the increase in the Director's fee payable to Stephen Dattels; (v) the amendments to the rules of the Plan, and the adoption of the "Rules of the Long Term Incentive Plan 2007 – Policy and Procedures"; and (vi) the approval of the long service payments to James Mellon and Jamie Gibson respectively.

Subsequent to the year end date and prior to the date of this report, the Remuneration Committee did not hold any meetings. The committee passed one set of written resolutions with respect to the approval of the payment of special bonuses on the sale of BC Iron Limited and the review as to whether further units were to be granted under the Company's Long Term Incentive Plan 2007.

REMUNERATION COMMITTEE (Continued)

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

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

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

In compliance with Code Provision B.1.3 of the CG Code, the terms of reference of the Remuneration Committee are available on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkexnews.hk).

NOMINATION COMMITTEE

The Board established a nomination committee of the Company (the "**Nomination Committee**") on 13 March 2012, with specific written terms of reference which deal with its authority and duties, in compliance with the code provisions in A.5 of the CG Code which were introduced by the Consultation Conclusions to take effect on 1 April 2012. In compliance with the new code provision A.5.1 of the CG Code, the committee currently comprises the Non-Executive Co-Chairman of the Board (James Mellon) and two Independent Non-Executive Directors, namely Julie Oates and Mark Searle, and is responsible for the nomination of Directors of the Company and the review of the composition of the Board. The committee is chaired by James Mellon.

During the year ended 31 December 2012, the Nomination Committee held one meeting, conducting an annual review of the structure, size and composition (including skills, knowledge and experience) of the Board. The committee considered the background and credentials of the current Board members and was of the view that there was a sufficient mix of skills to meet the needs of the Company at this time. The review also covered: (i) the independence of the Independent Non-Executive Directors; (ii) the policy on diversity; (iii) the issue on succession; and (iv) the issue concerning the Independent Non-Executive Directors serving more than 9 years. The attendance of the respective Directors at the Nomination Committee's meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
James Mellon	1	1	0	100.00%
Mark Searle	1	1	0	100.00%
Julie Oates	1	1	0	100.00%

NOMINATION COMMITTEE (Continued)

Subsequent to the year end date and prior to the date of this report, the Nomination Committee held one meeting, which was attended by all members of the committee, with respect to: (i) an annual review of the structure, size and composition (including skills, knowledge and experience) of the Board; (ii) the review of the independence of the Independent Non-Executive Directors; (iii) the adoption of the "Board Diversity – Policy and Procedures" (as set out in detail below); (iv) the review of the policy on succession; and (v) the re-appointment of Mark Searle and Julie Oates (being Independent Non-Executive Directors having served more than 9 years or serving for the 9th year respectively) at the Company's forthcoming annual general meeting.

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

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

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

During the year ended 31 December 2012 and prior to the date of this report, there were no changes in the directorate, either new appointments or resignations.

In compliance with Code Provision B.5.3 of the CG Code, the terms of reference of the Nomination Committee are available on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkexnews.hk).

NOMINATION COMMITTEE (Continued)

Policy on Board diversity

In anticipation of the new provisions of the CG Code concerning board diversity taking effect on 1 September 2013, the Nomination Committee adopted the "Board Diversity – Policy and Procedures" of the Company on 20 March 2013, which are set out below.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective.

The Nomination Committee reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. The Nomination Committee also oversees the conduct of the annual review of Board effectiveness.

- In reviewing Board composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to maintain an appropriate range and balance of skills, experience and background on the Board.
- In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity of the Board.
- As part of the annual performance evaluation of the effectiveness of the Board, Board committees and individual Directors, the Nomination Committee will consider the balance of skills, experience, independence and knowledge of the Company on the Board and the diversity representation of the Board.

The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

In order to set meaningful objectives, the Nomination Committee will assess its current diversity levels and identify where gaps exist. Measurable objectives will then be developed which are tailored towards improving diversity in areas where most improvement is needed.

NOMINATION COMMITTEE (Continued)

Policy on Board diversity (Continued)

The Company acknowledges that there are a number of different types of measurable objectives which may be implemented to assist in meeting its diversity goals, including:

- procedural and structural objectives: for example, implementing internal review and reporting procedures or ensuring that candidates are interviewed by a diverse selection/interview panel;
- diversity targets: setting specific diversity targets, for example setting targets for the number of women on the Board and implementing timeframes for this to occur by; and
- initiatives and programs: for example, identifying appropriate initiatives and programs and determining how the initiative will operate, who will be responsible for implementing it and setting a timetable for its introduction.

The Nomination Committee will review the policy on Board diversity annually, which will include an assessment of the effectiveness of the policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

CORPORATE GOVERNANCE FUNCTION

The primary responsibility for performing the corporate governance functions for the Company, as referred to in the terms of reference set out in Code Provision D.3.1 of the CG Code, rests with the Board, with the full support of the Company's secretary and its executive management.

During the year ended 31 December 2012 and prior to the date of this report, among other things, the Board took various actions to bring the Company in compliance with all new requirements introduced by the "Consultation Conclusions on Review of the Corporate Governance Code and Associated Listing Rules" published by the HK Stock Exchange on 28 October 2011; revised the Group's Code in order to comply with the amendments made to the Model Code consequential to the introduction of the statutory disclosure regime in respect of inside information under the new Part XIVA of the SFO; and established an inside information committee (as referred to below) to review and monitor the compliance of the Company with its statutory disclosure obligations under Part XIVA of the SFO, the HK Listing Rules and other applicable laws and regulations in respect of disclosure and transparency relevant to the Company.

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2012 have been reviewed by the audit committee of the Company (the "**Audit Committee**").

The Audit Committee was established on 11 March 1999 with its specific written terms of reference which deal with its authority and duties. The terms of reference were subsequently amended in order to incorporate the amendments made from to time to the code provisions in C.3 of the Code on CG Practices and were recently amended on 13 March 2012 in order to comply with the relevant code provisions in the CG Code which were introduced by the Consultation Conclusions to take effect on 1 April 2012. The committee's purpose is to assist the Board in providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the Company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

In compliance with Rule 3.21 of the HK Listing Rules, the Audit Committee currently comprises the Non-Executive Co-Chairman of the Board (James Mellon) and two Independent Non-Executive Directors, namely Julie Oates and Mark Searle. The committee is chaired by Julie Oates, who has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2).

During the year ended 31 December 2012, the Audit Committee held two meetings with respect to: (i) the internal control review and the review and approval of the Company's audited financial statements for the year ended 31 December 2011; and (ii) the internal control review (including risk management) and the review and approval of the Company's interim financial statements for the six months ended 30 June 2012 respectively, with the presence of the external and internal auditors for the relevant resolutions. The attendance of the respective Directors at the Audit Committee's meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
Julie Oates	2	2	0	100.00%
James Mellon	2	2	0	100.00%
Mark Searle	2	2	0	100.00%

Subsequent to the year end date and prior to the date of this report, the Audit Committee held one meeting which was attended by all members of the committee, with the presence of the external and internal auditors for the relevant resolutions, with respect to the internal control review, the review and approval of the Company's audited financial statements for the year ended 31 December 2012, the risk management, and annual evaluation of the committee.

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

AUDIT COMMITTEE (Continued)

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

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

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

In compliance with Code Provision C.3.4 of the CG Code, the terms of reference of the Audit Committee are available on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkexnews.hk).

CONNECTED TRANSACTIONS COMMITTEE

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

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

The terms of reference of the Connected Transactions Committee are available on the Company's website: www.regentpac.com.

INSIDE INFORMATION COMMITTEE

In view of the introduction of the statutory disclosure regime in respect of inside information under the new Part XIVA of the SFO and the consequential amendments made to the HK Listing Rules, coming effect on 1 January 2013, the Company established an inside information committee on 28 January 2013 to review and monitor the compliance of the Company with its statutory disclosure obligations under Part XIVA of the SFO, the HK Listing Rules and other applicable laws and regulations in respect of disclosure and transparency relevant to the Company. The committee comprises Jamie Gibson (the Executive Director and the Chief Executive Director), the Company Secretary, the Chief Financial Officer and the General Counsel.

AUDITOR

Remuneration

The Audit Committee reviewed and approved the auditors' remuneration on the basis that it was fair and reasonable for the size and operations of the Group and such remuneration was in the best interests of the Company. Apart from audit services, the Group's auditor, BDO Limited, provided non-audit services in respect of taxation and a review of the Company's shareholders' circular relating to the disposal of the Company's shareholding in BC Iron limited, for which BDO Limited received a fee of US$33,000 during the year ended 31 December 2012.

Attendance at general meetings

In accordance with Code Provision E.1.2 of the CG Code, the Company had invited representatives of its external Auditor, BDO Limited, to attend its annual general meeting for Year 2012 held on 30 May 2012 to answer questions about the audit of the Company's financial statements, including the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

COMPANY SECRETARY

The Company Secretary of the Company is Fung Yuk Bing (Stella), who is a full time employee of the Group and reports to the Board and the Chief Executive Officer. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

Ms Fung is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries. She has confirmed that she has complied with Rule 3.29 of the HK Listing Rules and has taken no less than 15 hours of relevant professional training during the year ended 31 December 2012.

SHAREHOLDERS' RIGHTS AND COMMUNICATION

Shareholders' communication policy

The Company has adopted on 13 March 2012 the following shareholders' communication policy (including the procedures for shareholders to: (i) requisition an extraordinary general meeting; or (ii) to put forward proposals at the Company's general meetings; or (iii) to put enquiries to the Directors), which is available from the "Corporate Documents" on the website of the Company (www.regentpac.com):

(1) Articles 58 of the Company's Articles of Association provides that the Board may whenever thinks fit call extraordinary general meetings, and:

- two or more Members holding at the date of deposit of the requisition not less than one-fifth of the paid up capital of the Company carrying the right of voting at general meetings of the Company or
- any one Member which is a clearing house

shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to them by the Company.

(2) Shareholders who wish to communicate with the Company, including: (i) to requisition an extraordinary general meeting pursuant to Article 58 of the Company's Articles of Association; (ii) to put forward proposals at the Company's general meetings; or (iii) to put enquiries to the Directors should write to the Chief Executive Officer or the Company Secretary of the Company (contact details set out below), accompanied by the details of their proposals.

(3) The Chief Executive Officer of the Company is currently Jamie Gibson whose email address is: jamie.gibson@regentpac.com.

The Company Secretary of the Company is currently Stella Fung whose email address is: stella.fung@regentpac.com.

The Company's address and telephone and facsimile numbers are set out on its website.

SHAREHOLDERS' RIGHTS AND COMMUNICATION (Continued)

Procedures for shareholders to propose a person for election as a Director of the Company

The Company has adopted on 13 March 2012 the following procedures for shareholders to propose a person for election as a Director of the Company, which is available from the "Corporate Documents" on the website of the Company (www.regentpac.com) in compliance with Rule 13.51D of the HK Listing Rules:

(1) Article 86(1) to (3) of the Company's Articles of Association provides that:

    (1) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There shall be a maximum of fifteen Directors unless otherwise determined by resolution of the Board. The Directors shall be elected or appointed in the first place by the subscribers to the Memorandum of Association or by a majority of them and thereafter in accordance with Article 87 and shall hold office until their successors are elected or appointed.

    (2) Subject to the Articles and the Companies Law (Revised) of the Cayman Islands, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board.

    (3) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the Members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Members in general meeting. Subject to the provisions of these Articles, any Director so appointed shall retire at the next Annual General Meeting but shall then be eligible for election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

(2) Shareholders who wish to propose a person for election as a Director of the Company should write to the Chief Executive Officer or the Company Secretary of the Company (contact details set out below), accompanied by the detailed resume of the candidate.

(3) The Chief Executive Officer should forward the shareholder's proposal, as soon as practicable upon receipt, to the Company's Nomination Committee for consideration.

(4) If the Nomination Committee considers that the candidate may be appropriate for election as a Director of the Company, the Nomination Committee or the Chairman of the Nomination Committee may conduct an interview with the candidate, either in person or by telephonic or video-conferencing or by whatever means the Nomination Committee considers as appropriate.

(5) The Nomination Committee should resolve as to whether a recommendation should be given to the Board to approve or decline the election of the candidate as a Director of the Company.

