Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

2006/2007 ANNUAL REPORT

Project Interests in China

Contents

Key Highlights and Achievements

Finance

- Net profit of US$0.58 million
- Shareholders' equity of US$20.09 million
- Successfully issued US$6.25 million 8.5% redeemable convertible preference shares due November 2011
- Unhedged

Corporate

- Market capitalisation more than doubled to US$81.5 million

Exploration

- Major exploration and in-fill drilling success at Dapingzhang
- 45 million tonnes of global resources – 325,000 tonnes copper and 230,000 tonnes zinc (JORC Code compliant)
- >90,000 metres drilled in over 400 holes
- Significant new discovery of copper and zinc mineralisation North of Dapingzhang with copper–zinc mineralisation now known over a "camp-sized" six kilometre strike length and open to the North

Mining Operations

- Annual production targets met at Dapingzhang
- Completed relocation of Dawaz and Dapingzhang hamlets
- Completed and now mining to mine design and production schedule (ahead of target at Dawaz)
- Converting mining process towards best practice (ongoing)
- SGS commenced next phase of mineralogy and metallurgical test work
- Completed and now implementing needs analysis of environmental, health and safety issues at mine site with Environmental Resources Management ("**ERM**")
- ERM completing mine wide environmental, health and safety plan and training mine site personnel
- Undertaking upgrading of existing tailings storage facility and waste dump

Chairman's Statement

Your Company continued to grow significantly, more than doubling its market capitalisation to US$81.5 million at year end. We are positioned to significantly increase this growth during 2007 and as I write this report your Company's market capitalisation now stands at US$197 million on an undilutive basis.

Operating Performance

The Group's operations including its 40% interest in Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**"), a Sino-foreign equity joint venture enterprise engaged in mining, performed well for the financial year, meeting or exceeding its operating targets. YSSCCL had its first full year of operating results with more than 9 million pounds of copper being sold. The cash operating costs at YSSCCL were 18 US cents per pound, well below comparable volcanic massive sulphide ("**VMS**") mine operators. At YSSCCL targets were exceeded for drilling, mining and production, an excellent result by the team at Dapingzhang. Safety performance and awareness is improving at YSSCCL and there were no lost time injuries reported during the financial year. We continue to work with Environmental Resources Management on the implementation of a comprehensive mine wide environmental, health and safety plan with the safety, security and health of our employees paramount.

Mine Exploration and Reserves

We had an excellent year at Dapingzhang with two global mineral estimates (JORC Code compliant) being reported with over 45 million tonnes of resources containing 325 thousand tonnes copper and 230 thousand tonnes zinc. In addition, Dapingzhang's first ore reserves (reserves were prepared in accordance with JORC Code Guidelines) were produced containing 15.57 million tonnes of probable reserve tonnes at an average copper grade of 1.17% and an average zinc grade of 1.09% net of mining depletion as at 31 March 2007. All ore reserves are currently derived from the Dawaz pit and the Dapingzhang pit that are contained within a 2.75 km^2 mining licence area.

All this was done within 12 months, a terrific achievement by the Dapingzhang exploration team.

We continue to discover more copper, zinc, lead, gold and silver mineralisation at Dapingzhang. We therefore expect to extend the life of mine well beyond the current nine-year mine life.

An expansion study of the existing plant was completed. A feasibility study for a new plant at Dapingzhang was completed and design work will start in the current financial year.

Regional Exploration

Our regional search for new VMS orebodies has commenced successfully with our first discovery. The mineralisation is of the ancient sea floor "black smoker"-type as mined at Dapingzhang. The new discovery called Rongfa 1 is significant because it means copper-zinc mineralisation is now known over a "camp-sized" six kilometre strike length and is open to the North. Once the rainy season ends a major exploration program will be implemented for the area.

We embarked on a new exploration programme at Yinzishan, our 90.5% joint venture.

Chairman's Statement

Regional Exploration (Continued)

The Group believes that we have the competitive edge in exploring for VMS deposits in South West Yunnan Province with a land bank of over 155 square kilometres. We will continue to aggressively explore for new VMS deposits in this region, whose potential remains unknown, under explored and under developed.