SHAREHOLDERS' RIGHTS AND COMMUNICATION (Continued)

Procedures for shareholders to propose a person for election as a Director of the Company (Continued)

(6) If the Board agrees with the proposed appointment, it should, if it is to fill a casual vacancy consequential from the retirement or resignation of any Director, resolve the appointment of the new Director pursuant to Article 86(3) or, if it is an addition to the existing Board, propose an ordinary resolution for the appointment of the new Director at the Company's next annual general meeting pursuant to Article 86(2).

(7) The relevant shareholder should be communicated with the decision of the Board accordingly.

(8) The Chief Executive Officer of the Company is currently Jamie Gibson whose email address is: jamie.gibson@regentpac.com.

The Company Secretary of the Company is currently Stella Fung whose email address is: stella.fung@regentpac.com.

The Company's address and telephone and facsimile numbers are set out on its website.

Review of shareholders' communication policy

In compliance with Code Provision E.1.4 of the CG Code, the Board has determined that an annual review should be conducted on the effectiveness of the above shareholders' communication policy. The first annual review was conducted in March 2013, which concluded that the Company has in place a compliant (under the CG Code) and effective means of communication with its shareholders.

INVESTOR RELATIONS

During the year ended 31 December 2012, the Company made certain amendments to its Memorandum and Articles of Association (as detailed in the shareholders' circular issued by the Company on 20 April 2012), which were approved at the Company's annual general meeting held on 30 May 2012, including:

(i) Article 103(1) was amended by deleting Article 103(1)(iii) (the equivalent of the former Paragraph (3) of Note 1 to Appendix 3 to the HK Listing Rules, which was deliberately removed from the new Rule 13.44 of the HK Listing Rules with effect from 1 January 2012) and Article 103(2) (setting out the exception for the interest held under Article 103(1)(iii)), so that it complies with the requirement under the said new Rule 13.44; and

(ii) For the sake of clarity, Article 87(1) was re-phrased, so that it complies with the requirement under Code Provision A.4.2 of the CG Code, which requires that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. [Note: Shareholders please note that since the said Code Provision A.4.2 came into effect on 1 January 2005, each of the Directors of the Company retired by rotation at least once every three years in compliance of Code Provision A.4.2 of the Code on CG Practices.]

As stated in the shareholders' circular issued on 20 April 2012, the Company's legal advisers had confirmed to the Company that the amendments to the Company's Memorandum and Articles of Association complied with the requirements of the HK Listing Rules and the laws of the Cayman Islands. The Directors had confirmed to the HK Stock Exchange that there was nothing unusual about the proposed amendments to the Company's Articles of Association for a company listed in Hong Kong.

INVESTOR RELATIONS (Continued)

Subsequent to the year end date and prior to the date of this report, there were no changes made to the Company's Memorandum and Articles of Association.

In compliance with Rule 13.90 of the HK Listing Rules, an updated copy of the Company's amended and re-stated Memorandum and Articles of Association is available on the websites of the Company (www.regentpac.com) and the HK Stock Exchange (www.hkexnews.hk).

INTERNAL CONTROL

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

Internal audit function

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

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

The internal audit function performs regular reviews of the Group's internal controls based on a risk-based internal audit plan approved by the Audit Committee. The annual audit plan was arrived at using a risk-based approach to determine the priorities of the internal audit activity.

Annual internal control assessment

During the year ended 31 December 2012, the internal audit function has conducted reviews of the system of internal controls of the Group. Internal control reviews were carried out in accordance with the risk-based internal audit plan.

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

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

FINANCIAL REPORTING

The financial statements of the Company for the year ended 31 December 2012 have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. An explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company's objectives are set out under the section headed "Strategy Plan" in the "Management's Discussion and Analysis of the Group's Performance".

A report of the independent auditor with respect to the Company's financial statements for the year ended 31 December 2012 is included in this annual report.

On Behalf of the Board

James Mellon
Co-Chairman

27 March 2013

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

In light of the wholesale and progressive changes made to Chapter 18 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HK Listing Rules**") (which came into effect on 3 June 2010), the Company formed a Chapter 18 Compliance Committee, made up of representatives of the technical, legal, accounting and commercial arms of the Company. David Comba and Jamie Gibson, being Directors of Company, are representatives on the Chapter 18 Compliance Committee.

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

As part of the amendments to Chapter 18 of the HK Listing Rules, Rule 18.14 now requires "Mineral Companies" (as defined in Chapter 18) to include in its interim (half-yearly) and annual reports details of its exploration, development and mining production activities and a summary of the expenditure incurred on these activities during the period under review. If there has been no exploration, development or production activity, that fact must be stated. While the Company is not currently classified as a "Mineral Company" under Chapter 18, as it has not yet completed a Relevant Notifiable Transaction involving the acquisition of "Mineral Assets" (as defined in Chapter 18), the Company does consider disclosure of these Rule 18.14 items to be appropriate and relevant to shareholders.

In accordance with the above mentioned continuing disclosure obligations of Mineral Companies, in respect of Rule 18.14, there were no relevant exploration, development, expenditure or production activities for the financial year ended 2012.

During the financial year ended 31 December 2012, the Group disposed of its interests in Regent Coal (BVI) Limited, which held a 51% interest in the Ji Ri Ga Lang Coal Project, which was successfully closed on 17 January 2012. Accordingly, Chapter 18 related disclosures have not been included in respect of this asset.

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

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Regent Pacific Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 70 to 156, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong, 27 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 US$'000	2011 US$'000
Continuing operations			
Revenue/Turnover:	5		
Corporate investment income		5,890	4,310
Other income		152	359
		6,042	4,669
Fair value loss on financial instruments		(6,927)	(29,284)
Total income		(885)	(24,615)
Expenses:			
Employee benefit expenses	7	(16,786)	(8,018)
Rental and office expenses		(889)	(717)
Information and technology expenses		(267)	(251)
Marketing costs and commissions		(22)	(81)
Professional and consulting fees		(1,021)	(764)
Transaction cost on termination of acquisition of BC Iron Limited	6	—	(5,487)
Other operating expenses		(1,025)	(1,521)
Operating loss before impairment loss and provisions		(20,895)	(41,454)
Provision for impairment on loan receivables	20	—	(4,345)
Impairment loss on goodwill	12	—	(4,863)
Impairment loss on available-for-sale financial assets	17	(6,686)	—
Impairment loss on interest in an associate	16	(9,338)	—
Operating loss	6	(36,919)	(50,662)
Gain on disposal of the Yinzishan Mining Project	29	—	2,401
Share of results of associates		(1,430)	1,705
Loss before income tax		(38,349)	(46,556)
Taxation	8	(10,093)	—
Loss for the year from continuing operations		(48,442)	(46,556)

	Notes	2012 US$'000	2011 US$'000
Discontinued operations			
Loss for the year from discontinued operations	25	—	(3,758)
Gain on disposal of the Ji Ri Ga Lang Coal Project of US$4,409,000 (note 29), net of tax of US$991,000 (note 8)		3,418	—
		3,418	(3,758)
Loss for the year		(45,024)	(50,314)
Other comprehensive income			
Change in fair value of available-for-sale financial assets	17	(1,471)	—
Impairment on available-for-sale financial assets recognised in profit or loss	17	1,471	—
Reclassified to profit or loss on disposal of available-for-sale financial assets		—	(6,858)
Exchange (loss)/gain on translation of financial statements of foreign operations		(69)	918
Reversal of exchange reserve upon disposal of subsidiaries		(110)	(225)
Share of other comprehensive income of associates		(700)	1,829
Other comprehensive income for the year		(879)	(4,336)
Total comprehensive income for the year		(45,903)	(54,650)
Loss for the year attributable to:			
Shareholders of the Company	9	(44,854)	(48,527)
Non-controlling interests		(170)	(1,787)
		(45,024)	(50,314)
(Loss)/Profit attributable to shareholders of the Company arises from:			
Continuing operations		(48,272)	(46,396)
Discontinued operations		3,418	(2,131)
		(44,854)	(48,527)

	Notes	2012 US$'000	2011 US$'000
Total comprehensive income attributable to:			
Shareholders of the Company		(45,731)	(53,371)
Non-controlling interests		(172)	(1,279)
		(45,903)	(54,650)
Total comprehensive income attributable to shareholders of the Company arises from:			
Continuing operations		(49,149)	(51,732)
Discontinued operations		3,418	(1,639)
		(45,731)	(53,371)
Losses per share from continuing and discontinued operations:	11	US cent	US cent
– Basic and Diluted		(1.41)	(1.31)
Losses per share from continuing operations:	11	US cent	US cent
– Basic and Diluted		(1.52)	(1.26)
Earnings/(Losses) per share from discontinued operations:	11	US cent	US cent
– Basic and Diluted		0.11	(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 US$'000	2011 US$'000
Non-current assets:			
Goodwill	12	—	—
Exploration and evaluation assets	13	—	—
Property, plant and equipment	14	294	296
Interests in associates	16	11,774	24,727
Available-for-sale financial assets	17	5,279	9,287
		17,347	34,310
Current assets:			
Cash and bank balances	19	11,447	16,412
Financial assets at fair value through profit or loss	18	119,058	126,026
Loan receivables	20	—	—
Prepayments, deposits and other receivables	21	2,441	10,034
Derivative financial instruments	28	1,571	1,975
Assets classified as held for sale	22	—	17,728
		134,517	172,175
Current liabilities:			
Trade payables, deposit received, accruals and other payables	23	(3,374)	(5,534)
Dividend payable	10	—	(13,463)
Derivative financial instruments	28	—	(491)
Liabilities directly associated with assets classified as held for sale	22	—	(3,649)
		(3,374)	(23,137)
Net current assets		131,143	149,038
Total assets less current liabilities		148,490	183,348

	Notes	2012 US$'000	2011 US$'000
Non-current liabilities			
Deferred tax liabilities	30	(7,197)	—
NET ASSETS		141,293	183,348
Capital and reserves attributable to shareholders of the Company			
Share capital	26	34,857	34,857
Reserves	27	106,376	147,167
Equity attributable to shareholders of the Company		141,233	182,024
Non-controlling interests		60	1,324
TOTAL EQUITY		141,293	183,348

The financial statements on pages 70 to 156 were approved and authorised for issue by the Board of Directors on 27 March 2013.

James Mellon
Co-Chairman

Jamie Gibson
Executive Director

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 US$'000	2011 US$'000
Non-current assets:			
Interests in subsidiaries	15	1,613	19,847
Interest in an associate	16	2,000	2,000
Available-for-sale financial assets	17	5,279	9,287
		8,892	31,134
Current assets:			
Cash and bank balances	19	10,655	15,361
Amounts due from subsidiaries	24	5,341	13,279
Financial assets at fair value through profit or loss	18	118,319	124,438
Prepayments, deposits and other receivables	21	2,064	9,368
Derivative financial instruments	28	1,571	1,975
		137,950	164,421
Current liabilities:			
Trade payables, deposit received, accruals and other payables	23	(2,922)	(4,973)
Dividend payable	10	—	(13,463)
Amounts due to subsidiaries	24	(14,519)	(14,572)
Derivative financial instruments	28	—	(491)
		(17,441)	(33,499)
Net current assets		120,509	130,922

	Notes	2012 US$'000	2011 US$'000
Non-current liabilities			
Deferred tax liabilities	30	(7,197)	—
NET ASSETS		122,204	162,056
Capital and reserves			
Share capital	26	34,857	34,857
Reserves	27	87,347	127,199
TOTAL EQUITY		122,204	162,056

The financial statements on pages 70 to 156 were approved and authorised for issue by the Board of Directors on 27 March 2013.

James Mellon
Co-Chairman

Jamie Gibson
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

2012	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Statutory reserve US$'000	Shares held for share award scheme US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
	Attributable to shareholders of the Company											
At 1 January 2012	34,857	(195,086)	333,825	3,667	8,228	—	981	(7,754)	3,306	182,024	1,324	183,348
Distribution of shares awarded	—	(844)	—	(9,508)	—	—	—	10,352	—	—	—	—
Disposal of the Ji Ri Ga Lang Coal Project	—	—	—	—	—	—	—	—	—	—	(1,092)	(1,092)
Shares purchased for share award scheme	—	—	—	—	—	—	—	(4,814)	—	(4,814)	—	(4,814)
Share-based payment	—	—	—	9,827	—	—	—	—	—	9,827	—	9,827
Share options forfeited	—	88	—	(88)	—	—	—	—	—	—	—	—
Share awards forfeited	—	—	—	(65)	—	—	—	—	—	(65)	—	(65)
Share of reserve of an associate	—	—	—	(8)	—	—	—	—	—	(8)	—	(8)
Transactions with shareholders	—	(756)	—	158	—	—	—	5,538	—	4,940	(1,092)	3,848
Loss for the year	—	(44,854)	—	—	—	—	—	—	—	(44,854)	(170)	(45,024)
Other comprehensive income												
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(67)	(67)	(2)	(69)
Change in fair value of available-for-sale financial assets	—	—	—	—	—	(1,471)	—	—	—	(1,471)	—	(1,471)
Impairment on available-for-sale financial assets	—	—	—	—	—	1,471	—	—	—	1,471	—	1,471
Reclassified to profit or loss on disposal of the Ji Ri Ga Lang Coal Project	—	—	—	—	—	—	—	—	(110)	(110)	—	(110)
Share of reserve of associates	—	—	—	—	—	—	(805)	—	105	(700)	—	(700)
Total comprehensive income for the year	—	(44,854)	—	—	—	—	(805)	—	(72)	(45,731)	(172)	(45,903)
At 31 December 2012	34,857	(240,696)	333,825	3,825	8,228	—	176	(2,216)	3,234	141,233	60	141,293

	Attributable to shareholders of the Company											
2011	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Statutory reserve US$'000	Shares held for share award scheme US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2011	39,109	(146,754)	357,949	3,575	8,228	6,858	177	(1,503)	2,096	269,735	2,603	272,338
Shares repurchased	(4,252)	—	(10,659)	—	—	—	—	—	—	(14,911)	—	(14,911)
Distribution of shares awarded	—	168	—	(1,454)	—	—	—	1,286	—	—	—	—
Shares purchased for share award scheme	—	—	—	—	—	—	—	(7,537)	—	(7,537)	—	(7,537)
Dividend payment	—	—	(13,465)	—	—	—	—	—	—	(13,465)	—	(13,465)
Share-based payment	—	—	—	1,588	—	—	—	—	—	1,588	—	1,588
Share options forfeited	—	27	—	(27)	—	—	—	—	—	—	—	—
Share of reserve of an associate	—	—	—	(15)	—	—	—	—	—	(15)	—	(15)
Transactions with shareholders	(4,252)	195	(24,124)	92	—	—	—	(6,251)	—	(34,340)	—	(34,340)
Loss for the year	—	(48,527)	—	—	—	—	—	—	—	(48,527)	(1,787)	(50,314)
Other comprehensive income												
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	410	410	508	918
Reclassified to profit or loss on the disposal of the Yinzishan Mining Project	—	—	—	—	—	—	—	—	(225)	(225)	—	(225)
Share of reserve of associates	—	—	—	—	—	—	804	—	1,025	1,829	—	1,829
Reclassified to profit or loss on disposal of available-for-sale financial assets	—	—	—	—	—	(6,858)	—	—	—	(6,858)	—	(6,858)
Total comprehensive income for the year	—	(48,527)	—	—	—	(6,858)	804	—	1,210	(53,371)	(1,279)	(54,650)
At 31 December 2011	34,857	(195,086)	333,825	3,667	8,228	—	981	(7,754)	3,306	182,024	1,324	183,348

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 US$'000	2011 US$'000
Cash flows from operating activities:			
Loss before income tax from continuing operations		(38,349)	(46,556)
Profit/(Loss) before income tax from discontinued operations	25	4,409	(3,758)
		(33,940)	(50,314)
Adjustments for :			
Depreciation of property, plant and equipment	14	96	99
Provision for impairment on loan receivables		—	4,345
Impairment loss on goodwill		—	4,863
Interest income on bank deposits		(99)	(632)
Provision for legal claims	38	—	3,269
Non-cash share-based payments	6	9,762	1,588
Share of results of associates		1,430	(1,705)
Unrealised loss/(gain) on derivative financial instruments		404	(1,484)
Unrealised (gain)/loss on financial assets at fair value through profit or loss	18	(1,898)	43,448
Loss on disposal of property, plant and equipment		14	104
Impairment loss on available-for-sale financial assets	17	6,686	—
Impairment loss on interest in an associate	16	9,338	—
Gain on disposal of the Ji Ri Ga Lang Coal Project	29	(4,409)	—
Gain on disposal of the Yinzishan Mining Project	29	—	(2,401)
Gain on disposal of available-for-sale financial assets		—	(6,412)
		(12,616)	(5,232)
Change in working capital			
Decrease in trade receivables		—	43
Decrease in prepayments, deposits and other receivables		4,158	2,665
Increase in derivative financial instruments		(491)	(740)
Decrease/(Increased) in financial assets at fair value through profit or loss		8,866	(55,394)
Decrease in trade payables, accruals and other payables		(4,151)	(15,622)
Decrease in amounts due from minority shareholders		—	693
Cash used in operations		(4,234)	(73,587)
Income tax paid		(1,896)	—
Net cash used in operating activities		(6,130)	(73,587)

	Notes	2012 US$'000	2011 US$'000
Cash flows from investing activities:			
Additions to exploration and evaluation assets	13	—	(1,811)
Purchase of property, plant and equipment	14	(108)	(255)
Purchase of available-for-sale financial assets		(2,678)	(9,268)
Proceeds from disposal of available-for-sale financial assets		—	6,560
Proceeds from disposal of the Yinzishan Mining Project	29	—	3,782
Proceeds from disposal of the Ji Ri Ga Lang Coal Project	29	13,510	—
Interest received on bank deposits		99	632
Decrease/(Increase) in margin deposit placed with broker firms		7,818	(6,689)
Deposit received on disposal of assets classified as held for sale	22	—	3,634
Dividend received from associates		741	1,329
Net cash generated from/(used in) investing activities		19,382	(2,086)
Cash flows from financing activities:			
Dividend paid to shareholders	10	(13,463)	(10,052)
Shares repurchased		—	(14,911)
Shares purchased for share award scheme	26.2(ii)	(4,814)	(7,537)
Net cash used in financing activities		(18,277)	(32,500)
Net decrease in cash and cash equivalents		(5,025)	(108,173)
Cash and cash equivalents at the beginning of the year		16,554	123,816
Effects of foreign currency fluctuations		(82)	911
Cash and cash equivalents at the end of the year		11,447	16,554
Represented by:			
Cash and bank balances	19	11,447	16,412
Cash and bank balances classified as held for sale	22	—	142
		11,447	16,554

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. Its registered office is at P.O. Box 309, Ugland House, Grand Cayman, KY 1-1104, Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") and are also traded on the OTC market (Freiverkehr) of the Frankfurt Stock Exchange.

The consolidated financial statements are presented in United States Dollars ("**US$**"), which is also the functional currency of the Company. All values are rounded to the nearest thousand ("**US$'000**") except when otherwise indicated.

The Company is engaged in investment holding, and the principal activities of the Company and its subsidiaries (collectively defined as the "**Group**") consist of exploration and mining of natural resources, and corporate investments. The principal places of business of the Group are in Hong Kong and the People's Republic of China.

The financial statements for the year ended 31 December 2012 were approved and authorised for issue by the Board of Directors on 27 March 2013.

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

2.1 Adoption of amendments to HKFRSs – first effective 1 January 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKFRS 12	Deferred Tax – Recovery of Underlying Assets

The adoption of these amendments has no material impact on the Group's financial statements.

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

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

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]

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

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

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

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to four standards.

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarify that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

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

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

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

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

Amendments to HKAS 32 - Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 - Financial Instruments

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

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

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

HKFRS 10 - Consolidated Financial Statements

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

HKFRS 12 - Disclosure of Interests in Other Entities

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

HKFRS 13 - Fair Value Measurement

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

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

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

HKAS 19 (2011) - Employee Benefits

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

The Group is in the process of making an assessment of the potential impact of these pronouncements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

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

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

– derivative financial instruments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combination and basis of consolidation

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

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

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combination and basis of consolidation (Continued)

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

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

3.3 Subsidiaries

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

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

3.4 Associates

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign currency

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

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

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

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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

3.7 Goodwill

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

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess (sometimes referred to as "negative goodwill") is recognised in profit or loss on the acquisition date, after re-assessment.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Goodwill (Continued)

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

3.8 Exploration and evaluation assets

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

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

3.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payment;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- a significant or prolonged decline in the fair value of an available-for-sale financial asset.

For Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

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

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals, other payables and dividend payable are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Financial instruments (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Impairment of other assets

At the end of the reporting period, the Group reviews the carrying amounts of the following assets (except for goodwill, which is covered in note 3.7) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- interests in subsidiaries and associates

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

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3.12 Cash and cash equivalents

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

3.13 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Non-current assets held for sale and disposal groups (Continued)

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

3.14 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Employee benefits

(i) Bonus

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

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

(ii) Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

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

(iii) Share-based employee compensation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Employee benefits (Continued)

(iii) Share-based employee compensation (Continued)

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

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

(iv) Shares held for share award scheme

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

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

3.16 Non employee share-based payments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

3.18 Revenue recognition

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

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

(i) interest income is accrued on a time-proportion basis on the principal outstanding at the applicable interest rate; and

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

3.19 Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Related parties (Continued)

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.7 to the Financial Statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations and scenario analysis. These calculations require the use of estimates of the future cash flows expected to arise from the cash-generating units and an appropriate discount rate in order to calculate the present value of these estimated future cash flows. Details of the key assumptions and estimates used in the calculation of the present value are disclosed in note 12.

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale financial assets

The Group's management review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Impairment of irrecoverable receivables

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

Provision for income taxes

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

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

Fair value of financial instruments

The directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices and rates.

5. SEGMENT INFORMATION

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

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

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

Coal mining was discontinued during the year ended 31 December 2011 (note 25).

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

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

- finance costs
- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment
- share of results of associates accounted for using the equity method

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

Segment assets include all assets but exclude investments in available-for-sale financial assets and interests in associates.

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

5. SEGMENT INFORMATION (Continued)

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

For the year ended 31 December 2012

	Discontinued operations	Continuing operations				
	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Sub-total US$'000	Total US$'000
Revenue from external customers	—	—	—	6,042	6,042	6,042
Segment results	—	(9,349)	(1,899)	(25,671)	(36,919)	(36,919)
Share of results of associates	—	(2,984)	—	1,554	(1,430)	(1,430)
Total results	—	(12,333)	(1,899)	(24,117)	(38,349)	(38,349)
Segment result from discontinued operations						—
Consolidated loss before income tax expense from continuing operations						(38,349)

As at 31 December 2012

	Discontinued operations	Continuing operations			
	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Total US$'000
Segment assets	—	100	20	134,691	134,811
Available-for-sale financial assets	—	—	—	5,279	5,279
Interests in associates	—	8,040	—	3,734	11,774
Total assets	—	8,140	20	143,704	151,864
Segment liabilities	—	—	—	3,374	3,374
Deferred tax liabilities	—	—	—	7,197	7,197
Total liabilities	—	—	—	10,571	10,571

5. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2012

	Discontinued operations	Continuing operations				
	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Sub-total US$'000	Total US$'000
Interest income on bank deposits	—	—	—	99	99	99
Depreciation	—	—	—	(96)	(96)	(96)
Share-based payments	—	—	—	(9,762)	(9,762)	(9,762)
Net losses on financial assets at fair value through profit or loss	—	—	—	(5,983)	(5,983)	(5,983)
Net losses on derivative financial instruments	—	—	—	(944)	(944)	(944)
Impairment on available-for-sale financial assets	—	—	—	(6,686)	(6,686)	(6,686)
Impairment on interest in an associate	—	(9,338)	—	—	(9,338)	(9,338)
Capital expenditure	—	—	—	(108)	(108)	(108)

For the year ended 31 December 2011

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

5. SEGMENT INFORMATION (Continued)

As at 31 December 2011

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

For the year ended 31 December 2011

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

5. SEGMENT INFORMATION (Continued)

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

	Revenue from external customers		Non-current assets	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
PRC	19	655	8,040	21,397
Hong Kong (domicile)	214	92	291	289
Australia	5,600	249	—	—
United States	34	—	—	—
Europe[1]	175	3,664	3,734	3,337
South East Asia[2]	—	9	3	—
	6,042	4,669	12,068	25,023

[1] *Europe includes the United Kingdom and Bahamas*

[2] *South East Asia includes Singapore and Indonesia*

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

6. OPERATING LOSS

	Continuing operations		Discontinued operations		Total	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Operating loss is arrived at after charging:						
Auditors' remuneration						
– charge for the year	245	247	—	—	245	247
– under provision in prior year	34	37	—	29	34	66
Depreciation of owned property, plant and equipment	96	78	—	21	96	99
Operating lease charges on property and equipment	783	704	—	—	783	704
Loss on disposal of property, plant and equipment	14	104	—	—	14	104
Provision for impairment on loan receivables (note 20)	—	4,345	—	—	—	4,345
Provision for legal claims (note 38)	—	—	—	3,269	—	3,269
Transaction cost on termination of acquisition of BC Iron Limited ("**BCI**")^	—	5,487	—	—	—	5,487
Impairment loss on available-for-sale financial assets (note 17)	6,686	—	—	—	6,686	—
Impairment loss on interest in an associate (note 16)	9,338	—	—	—	9,338	—
Realised loss on disposal of financial assets at fair value through profit or loss@ (2)	7,881	—	—	—	7,881	—
Unrealised loss on financial assets at fair value through profit or loss@ (2)	—	43,448	—	—	—	43,448
Realised loss on derivative financial instruments@ (3)	540	—	—	—	540	—
Unrealised loss on derivative financial instruments@ (3)	404	—	—	—	404	—
Share-based payments (equity and cash settled)#	9,762	2,265	—	—	9,762	2,265

6. OPERATING LOSS (Continued)

	Continuing operations		Discontinued operations		Total	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
and crediting:						
Interest income on bank deposits and loan receivables*	99	632	—	—	99	632
Realised gain on disposal of financial assets at fair value through profit or loss@ (2)	—	3,674	—	—	—	3,674
Realised gain on disposal of the Ji Ri Ga Lang Coal Project ("**JRGL Coal Project**") (note 29)	—	—	4,409	—	4,409	—
Realised gain on disposal of the Yinzishan Mining Project (note 29)	—	2,401	—	—	—	2,401
Unrealised gain on financial assets at fair value through profit or loss@ (2)	1,898	—	—	—	1,898	—
Realised gain on derivative financial instruments@ (3)	—	2,594	—	—	—	2,594
Unrealised gain on derivative financial instruments@ (3)	—	1,484	—	—	—	1,484
Realised gain on disposal of available-for-sale financial assets@ (1)	—	6,412	—	—	—	6,412
Net foreign exchange gain*	244	554	—	—	244	554
Dividend income from listed equities*	5,472	3,083	—	—	5,472	3,083
Dividend income from unlisted equities*	75	41	—	—	75	41

* *Included in revenue*

\# *Included in share-based payments were (i) cash and equity settled employee share-based payment of Nil and US$9,621,000, respectively (2011: US$677,000 and US$1,552,000, respectively) in relation to share awards granted to Directors and employees, and (ii) equity settled non-employee share-based payment of US$141,000 (2011: US$36,000) in relation to share awards granted to the Group's consultant.*

@ *These amounts constitute the fair value loss of US$6,927,000 (2011: US$29,284,000) in the consolidated statement of comprehensive income.*

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

(1) *During the year ended 31 December 2012, net gains on available-for-sale financial assets is Nil (2011: gains of US$6,412,000), before impairment loss of US$6,686,000 (2011: Nil).*

(2) *During the year ended 31 December 2012, net losses on financial assets at fair value through profit or loss amounted to US$5,983,000 (2011: US$39,774,000).*

(3) *During the year ended 31 December 2012, net losses on derivative financial instruments amounted to US$944,000 (2011: gains of US$4,078,000).*

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Continuing operations		Discontinued operations		Total	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Salaries, discretionary bonuses and benefits in kind	7,143	5,768	—	198	7,143	5,966
Pension costs - defined contribution plans (note 31)	22	21	—	—	22	21
Share awards granted to Directors and employees	9,621	2,229	—	—	9,621	2,229
	16,786	8,018	—	198	16,786	8,216

a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2012 is set out below:

Name of director	Fees US$'000	Salaries and benefits in kind US$'000	Discretionary bonuses* US$'000	Contribution to defined contribution plans US$'000	Share options US$'000	Share awards US$'000	Total US$'000
Executive Director							
Jamie Gibson	—	1,575	1,020	—	—	3,258	5,853
Non-Executive Directors							
James Mellon	25	158	950	—	—	1,762	2,895
Stephen Dattels	50	—	—	—	—	—	50
Jayne Sutcliffe	20	—	—	—	—	—	20
Independent Non-Executive Directors							
David Comba	40	—	—	—	—	—	40
Julie Oates	40	—	—	—	—	—	40
Mark Searle	40	—	—	—	—	—	40
Total	215	1,733	1,970	—	—	5,020	8,938

* James Mellon and Jamie Gibson were awarded long term service awards during the year by the Remuneration Committee in recognition of their respective long term services to the Company.

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

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

The remuneration of every Director for the year ended 31 December 2011 is set out below:

Name of director	Fees US$'000	Salaries and benefits in kind US$'000	Discretionary bonuses US$'000	Contribution to defined contribution plans US$'000	Share options US$'000	Share awards US$'000	Total US$'000
Executive Director							
Jamie Gibson	—	1,450	—	—	—	841	2,291
Non-Executive Directors							
James Mellon	25	158	—	—	—	82	265
Stephen Dattels	25	197	—	—	—	—	222
Jayne Sutcliffe	20	—	—	—	—	—	20
Independent Non-Executive Directors							
David Comba	30	—	—	—	—	—	30
Julie Oates	30	—	—	—	—	—	30
Mark Searle	30	—	—	—	—	—	30
Total	160	1,805	—	—	—	923	2,888

No Directors waived or agreed to waive any emoluments in respect of the years ended 31 December 2012 and 2011, apart from the outstanding units held by James Mellon and Jamie Gibson in respect of 60 million and 70 million shares respectively that were surrendered on 19 November 2012 pursuant to the letters of agreement, both dated 19 November 2012, between the Company and James Mellon and Jamie Gibson respectively.

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

b) Five highest paid individuals

Of the five highest paid individuals, two (2011: one) were Directors of the Company and their remunerations have been included in the Directors' remuneration. The total emoluments payable to the five highest paid individuals for the year are as follows:

	2012 US$'000	2011 US$'000
Fees	25	—
Salaries and other emoluments	3,170	3,393
Discretionary bonuses	1,970	—
Pension costs - defined contribution plans	3	5
Share awards granted to directors and employees*	7,239	1,670
	12,407	5,068

* *In respect of share awards granted to Directors and employees during 2012, please refer to the relevant disclosures on the Long Term Incentive Plan 2007 on pages 18 to 19 and 29 to 30 of the Directors' Report, together with page 54 of the Corporate Governance Report.*

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

		Number of employees	
		2012	2011
HK$3,500,001- HK$4,000,000	(US$451,205-US$515,663)	—	1
HK$4,000,001- HK$4,500,000	(US$515,663-US$580,121)	—	1
HK$5,500,001- HK$6,000,000	(US$709,037-US$773,495)	—	1
HK$7,000,001- HK$7,500,000	(US$902,411-US$966,869)	2	—
HK$7,500,001- HK$8,000,000	(US$966,869-US$1,031,327)	—	1
HK$13,500,001- HK$14,000,000	(US$1,740,364-US$1,804,821)	1	—
HK$17,500,001- HK$18,000,000	(US$2,256,027-US$2,320,485)	—	1
HK$22,000,001- HK$22,500,000	(US$2,836,148-US$2,900,606)	1	—
HK$45,000,001- HK$45,500,000	(US$5,801,212-US$5,865,670)	1	—
		5	5

No emolument was paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in respect of the years ended 31 December 2012 and 2011.

8. TAXATION

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

	Continuing operations		Discontinued operations		Total	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Current tax- overseas						
– tax for the year	2,896	—	991	—	3,887	—
Deferred tax						
– current year (note 30)	7,197	—	—	—	7,197	—
Income tax expense	10,093	—	991	—	11,084	—

No provision for Hong Kong profits tax has been made in these financial statements as all the Group companies which are subject to such tax have sustained losses for taxation purposes for the years ended 31 December 2012 and 2011. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

Share of associates' tax credit for the year ended 31 December 2012 of US$64,000 (2011: tax charge of US$74,000) is included in the consolidated statement of comprehensive income as share of results of associates.

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

	2012 US$'000	2011 US$'000
Loss before taxation:		
Continuing operations	(38,349)	(46,556)
Discontinued operations	4,409	(3,758)
Less:		
Share of results of associates	1,430	(1,705)
Loss before share of results of associates and taxation	(32,510)	(52,019)
Nominal tax on loss before income tax, calculated at the rate applicable to profits in the tax jurisdictions concerned	2,642	(1,112)
Income not subject to taxation	(18)	(32)
Expenses not deductible for taxation purposes	728	444
Australian Capital Gains Tax (note 30)	7,197	—
Tax effect of tax losses not recognised	535	700
Taxation charge	11,084	—

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of US$44,711,000 (2011: US$37,688,000) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

Dividend payable to shareholders of the Company attributable to the year:

	2012 US$'000	2011 US$'000
Special dividend declared and payable at the end of the reporting period of Nil (2011: HK$0.03 per share)	—	13,463

11. (LOSSES)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of basic losses per share is based on the loss attributable to the shareholders for the year of US$44,854,000 (2011: US$48,527,000) and on the weighted average of 3,186,093,738 (2011: 3,692,855,655) ordinary shares in issue during the year.

The share options outstanding have an anti-dilutive effect on the basic losses per share of the Group for the years ended 31 December 2012 and 2011. Accordingly, the effect of the share options was not included in the calculation of diluted losses per share for the years ended 31 December 2012 and 2011.

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

(b) From continuing operations

The calculation of basic losses per share is based on the loss from continuing operations attributable to the shareholders for the year of US$48,272,000 (2011: US$46,396,000) and on the weighted average of 3,186,093,738 (2011: 3,692,855,655) ordinary shares in issue during the year.

The share options outstanding have an anti-dilutive effect on the basic losses per share from continuing operations of the Group for the years ended 31 December 2012 and 2011. Accordingly, the effect of the share options was not included in the calculation of diluted losses per share for the years ended 31 December 2012 and 2011.

(c) From discontinued operations

The calculation of basic earnings/(losses) per share is based on the profit from discontinued operations attributable to the shareholders for the year of US$3,418,000 (2011: loss of US$2,131,000) and on the weighted average of 3,186,093,738 (2011: 3,692,855,655) ordinary shares in issue during the year.

The share options outstanding have an anti-dilutive effect on the basic earnings/(losses) per share from discontinued operations of the Group for the years ended 31 December 2012 and 2011. Accordingly, the effect of the share options was not included in the calculation of diluted earnings/(losses) per share for the years ended 31 December 2012 and 2011.

12. GOODWILL

Group

	2012 US$'000	2011 US$'000
At 1 January		
Gross carrying amount	15,271	155,310
Accumulated impairment	(15,271)	(143,054)
Net carrying amount	—	12,256
Carrying amount at 1 January	—	12,256
Assets classified as held for sale (note 22)	—	(7,393)
Impairment	—	(4,863)
Net carrying amount at 31 December	—	—
At 31 December		
Gross carrying amount	15,271	15,271
Accumulated impairment	(15,271)	(15,271)
Net carrying amount	—	—

Impairment testing

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

The gross carrying amount of goodwill before impairment is as follows:

	2012 US$'000	2011 US$'000
Coking coal product CGU	15,271	15,271

12. GOODWILL (Continued)

Impairment testing (Continued)

For the year ended 31 December 2011, the recoverable amount of the coking coal product CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates and growth rates, while the prices of the coking coal and its related products are assumed to remain constant during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on coking coal production growth forecasts. Changes in the coal prices are based on expectations of the future changes in the market.

The value-in-use calculations covered a period of 20 years based on the operation's estimated life. The recoverable amount of the CGU is calculated based on cash flow forecasts covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2%. The rate used to discount the forecast cash flows from the CGU is 11.5%.

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

For the year ended 31 December 2012, since full impairment provision has been made regarding goodwill in relation to the coking coal product CGU as at 31 December 2011, no impairment assessment has been performed for the year.

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

	2012 US$'000	2011 US$'000
Coking coal product CGU	—	—

Company

The Company has no goodwill.

13. EXPLORATION AND EVALUATION ASSETS

Group

	US$'000
At 1 January 2011	
Cost	9,485
Accumulated amortisation	—
Accumulated impairment	—
Net book amount	9,485
Year ended 31 December 2011	
Opening net book amount	9,485
Addition	1,811
Amortisation charge for the year	—
Disposal of subsidiary (note 29)	(1,297)
Assets classified as held for sale (note 22)	(9,999)
Closing net book amount	—
At 31 December 2011 and 31 December 2012	
Cost	—
Accumulated amortisation	—
Accumulated impairment	—
Net book amount	—

Company

The Company has no exploration and evaluation assets.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vehicle US$'000	Furniture and fixtures US$'000	Computer and other equipment US$'000	Plant and machinery US$'000	Building and structure US$'000	Total US$'000
At 1 January 2011						
Cost	50	293	266	181	200	990
Accumulated depreciation	(37)	(110)	(216)	(44)	(25)	(432)
Net book amount	13	183	50	137	175	558
Year ended 31 December 2011						
Opening net book amount	13	183	50	137	175	558
Exchange differences	2	3	1	—	1	7
Additions	—	241	14	—	—	255
Disposals	—	(176)	(53)	—	—	(229)
Disposal of subsidiaries (note 29)	—	—	(5)	(133)	(174)	(312)
Reclassified to held-for-sale assets (note 22)	(5)	—	(4)	—	—	(9)
Depreciation charge for the year	(10)	(53)	(30)	(4)	(2)	(99)
Depreciation written back on disposals	—	73	52	—	—	125
Closing net book amount	—	271	25	—	—	296
At 31 December 2011						
Cost	—	357	199	—	—	556
Accumulated depreciation	—	(86)	(174)	—	—	(260)
Net book amount	—	271	25	—	—	296
Year ended 31 December 2012						
Opening net book amount	—	271	25	—	—	296
Additions	—	—	108	—	—	108
Disposals	—	(12)	(94)	—	—	(106)
Depreciation charge for the year	—	(60)	(36)	—	—	(96)
Depreciation written back on disposals	—	2	90	—	—	92
Closing net book amount	—	201	93	—	—	294
At 31 December 2012						
Cost	—	345	213	—	—	558
Accumulated depreciation	—	(144)	(120)	—	—	(264)
Net book amount	—	201	93	—	—	294

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

The Company has no property, plant and equipment.

15. INTERESTS IN SUBSIDIARIES

Company

	2012 US$'000	2011 US$'000
Investments - unlisted shares, at cost	52,316	271,618
Less: Provision for impairment	(50,703)	(251,771)
	1,613	19,847

During the year ended 31 December 2011, an impairment loss of US$60,442,000 was recognised for investments in subsidiaries. No further impairment has been recognised for investments in subsidiaries during the year ended 31 December 2012 as their recoverable amount, which is determined with reference to the net assets value of these subsidiaries, is considered to be above the carrying value.

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2012 are as follows:

Name of subsidiary	Country/Place of incorporation/operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
Alphorn Management Limited*	Cayman Islands	Ordinary share of US$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company (BVI) Limited*	British Virgin Islands	Ordinary share of US$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company Limited *	British Virgin Islands	Ordinary shares of US$10,000	—	100%	Investment holding
AstroEast.com Limited*	Cayman Islands	Ordinary shares of US$280,222	—	51%	Investment holding
Interman Holdings Limited*	British Virgin Islands	Ordinary shares of US$41,500	100%	—	Investment holding
Interman Limited*	Isle of Man	Ordinary shares of GBP436,152	—	100%	Investment holding
MinMetallurgical Consultants Limited*	British Virgin Islands	Ordinary share of US$1	100%	—	Provision of mill expansion services
Regent (Australia) Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding
Regent Coal (Holdings) Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding
Regent Corporate Finance Limited*	Cayman Islands	Ordinary shares of US$2	100%	—	Corporate finance
Regent Financial Services Limited	Hong Kong	Ordinary shares of HK$5 million	—	100%	Investment holding and provision of administrative and management services to related companies
Regent Fund Management (Asia) Limited*	Cayman Islands	Ordinary shares of US$100	100%	—	Asset management
Regent Fund Management Limited*	Cayman Islands	Ordinary shares of US$150,000	—	100%	Asset management
Regent (Indonesia II) Limited (formerly known as GeoMin Tech Consultants Limited)*	Cayman Islands	Ordinary share of US$1	100%	—	Provision of metallurgical services
Regent Metals Australia Pty Limited *	Australia	Ordinary share of A$1	—	100%	Investment holding

15. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Country/Place of incorporation/operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
Regent Metals Holdings Limited*	British Virgin Islands	Ordinary shares of US$10,000	100%	—	Investment holding
Regent Pacific Group (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$5 million	100%	—	Provision of management services
Regent Pilbara II Pty Limited*	Australia	Ordinary share of A$1	—	100%	Investment holding
Regent Pilbara Pty Limited *	Australia	Ordinary share of A$1	—	100%	Investment holding
RPG (Bahamas) Limited*	Bahamas	Ordinary shares of US$134,220	100%	—	Investment holding
RPG Investments I Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding

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

* *The statutory financial statements of these subsidiaries for the year ended 31 December 2012 were not audited by BDO Limited.*

16. INTERESTS IN ASSOCIATES

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Investments - unlisted shares, at cost less impairment	—	—	2,000	2,000
Share of net assets - unlisted	21,112	24,727	—	—
	21,112	24,727	—	—
Impairment	(9,338)	—	—	—
	11,774	24,727	2,000	2,000

Share of associates' tax credit for the year ended 31 December 2012 of US$64,000 (2011: tax charge of US$74,000) is included in the consolidated statement of comprehensive income as share of results of associates.

16. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates as at 31 December 2012 are as follows:

Name of associate	Country of incorporation	Kind of legal entity	Issued and fully paid share capital held in associate	Percentage of equity interest attributable to the Company		Principal activity
				Direct	Indirect	
Regent Markets Holdings Limited*	British Virgin Islands	International Business Company	Ordinary shares of US$9,980	49.9%	—	Online betting
West China Coking & Gas Company Limited*	PRC	Sino-foreign Joint Venture Company	Injected capital of RMB79,910,000	—	25%	Production, processing and sale of coal, coke, gas and coal chemicals

* *The statutory audited financial statements of the associates were not audited by BDO Limited.*

During the year ended 31 December 2012, an impairment loss of US$9,338,000 (2011: Nil) has been recognised in the profit or loss for the Group's interests in an associate which is engaged in the coking coal production business. The recoverable amount of the interest in this associate is less than its carrying amounts as a result of an assessment of the current market value of assets, with significant increase in costs of production over the appreciation in commodities and thermal coal prices negatively affecting the value of the associate. The recoverable amount of the interests in the associate is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates and growth rates, while the prices of the coking coal and its related products are assumed to remain constant during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the coking coal business. The growth rates are based on coking coal production growth forecasts.

The recoverable amount of the interests in the associate is calculated based on cash flow forecasts covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 1%. The rate used to discount the forecast cash flows is 15%.

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

	2012 US$'000	2011 US$'000
Assets	396,600	378,279
Liabilities	320,477	285,957

	2012 US$'000	2011 US$'000
Revenue	460,279	451,642
(Loss)/Profit after taxation	(8,605)	5,891

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

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
At 1 January	9,287	7,025	9,287	19
Additions	2,678	9,268	2,678	9,268
Disposals	—	(7,006)	—	—
Change in fair value – unrealised portion	(1,471)	—	(1,471)	—
Impairment	(5,215)	—	(5,215)	—
At 31 December	5,279	9,287	5,279	9,287

Available-for-sale financial assets include the following:

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Unlisted securities				
Club debenture, at cost	19	19	19	19
Equity security, at cost	4,594	9,268	4,594	9,268
	4,613	9,287	4,613	9,287
Listed security				
Equity security, at fair value	666	—	666	—
	5,279	9,287	5,279	9,287

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

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

During the year ended 31 December 2012, a fair value loss of US$1,471,000 has been recognised in the investment revaluation reserve in equity. Due to the significant decline in the fair value of such investment during the year, the same amount of fair value loss recognised in equity has been transferred out of the investment revaluation reserve and recognised in the profit or loss as an impairment loss.

During the year ended 31 December 2012, pursuant to the acceptance of a share swap offer by the Group in relation to its investment in certain unlisted equity securities, the Group determined the fair value of its investment in such securities was significantly lower than its cost. As a result, an impairment loss of US$5,215,000 has been recognised in the profit or loss in 2012.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
At 1 January	126,026	114,080	124,438	111,694
Additions	25,840	66,157	25,840	66,157
Disposals	(34,706)	(10,763)	(34,706)	(10,763)
Change in fair value – unrealised portion	1,898	(43,448)	2,747	(42,650)
At 31 December	119,058	126,026	118,319	124,438

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

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Held for trading – overseas				
– Listed equities, at fair value	119,058	126,026	118,319	124,438

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

Particulars of the Group's investment in listed equities as at 31 December 2012 disclosed pursuant to Section 129 of the Companies Ordinance are as follows:

Name of company	Country of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company
BC Iron Limited	Australia	24,002,698 ordinary shares	20.1%
Venturex Resources Limited	Australia	438,395,633 ordinary shares	31.87%

19. CASH AND BANK BALANCES

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Cash and balances with banks	5,606	1,949	5,062	1,077
Money at call and short notice	5,841	14,463	5,593	14,284
	11,447	16,412	10,655	15,361

One of the Group's subsidiaries maintains trust accounts with banks as part of its then normal business transactions in prior years. While such business was discontinued some years ago, at 31 December 2012, included in the Group's cash at banks were trust account balances of US$29,000 (2011: US$29,000).

As at 31 December 2012, included in cash and balances with banks were bank balances of US$26,000 (2011: US$359,000) which were placed with banks in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

20. LOAN RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Loan receivables	3,915	3,915	—	—
Interest receivables	430	430	—	—
Impairment	(4,345)	(4,345)	—	—
	—	—	—	—

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

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
At 1 January	4,345	—	—	—
Provision for impairment	—	4,345	—	—
At 31 December	4,345	4,345	—	—

20. LOAN RECEIVABLES (Continued)

On 25 July 2008, a loan agreement was signed between RPG Investments I Limited ("**RPI**") and Blue Pacific Coal Pte. Ltd. ("**Blue Pacific**"), an independent third party, on which RPI has agreed to provide Blue Pacific with a loan totalling US$11,250,000 for the purpose of financing Blue Pacific's working capital and on lending to its Indonesian subsidiary for a coal mining project, which was terminated in late 2009.

Impairment loss in respect of the outstanding balance of US$4,345,000 was recognised in the year ended 31 December 2011 since management considered that there was a significant change in credit quality and financial liquidity of Blue Pacific at that date and the balance was considered to be unrecoverable, albeit the Company continues in its action to pursue the amount due.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Prepayments, deposits and other receivables#	1,343	9,685	966	9,019
Amount due from an associate*	1,098	349	1,098	349
	2,441	10,034	2,064	9,368

\# *Included in the balance of prepayments, deposits and other receivables was a margin deposit of US$591,000 (2011: US$8,932,000) placed with broker firms for the trading of derivatives.*

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

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

The balances outstanding as at 31 December 2012 were neither past due nor impaired.

22. ASSETS CLASSIFIED AS HELD FOR SALE

On 21 December 2011, the Company entered into a sale and purchase agreement with Wang Hongyu and Yao Guangyi (together the "**Purchaser**"), pursuant to which the Company agreed to sell and assign, and the Purchaser agreed to purchase and have assigned to it, the entire issued share capital of Regent Coal (BVI) Limited ("**RC(BVI)**"), for an aggregate consideration of approximately US$18,120,000 in cash (the "**Disposal**"). The Purchaser paid approximately US$3,634,000 in cash as a deposit on the Disposal (note 23) as at 31 December 2011.

The Disposal represented the sale of the Group's underlying investment in the JRGL Coal Project. As such, the assets and liabilities in relation to the JRGL Coal Project were reclassified as assets held for sale and liabilities directly associated with the assets held for sale under current assets and liabilities, respectively, in the consolidated statement of financial position as at 31 December 2011.

The Disposal was completed on 17 January 2012, and the Company recorded a gain on disposal of US$4,409,000, arising from the sale. Further details are set out in note 29 to the financial statements.

22. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

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

	US$'000
Goodwill (note 12)	7,393
Exploration and evaluation assets (note 13)	9,999
Property, plant and equipment (note 14)	9
Other receivables	185
Cash and bank balances	142
Total assets classified as held for sale	17,728
Liabilities directly associated with the assets classified as held for sale	(3,649)
Net assets attributable to the subsidiary to be disposed of	14,079

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

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Trade payables	96	99	—	—
Deposit received, accruals and other payables	3,278	5,435	2,922	4,973
	3,374	5,534	2,922	4,973

At 31 December 2012 and 2011, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Due within 1 month or on demand	—	2	—	—
More than 6 months	96	97	—	—
	96	99	—	—

Included in trade payables were those payables placed in trust accounts amounting to US$29,000 as at 31 December 2012 (2011: US$29,000).

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

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

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2012 US$'000	2011 US$'000
Amounts due from subsidiaries	72,882	58,230
Less: Provision for impairment	(67,541)	(44,951)
	5,341	13,279
Amount due to subsidiaries	(14,519)	(14,572)

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

	Company	
	2012 US$'000	2011 US$'000
At 1 January	44,951	—
Provision for impairment	22,590	44,951
At 31 December	67,541	44,951

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

The fair value of amounts due approximates their respective carrying amounts at the reporting date.

25. DISCONTINUED OPERATIONS

As disclosed in note 22, on 21 December 2011, the Company entered into a sale and purchase agreement for the sale of its interests in the entire issued share capital of RC(BVI) and Abagaqi Changjiang Mining Company Limited ("**ACMC**"), which mainly holds the JRGL Coal Project, to the Purchaser for a total consideration of RMB 115,000,000 (or equivalent to approximately US$18,120,000), payable in cash. In the financial statements for the year ended 31 December 2011, the JRGL Coal Project which represents the segment of coal mining, was presented as discontinued operations. The disposal of the JRGL Coal Project was completed on 17 January 2012 with the Group recording a gain on disposal (before tax) of US$4,409,000.

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

	Notes	2012 US$'000	2011 US$'000
Revenue/Turnover:		—	—
Expenses:			
Employee benefit expenses	7	—	(198)
Information and technology expenses		—	(22)
Professional and consulting fees		—	(46)
Other operating expenses		—	(3,492)
Operating loss	6	—	(3,758)
Loss for the year from discontinued operations		—	(3,758)
Loss for the year from discontinued operations attributable to:			
Shareholders of the Company		—	(2,131)
Non-controlling interests		—	(1,627)
		—	(3,758)

The cash flows from the discontinued operations are as follows:

	2012 US$'000	2011 US$'000
Net cash used in operating activities	—	(251)
Net cash used in investing activities	—	(1,779)
Net cash from financing activities	—	—
Effect of foreign exchange rates	—	998
Net	—	(1,032)

26. SHARE CAPITAL

Authorised:	Number of ordinary shares of US$0.01 each	US$'000	Number of unclassified shares*	US$'000	Total number of shares	Total US$'000
At 31 December 2012 and 31 December 2011	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 2011	3,910,990,523	39,109
Shares repurchased and cancelled	(425,260,000)	(4,252)
At 31 December 2011 and 2012	3,485,730,523	34,857

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

As at 1 January 2012, the total issued ordinary share capital of the Company consisted of 3,485,730,523 shares. During the year ended 31 December 2012 and prior to the date of this report, no new shares were issued and allotted by the Company, and no shares were repurchased by the Company.

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

1. Share Option Scheme (2002)

The Company's share option scheme, named "Share Option Scheme (2002)" (the "**Share Option Scheme (2002)**"), which was adopted with shareholders' approval at the Company's annual general meeting held on 15 November 2002, expired on 15 November 2012, being the tenth anniversary of its commencement date. The provisions of the rules of the Share Option Scheme (2002) shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted and remaining outstanding prior to the date of the expiry.

Upon adoption of the Long Term Incentive Plan 2007 (as referred to in note 26.2) on 8 December 2007, no further options under the Share Option Scheme (2002) were 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.

26. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

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.

26. SHARE CAPITAL (Continued)

1. Share Option Scheme (2002) (Continued)

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 2012, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 153,866,132 ordinary shares (1 January 2011: 157,116,132 shares) at exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.41% (1 January 2011: 4.02%) of the Company's then issued ordinary share capital and 4.23% (1 January 2011: 3.86%) of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 153,866,132 shares or 100% were vested (1 January 2011: all the outstanding options in respect of an aggregate of 157,116,132 shares or 100%).

During the year ended 31 December 2012:

- No new options were granted (2011: Nil);
- No vested options were exercised (2011: Nil);
- An outstanding option in respect of 3,500,000 shares at the exercise price of HK$1.152 per share lapsed upon termination of the employment of an employee (2011: options in respect of an aggregate of 3,250,000 shares lapsed upon redundancy of two employees); and
- No options were cancelled (2011: Nil).

Accordingly, as at 31 December 2012, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe for an aggregate of 150,366,132 ordinary shares (31 December 2011: 153,866,132 shares) at exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.31% (31 December 2011: 4.41%) of the Company's then issued ordinary share capital and 4.14% (31 December 2011: 4.23%) of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 150,366,132 shares or 100% were vested (31 December 2011: all the outstanding options in respect of an aggregate of 153,866,132 shares or 100%). Exercise in full of the outstanding options would result in the issue of 150,366,132 additional ordinary shares for aggregate proceeds, before expenses, of HK$97,913,528 (approximately US$12,553,016).

Subsequent to the year end date and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled.

26. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

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

i. Directors, Chief Executive and substantial shareholders

As at 1 January 2012, outstanding and vested options in respect of an aggregate of 87,600,000 shares were held by the Chief Executive Officer (also an Executive Director) and other Directors, details of which are set out below:

1. An option, which was granted on 9 September 2004, entitling the Chief Executive Officer to subscribe, in stages, for 11,000,000 ordinary shares at the exercise price of HK$0.266 per share;
2. An option, which was granted on 4 April 2006, entitling the Chief Executive Officer to subscribe, in stages, for 45,600,000 ordinary shares at the exercise price of HK$0.300 per share; and
3. Options, which were granted on 2 October 2007, entitling the Non-Executive Co-Chairman (James Mellon), the Chief Executive Officer and an Independent Non-Executive Director to subscribe, in stages, for an aggregate of 31,000,000 ordinary shares at the exercise price of HK$1.152 per share.

During the year ended 31 December 2012 and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled.

Particulars of the options granted to and held by the Directors and the Chief Executive Officer are set out in detail under the section headed "Directors' Interests in Securities, Options and Share Awards" in the Directors' Report. No options were granted to or held by any associates of the Directors or the Chief Executive Officer of the Company at any time during the year or prior to the date of this report.

No options were granted to or held by any substantial shareholder of the Company (other than: (i) James Mellon who is also the Non-Executive Co-Chairman of the Company; and (ii) Jamie Gibson who is also an Executive Director and the Chief Executive Officer of the Company), as referred to in the section headed "Substantial Shareholders" in the Directors' Report, or their respective associates, at any time during the year or prior to the date of this report.

26. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

ii. Full-time employees

As at 1 January 2012, outstanding and vested options in respect of an aggregate of 52,266,132 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 22,024,000 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 4,104,000 ordinary shares at the exercise price of HK$0.325 per share; and
4. Options, which were granted on 2 October 2007, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 26,038,132 ordinary shares at the exercise price of HK$1.152 per share.

During the year ended 31 December 2012, no new options were granted; no vested options were exercised; and no outstanding options were cancelled. An outstanding option granted on 2 October 2007 in respect of 3,500,000 shares at the exercise price of HK$1.152 per share lapsed on 15 March 2012 upon termination of the employment of an employee.

Accordingly, as at 31 December 2012, there were outstanding options entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 48,766,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

Subsequent to year end date and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options 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 year ended 31 December 2012 or prior to the date of this report.

26. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

iv. Suppliers of goods and services

As at 1 January 2012, outstanding and vested options in respect of an aggregate of 14,000,000 shares were held by the service providers, details of which are set out below:

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

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

During the year ended 31 December 2012 and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled.

v. Other participants

No options were granted to or held by participants other than those referred to in sub-paragraphs (i) to (iv) above at any time during the year ended 31 December 2012 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.

26. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

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

	2012		2011	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
Outstanding at 1 January	153,866,132	0.663	157,116,132	0.655
Forfeited	—	—	(2,500,000)	0.300
Forfeited	—	—	(750,000)	0.325
Forfeited	(3,500,000)	1.152	—	—
Total forfeited	(3,500,000)	1.152	(3,250,000)	0.306
Cancelled	—	—	—	—
Outstanding at 31 December	150,366,132	0.651	153,866,132	0.663

No option has been exercised during the year ended 31 December 2012 and 2011. All remaining share options as at 31 December 2012 have been accounted for under HKFRS 2. The Group has granted the following outstanding share options and exercise prices:

	2012		2011	
Exercisable beginning in financial year	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
– 31 December 2011	150,366,132	0.651	153,866,132	0.663
Outstanding at 31 December	150,366,132	0.651	153,866,132	0.663

The weighted average remaining contractual life of the outstanding options as of 31 December 2012 is 3.80 years (2011: 4.83 years).

In total, Nil (2011: Nil) of employee share-based payment and Nil (2011: US$8,000) of non-employee share-based payment in relation to share options granted have been included in the consolidated statement of comprehensive income for the year ended 31 December 2012. No liabilities were recognised due to share-based payment transactions.

26. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007

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

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 26.1) were granted.

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

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

The Company sought shareholders' approval at the annual general meeting held on 1 June 2011 for "refreshing" the mandate limits under the plan. Accordingly, the total number of shares which may be transferred on vesting of all units to be granted under the plan after 1 June 2011 is limited to 387,247,052 shares and the total number of shares subject to a unit or units to be granted to an individual eligible participant after 1 June 2011 is limited to 193,623,526 shares, being 10% and 5% of the Company's total issued ordinary share capital as at the date of approval of the "refreshed" limits respectively. Units previously granted under the plan (including those outstanding, cancelled or lapsed in accordance with the plan or vested units) will not be counted for the purpose of calculating the limit as "refreshed".

26. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

i. Grant and vesting of units

As at 1 January 2012, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 236,700,000 ordinary shares (1 January 2011: 59,750,002 shares), which were to be vested to the respective eligible participants in accordance with their respective vesting schedules, representing 6.79% (1 January 2011: 1.53%) of the Company's then issued ordinary share capital, details of which are set out below:

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

During the year ended 31 December 2012:

- (i) An aggregate of 5,566,665 shares (in respect of the outstanding units granted on 23 February 2011) were vested to the respective eligible participants on 23 February 2012; (ii) an aggregate of 250,133,334 shares (in respect of all the units granted on 23 February 2011, 1 November 2011 and 3 April 2012 (as referred to below) then remaining outstanding) were vested to the respective eligible participants on 26 November 2012 in accordance with the rules of the plan and as approved by the Remuneration Committee; and (iii) an aggregate of 62,100,000 shares (in respect of certain outstanding units granted on 20 November 2012 (as referred to below) were vested to the respective eligible participants on 4 December 2012 in accordance with the rules of the plan and as approved by the Remuneration Committee (2011: an aggregate of 52,750,002 shares);
- (i) New units in respect of an aggregate of 166,000,000 shares were granted on 3 April 2012 to a number of eligible participants, which were to be vested in three equal tranches on the first, second and third anniversary dates of the date of grant, providing that all the shares (then remaining outstanding) would be vested in full on the happening of the "trigger event" (as referred to in the offer letters dated 10 April 2012); (ii) new units in respect of an aggregate of 67,900,000 shares were granted on 20 November 2012 to James Mellon and Jamie Gibson (as detailed in the section headed "Directors' Interests in Securities, Options and Share Awards" in the Directors' Report), which are to be vested in three equal tranches on 3 April 2013, 3 April 2014 and 3 April 2015, providing that all the shares (then remaining outstanding) will be vested in full on the happening of the "trigger event" (as referred to in the offer letters dated 20 November 2012); and (iii) new units in respect of an aggregate of 62,100,000 shares were granted on 20 November 2012 to other eligible participants, which were to be vested on 4 December 2012 (as referred to above) (2011: new units in respect of an aggregate of 236,700,000 shares);

26. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

i. Grant and vesting of units (Continued)

- Three outstanding units in respect of 1,666,667 shares each (which were granted on 23 February 2011) and three outstanding units in respect of 4,000,000 shares each (which were granted on 1 November 2011) lapsed on 15 March 2012 upon termination of the employment of three employees (2011: units in respect of an aggregate of 7,000,000 shares upon resignation of two employees); and
- Outstanding units held by James Mellon and Jamie Gibson in respect of 60,000,000 shares and 70,000,000 shares respectively (which were granted on 3 April 2012) were surrendered and cancelled on 19 November 2012 pursuant to the letters of agreement, both dated 19 November 2012, between the Company and James Mellon and Jamie Gibson respectively (2011: Nil).

Accordingly, as at 31 December 2012, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 67,900,000 ordinary shares (31 December 2011: 236,700,000 shares), which are to be vested to the respective eligible participants in accordance with their respective vesting schedules, representing 1.95% (31 December 2011: 6.79%) of the Company's then issued ordinary share capital.

Subsequent to the year end date and prior to the date of this report, no new units were granted; and no units were vested or cancelled or lapsed.

Particulars of the units granted to and held by the Directors and the Chief Executive Officer are set out in detail under the section headed "Directors' Interests in Securities, Options and Share Awards" in the Directors' Report. No units were granted to or held by any associates of the Directors or the Chief Executive Officer of the Company at any time during the year or prior to the date of this report.

No units were granted to or held by any substantial shareholder of the Company (other than: (i) James Mellon who is also the Non-Executive Co-Chairman of the Company; and (ii) Jamie Gibson who is also an Executive Director and the Chief Executive Officer of the Company), as referred to in the section headed "Substantial Shareholders" in the Directors' Report, or their respective associates, at any time during the year or prior to the date of this report.

26. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

ii. Acquisition of shares

As at 1 January 2012, an aggregate of 236,700,000 shares were held by the trustee appointed by the Company for the plan (1 January 2011: 59,750,002 shares), which were acquired by the trustee from the market during the previous periods and were to be vested to the respective eligible participants in accordance with their respective vesting schedules.

During the year ended 31 December 2012:

- An aggregate of 317,799,999 shares were vested to the respective eligible participants, being: (i) an aggregate of 5,566,665 shares (in respect of the units granted on 23 February 2011) vested on 23 February 2012; (ii) an aggregate of 250,133,334 shares (in respect of all the units granted on 23 February 2011, 1 November 2011 and 3 April 2012 then remaining outstanding) vested on 26 November 2012 in accordance with the rules of the plan and as approved by the Remuneration Committee; and (iii) an aggregate of 62,100,000 shares (in respect of certain outstanding units granted on 20 November 2012) vested on 4 December 2012 in accordance with the rules of the plan and as approved by the Remuneration Committee (2011: an aggregate of 52,750,002 shares); and
- An aggregate of 148,999,999 shares were acquired from the market during the period from 11 April to 15 June 2012 at a total consideration of HK$37,275,889.76 (approximately US$4,814,000) (2011: 229,700,000 shares).

Accordingly, as at 31 December 2012, an aggregate of 67,900,000 shares (31 December 2011: 236,700,000 shares) were held by the trustee, which were to be vested to the respective eligible participants in accordance with their respective vesting schedules.

Subsequent to the year end date and prior to the date of this report, no shares were vested to the eligible participants; and no further shares were acquired by the trustee from the market.

27. RESERVES

	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Statutory reserve US$'000	Shares held for share award scheme US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group									
At 1 January 2011	(146,754)	357,949	3,575	8,228	6,858	177	(1,503)	2,096	230,626
Foreign currency translation adjustment	—	—	—	—	—	—	—	410	410
Share of reserves of associates	—	—	(15)	—	—	804	—	1,025	1,814
Reclassified to profit or loss on disposal of the Yinzishan Mining Project	—	—	—	—	—	—	—	(225)	(225)
Shares repurchased	—	(10,659)	—	—	—	—	—	—	(10,659)
Shares purchased for share award scheme	—	—	—	—	—	—	(7,537)	—	(7,537)
Distribution of shares awarded	168	—	(1,454)	—	—	—	1,286	—	—
Reclassified to profit or loss on disposals of available-for-sale financial assets	—	—	—	—	(6,858)	—	—	—	(6,858)
Dividend payment	—	(13,465)	—	—	—	—	—	—	(13,465)
Share-based payment	—	—	1,588	—	—	—	—	—	1,588
Share options forfeited	27	—	(27)	—	—	—	—	—	—
Loss for the year	(48,527)	—	—	—	—	—	—	—	(48,527)
At 31 December 2011	(195,086)	333,825	3,667	8,228	—	981	(7,754)	3,306	147,167
Foreign currency translation adjustment	—	—	—	—	—	—	—	(67)	(67)
Share of reserves of associates	—	—	(8)	—	—	(805)	—	105	(708)
Reclassified to profit or loss on disposal of the JRGL Coal Project	—	—	—	—	—	—	—	(110)	(110)
Shares purchased for share award scheme	—	—	—	—	—	—	(4,814)	—	(4,814)
Distribution of shares awarded	(844)	—	(9,508)	—	—	—	10,352	—	—
Change in fair value of availaibe-for-sale financial assets	—	—	—	—	(1,471)	—	—	—	(1,471)
Impairment on available-for-sale financial assets	—	—	—	—	1,471	—	—	—	1,471
Share-based payment	—	—	9,827	—	—	—	—	—	9,827
Share options forfeited	88	—	(88)	—	—	—	—	—	—
Share awards forfeited	—	—	(65)	—	—	—	—	—	(65)
Loss for the year	(44,854)	—	—	—	—	—	—	—	(44,854)
At 31 December 2012	(240,696)	333,825	3,825	8,228	—	176	(2,216)	3,234	106,376

27. RESERVES (Continued)

	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Shares held for share award scheme US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Company								
At 1 January 2011	(175,343)	360,214	3,390	8,228	—	(1,503)	—	194,986
Shares repurchased	—	(10,659)	—	—	—	—	—	(10,659)
Distribution of shares awarded	168	—	(1,454)	—	—	1,286	—	—
Shares purchased for share award scheme	—	—	—	—	—	(7,537)	—	(7,537)
Dividend payment	—	(13,465)	—	—	—	—	—	(13,465)
Share-based payment	—	—	1,588	—	—	—	—	1,588
Share options forfeited	—	—	(27)	—	—	—	—	(27)
Foreign currency adjustment	—	—	—	—	—	—	1	1
Loss for the year	(37,688)	—	—	—	—	—	—	(37,688)
At 31 December 2011	(212,863)	336,090	3,497	8,228	—	(7,754)	1	127,199
Foreign currency translation adjustment	—	—	—	—	—	—	(1)	(1)
Share purchased for share award scheme	—	—	—	—	—	(4,814)	—	(4,814)
Distribution of shares awarded	(844)	—	(9,508)	—	—	10,352	—	—
Change in fair value of availaibe-for-sale financial assets	—	—	—	—	(1,471)	—	—	(1,471)
Impairment on available-for-sale financial assets	—	—	—	—	1,471	—	—	1,471
Share-based payment	—	—	9,827	—	—	—	—	9,827
Share options forfeited	—	—	(88)	—	—	—	—	(88)
Share awards forfeited	—	—	(65)	—	—	—	—	(65)
Loss for the year	(44,711)	—	—	—	—	—	—	(44,711)
At 31 December 2012	(258,418)	336,090	3,663	8,228	—	(2,216)	—	87,347

28. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

	2012		2011	
Total derivatives	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Foreign exchange traded futures and options	304	—	—	270
Equity, government notes and stock index futures and options	1,267	—	1,975	221
Total derivatives	1,571	—	1,975	491

At 31 December 2012, there were outstanding forwards, futures and contract-for-difference contracts amounting to approximately US$33,045,000 (2011: US$85,269,000) undertaken by the Group in the foreign exchange and equity markets. At 31 December 2012, there was an unrealised loss of US$404,000 (2011: unrealised gain of US$1,484,000) in respect of open derivative contracts.

In the course of the Group's normal trading in derivatives, margin deposits of varying currencies of cash are held by the Group's brokers. As at 31 December 2012, the amount of these margin deposits was US$591,000 (2011: US$8,932,000).

29. DISPOSAL OF SUBSIDIARIES

On 17 January 2012, the Group disposed of its entire equity interest in its subsidiaries, RC(BVI) and ACMC, which held the JRGL Coal Project in Inner Mongolia, PRC. This transaction and gain on disposal was recorded in the Group's results for the year ended 31 December 2012.

On 31 March 2011, the Group disposed of its entire equity interest in its subsidiaries, Regent Minerals Limited ("**RMI**") and Simao Regent Minerals Limited ("**SRM**"), which mainly held the Yinzishan Mining Project in Yunnan, PRC. This transaction and gain on disposal was recorded in the Group's results for the year ended 31 December 2011.

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

	2012 RC(BVI) and ACMC US$'000	2011 RMI and SRM US$'000
Goodwill	7,393	—
Exploration and evaluation assets	9,999	1,297
Property, plant and equipment	9	312
Prepayments and other receivables	185	4
Cash and bank balances	142	—
Accruals	(380)	(7)
Provision for legal claims	(3,269)	—
Non-controlling interests	(1,092)	—
Exchange reserve	(110)	(225)
Net assets disposed of	12,877	1,381
Gain on disposal of subsidiaries	4,409	2,401
Finder fee paid during the period	910	—
Total consideration	18,196	3,782
Satisfied by:		
Deposit received in prior year	3,634	—
Cash received during the year	14,562	3,782
Total cash	18,196	3,782
Net cash inflow arising on disposal:		
Cash consideration	18,196	3,782
Deposit received in prior year	(3,634)	—
Finder fee paid	(910)	—
Cash and bank balances transferred	(142)	—
Cash received during the year	13,510	3,782

30. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows: -

Group and Company

	2012 US$'000	2011 US$'000
At 1 January	—	—
Deferred tax charged to the income statement during the year	7,197	—
At 31 December	7,197	—

The deferred tax charge arises from the potential Australian Capital Gains Tax ("**CGT**") payable on the unrealised gain of the Company's interest in BCI shares at 31 December 2012. The Company subsequently disposed of its interests in BCI on 16 January 2013, further details of which are set out in note 39(i) and in the Company's announcement dated 16 January 2013. On 24 January 2013, the Company received an order from the Federal Court of Australia in relation to a notice of assessment issued by the Australian Taxation Office ("**ATO**") in the amount of A$12,783,976 (approximately US$13,273,602) for CGT, which the ATO considered payable in relation to the realised gain made on the sale of BCI shares. The amount of the potential tax assessed is due and payable on 2 December 2013, and the orders provide that the Company must not remove from Australia or dispose of, deal with or diminish the value of its assets in Australia up to the unencumbered value of the assessed amount.

The Company is taking external professional advice in relation to the orders and the assessment and understands that the ultimate determination of the potential taxation liability will be subject to a valuation of BCI's real property (including mining tenements) and non-real property assets.

In light of the ATO's Notice of Assessment and orders referred to above, the Directors consider it appropriate for the Company to make a provision for CGT as per the ATO's assessment pending a final report and conclusion by the Company's external professional advisors on this matter. The amount of the deferred liability recognised (relating to CGT on appreciation of BCI shares of US$13,273,602) has been reduced by approximately US$6,076,000, which represents the CGT credits available to the Company arising in respect of unrealised losses on one of the Company's other Australian equity investments as at 31 December 2012. Accordingly, the net deferred tax liability recognised is US$7,197,000.

At 31 December 2012, the Group has unrecognised tax losses of approximately US$27,368,000 (2011: US$24,124,000) to carry forward against future taxable income. However, no deferred tax assets have been recognised as it is uncertain whether sufficient future taxable profits will be available for utilising the accumulated tax losses. The tax losses have no expiry date.

Under the PRC tax law, 5% to 10% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008.

At 31 December 2012 and 2011, the Group has no deferred tax liabilities in respect of the aggregate amount of temporary differences associated with undistributed earnings of its associates. No deferred tax liabilities have been recognised in respect of these differences because the Group's management believes that it is probable that such differences will not be reversed in the foreseeable future.

31. RETIREMENT BENEFIT OBLIGATIONS

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

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees under Plan A who leave the scheme prior to vesting fully in the contributions. During the year ended 31 December 2012, there were no forfeited contributions (2011: Nil) and the Group's contribution was US$22,000 (2011: US$21,000).

32. OPERATING LEASE COMMITMENTS

Group

	2012 US$'000	2011 US$'000
At 31 December 2012 and 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
– within 1 year	842	838
– in the 2nd to 5th year, inclusive	479	1,305
	1,321	2,143
Equipment:		
– within 1 year	5	5
– in the 2nd to 5th year, inclusive	13	17
	18	22
	1,339	2,165

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

Company

The Company has no lease commitments.

33. CAPITAL COMMITMENTS

The Group and the Company have no material capital commitments as at 31 December 2012 and 2011.

34. CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 31 December 2012 and 2011.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Foreign currency risk

Currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has not taken any currency hedge as the management is not aware of any material foreign currency risk against its investments in financial assets.

The Group has exposure to currency risk as some of its financial assets and liabilities are denominated in currencies other than the financial currencies of the group companies. During the year under review, the Group did not issue any financial instruments for hedging purpose.

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

31 December 2012

	Group				Company			
	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD
Cash and bank balances	26	—	4,595	—	—	—	4,595	—
Financial assets at fair value through profit or loss	—	2,153	105,073	10,457	—	2,153	105,073	9,718
Prepayments, deposits and other receivables	2	1	—	—	—	—	—	—
Accruals and other payables	—	—	—	—	—	—	—	—
Current net exposures	28	2,154	109,668	10,457	—	2,153	109,668	9,718

31 December 2011

	Group				Company			
	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD
Cash and bank balances	359	—	282	—	—	—	282	—
Financial assets at fair value through profit or loss	—	7,971	90,693	23,207	—	7,971	90,693	21,620
Prepayments, deposits and other receivables	2	5,019	—	—	—	5,019	—	—
Accruals and other payables	(3,269)	—	—	—	—	—	—	—
Current net exposures	(2,908)	12,990	90,975	23,207	—	12,990	90,975	21,620

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	Group		Company	
	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit US$'000	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit US$'000
As at 31 December 2012				
If US$ weaken against RMB	5	1	5	—
If US$ strengthen against RMB	(5)	(1)	(5)	—
If US$ weaken against GBP	5	108	5	108
If US$ strengthen against GBP	(5)	(108)	(5)	(108)
If US$ weaken against AUD	5	5,483	5	5,483
If US$ strengthen against AUD	(5)	(5,483)	(5)	(5,483)
If US$ weaken against CAD	5	523	5	485
If US$ strengthen against CAD	(5)	(523)	(5)	(485)
As at 31 December 2011				
If US$ weaken against RMB	5	(145)	5	—
If US$ strengthen against RMB	(5)	145	(5)	—
If US$ weaken against GBP	5	650	5	650
If US$ strengthen against GBP	(5)	(650)	(5)	(650)
If US$ weaken against AUD	5	4,549	5	4,549
If US$ strengthen against AUD	(5)	(4,549)	(5)	(4,549)
If US$ weaken against CAD	5	1,160	5	1,081
If US$ strengthen against CAD	(5)	(1,160)	(5)	(1,081)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

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

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

Liquidity risk

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

	Group					Company				
2012	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 6 months or on demand US$'000	6 to 12 months US$'000	1 to 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 6 months or on demand US$'000	6 to 12 months US$'000	1 to 5 years US$'000
Trade payables	96	96	96	—	—	—	—	—	—	—
Accruals and other payables	3,278	3,278	3,278	—	—	2,922	2,922	2,922	—	—
Amounts due to subsidiaries	—	—	—	—	—	14,519	14,519	14,519	—	—
	3,374	3,374	3,374	—	—	17,441	17,441	17,441	—	—

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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

The Group enjoyed a healthy financial position at the end of 2012, with cash and cash equivalents amounting to US$11,447,000 as at 31 December 2012 (2011: US$16,412,000).

The Group finances its operations and investment activities with internally generated cash flows, balances with proceeds from the issue of new shares.

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

Commodity price risk

The Group's exposure to commodity price risk relates principally to the market price fluctuation in coking coal which can affect the Group's share of results from its associate.

Interest rate risk

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

Sensitivity analysis

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately US$114,000 (2011: US$164,000). The general increase/decrease in interest rate would have no significant impact on other components of consolidated equity.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation

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

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

Fair value measurements recognised in the consolidated statement of financial position

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

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

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

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

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

At 31 December 2012

		The Group				The Company			
	Notes	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets									
Listed securities held for trading	(a)	119,058	—	—	119,058	118,319	—	—	118,319
Derivative financial instruments	(b) & (c)	519	1,052	—	1,571	519	1,052	—	1,571
Available-for-sale financial assets	(d)	666	—	—	666	666	—	—	666
		120,243	1,052	—	121,295	119,504	1,052	—	120,556

At 31 December 2011

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

There have been no significant transfers among levels of the fair value hierarchy during the reporting periods.

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

(a) *Listed securities held for trading*

The listed equity securities are denominated in US dollars, British pounds, Canadian and Australian dollar. Fair values have been determined by reference to the last quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(b) *Derivatives*

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

(c) *Derivatives*

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date.

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

The available-for-sale financial assets are denominated in Australian dollar. Fair values have been determined by reference to the last quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities amounting to US$119,058,000 classified as financial assets at fair value through profit or loss (2011: US$126,026,000).

The above investments are exposed to price risk because of change in market price, whether changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's listed investments are primarily listed on the stock exchanges of Australia, Canada, United Kingdom, and the United States. Listed investments held in the portfolio have been chosen based on their growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution and in accordance with the limits set by the Group.

At 31 December 2012, if equity prices had increased/decreased by 20% and all other variables were held constant, profit for the year would increase/decrease by US$23,812,000 (2011: US$25,205,000). The above analysis has been determined assuming that the reasonably possible changes in the stock market price or other relevant risk variables had occurred at the reporting date and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual reporting date.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting date of the reporting periods under review may also be categorised as follows:

	Group		Company	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
(i) Financial assets				
Non-current assets				
Available-for-sale financial assets	5,279	9,287	5,279	9,287
Current assets				
Financial assets at fair value through profit or loss held for trading				
– Equity securities	119,058	126,026	118,319	124,438
– Derivative financial instruments	1,571	1,975	1,571	1,975
Loans and receivables:				
– Cash and bank balances	11,447	16,412	10,655	15,361
– Amounts due from subsidiaries	—	—	5,341	13,279
– Prepayments, deposits and other receivables	2,441	10,034	2,064	9,368
	134,517	154,447	137,950	164,421
	139,796	163,734	143,229	173,708
(ii) Financial liabilities				
Current liabilities				
Derivative financial instruments	—	491	—	491
Financial liabilities measured at amortised cost:				
– Trade payables, accruals and other payables	3,374	1,900	2,922	1,339
– Dividend payable	—	13,463	—	13,463
– Amounts due to subsidiaries	—	—	14,519	14,572
	3,374	15,854	17,441	29,865

36. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's management objectives are;

— To ensure the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

— To support the Group's stability and growth; and

— To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards equity attributable to the Company's owners as capital, for capital management purpose. The amount of capital as at 31 December 2012 amounted to approximately US$141,233,000 (2011: US$182,024,000), which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

37. MATERIAL RELATED PARTY TRANSACTIONS

The Group has no material related party transactions for the years ended 31 December 2012 and 2011.

The Directors are of the opinion that the key management personnel were the Directors of the Company, details of whose emoluments are set out in note 7 to the financial statements.

38. LITIGATION

As previously disclosed, ACMC had been previously joined as a party to arbitration proceedings in respect of a third party claim against it for a success or transaction fee of up to 16% of the total amount of RMB 180 million (US$26.35 million) that RC(BVI) has and may pay in respect of its existing and any future equity stake in ACMC. The Company had previously been informed that the claim related only to 16% of the actual amount paid by RC(BVI) for equity in ACMC, which was RMB 80 million (US$12.05 million). The arbitration commission handed down an arbitration award on 20 August 2009 supporting the claim.

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

On 26 December 2011, the Inner Mongolian Xilinhot Court handed down a ruling that it would enforce the arbitration award against ACMC, with the implementation notice indicating that ACMC is to pay the Claimant RMB 20,579,465 (or approximately US$3.24 million) within 3 days of the notice, failing which certain of ACMC's assets may be the subject of enforcement measures.

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

In January 2012, the Group completed the disposal of its interests in ACMC, details of which have been disclosed in note 29.

Except for the above mentioned, the Directors are not aware of any litigation or claims of material importance pending or threatened against the Company or any subsidiary of the Group.

39. POST BALANCE SHEET EVENTS

(i) On 16 January 2013, the Company entered into a placing agreement with a placing agent, pursuant to which the Company agreed to sell and the placing agent agreed to place the Company's entire holding of 24,002,698 BCI shares to certain institutional places on an underwriting basis. The Company received US$84.73 million in cash (total gross proceeds before expenses and taxes), providing the Group with an overall investment return of approximately US$44.32 million (before expenses and taxes). In recognition of the outstanding investment return achieved on the sale of Company's shareholding in BCI, the Remuneration Committee awarded a one-off special bonus totaling US$ 5 million to certain directors and employees who were responsible for generating the investment return.

On 24 January 2013, the Company received orders from the Federal Court of Australia in relation to a notice of assessment issued by the Commissioner of Taxation in the amount of A$12,783,976.50 following completion of the sale of its securities in BCI for gross proceeds of A$81,609,173. The amount of potential tax assessed is expressed to be due and payable on 2 December 2013.

The Company is taking external professional advice in relation to the orders and the assessment and understands that the ultimate determination of the potential taxation liability will be subject to a valuation of BCI's real property (including mining tenements) and non-real property assets. Following the receipt of advice, the Company will consider its position and provide an update to the market in due course.

(ii) On 25 January 2013, the Company announced that acting through its broker, it executed a placing and confirmation letter with Bayfield Energy Holdings Plc, pursuant to which it agreed to subscribe, at GBP 0.12 per new Bayfield share, for up to 20,500,000 new Bayfield shares for an aggregate amount of up to GBP 2,461,001 in cash, which are expected to be consolidated into 2,050,000 new Trinity shares following a share consolidation.

(iii) On 28 January 2013, the Company announced that the Directors resolved to declare a dividend of HK$0.13 per share, payable on Friday, 15 March 2013 in cash.

(iv) On 5 February 2013, the Company announced that James Mellon, the Non-Executive Co-Chairman of the Board of the Company, had been appointed to the Board of Venturex as Non-Executive Director effective from the same day. Upon the appointment, the Company's interest in shares of Venturex, which has been classified as financial assets at fair value through profit or loss at the reporting date, will be accounted for as an interest in associate as a result of influence exercised by Mr. Mellon through his participation in the board of Venturex.

(v) On 15 February 2013, the Company announced that it executed a subscription agreement with Condor, pursuant to which: (i) it has agreed to subscribe for up to 6,250,000 new Condor shares at GBP 1.60 per Condor share in cash, for an aggregate consideration of GBP 10,000,000; (ii) in consideration for agreeing to underwrite an offer, it shall be issued with 12,500 new Condor shares (being an underwriting fee of 1 per cent of GBP 2,000,000, payable in new Condor shares and calculated by reference to the subscription price of GBP 1.60 per Condor share); and (iii) it shall be issued with Condor warrants on a one for three basis to subscribe, in aggregate, for up to 2,083,333 new Condor shares at GBP 2.20 per Condor share, which are exercisable at an aggregate consideration of GBP 4,583,333.

On 22 March 2013, the Company reported that it has successfully subscribed for or otherwise received a total of: (i) 3,286,125 new Condor shares (including 12,500 new Condor shares received as an underwriting fee in respect of the offer and (ii) Condor warrants to subscribe, in aggregate, for up to 1,091,208 new Condor shares, in each case pursuant to the subscription agreement. The Company also decided that it will not subscribe for any additional Condor shares at a cost of GBP 3 million at this time.

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