Financial Performance

The Group reported a net profit attributable to shareholders of the Company of US$582,000. YSSCCL contributed US$4.4 million for the financial year, but this was offset by interest expenses on the convertible bonds and the redeemable convertible preference shares of US$2.6 million and the write off of US$1.1 million for the consideration shares issued for the Yinzishan joint venture acquisition.

The Group has no hedging.

Corporate Governance

We are committed to high standards of corporate governance with sound policies and procedures in place. We continue to monitor developments in the area of corporate governance as they relate to listed issuers in Hong Kong.

Outlook

We believe the outlook of your Company, China and the global commodities market is positive. 2007 is already proving more than a match for 2006 as another extraordinary year for commodities and the mining industry. The prices of copper and zinc have recovered sharply over the last two to three months driven by a strong acceleration in Chinese growth. We believe China remains the key fundamental factor behind commodity markets in 2007. We expect growth to remain strong in China which will continue to lead to strong demand for Dapingzhang's copper and zinc concentrates. Your Company is therefore strongly positioned to benefit from growth during 2007 and beyond. However, we do expect the prices to remain volatile throughout 2007.

We will continue to aggressively pursue plant expansion at Dapingzhang. In this respect, management has set challenging plans, targets and budgets for 2007 and 2008.

I am pleased to report that your Company is well positioned to experience strong operating performance in 2007.

I welcome to the board John Stalker and Dr Youzhi Wei, mining veterans with substantial experience.

I thank the management team and our employees for delivering a strong transition year.

Chairman
James Mellon

17 July 2007

CEO's Report

The financial year ended 31 March 2007 was a transition year for your Company, where management and employees reshaped your Company into a mining investment company. Your management team focused its main efforts on delivering against their objectives and targets at its 40% interest in Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**"). We are pleased to report that your management team met and in some cases exceeded their targets.

We believe the upcoming financial year will be very exciting for the Company with strong financial and operating performance expected. The focus of your management team will again be on delivering against targets, whether health and safety, exploration, mining, production or the environment at Dapingzhang and the Yinzishan joint ventures.

At Dapingzhang our efforts will focus on mine exploration, mining and production. Following recent extensions to the orebody, we will design a longer mine life well beyond the nine-year mine life. We will increase production to over 3,000 tonnes per day from October 2007. Furthermore, we are in the design study stage with the aim of increasing production to over 4,500 tonnes per day from March 2008. These production ramp ups will lead to stronger financial and operational performance for the current financial year.

We have hired four new expatriate employees who operate the largest plant at Dapingzhang from 1 July 2007. The new plant team will push aggressively on the ramp up and optimization of the plant with the focus on increasing production, grade and recovery while lowering costs.

We have sold our first zinc concentrate production to Yunnan Yuntong Zinc Company Ltd in June 2007. Both copper and zinc offtake agreements require 100% prepayment. YSSCCL's cash and cashflow position should experience strong growth during the current financial year and beyond.

Our exploration team has done a terrific job of going from zero resources to over 45 million tonnes of JORC Code compliant indicated and inferred resources within 12 months. Both mineral resource estimates were produced on time. Over 60,000 metres were drilled in the financial year just ended. 8 drill rigs continue drilling aggressively at Dapingzhang.

Our new mining team is going great guns at Dapingzhang. Mining is being done to design, a first at Dapingzhang, and waste stripping and ore production are both ahead of schedule. We have over 140,000 tonnes of Dawaz massive sulphide ore on stockpile.

We are excited with our first volcanic massive sulphide ("**VMS**") discovery which is located three kilometres North of the Dapingzhang mine. This new VMS discovery has potential to become another VMS orebody. We are committed to aggressive exploration that will add value to your Company. Dapingzhang is becoming a world class VMS deposit. At Yinzishan we have started our regional exploration programme with two drills running. We are excited about this early stage prospect.

We are on the look out for adding other quality projects to our stable. We are currently looking in the People's Republic of China and the metals we understand, but we will consider other commodities if we see upside and they add value to your Company.

CEO's Report

We will continue to focus our main efforts at Dapingzhang with emphasis on increasing production, volumes and lowering costs. We believe in driving the bottom line for the benefit of our shareholders. Our focus will continue on that during the current financial year.

We believe that 2007 will be a great year for your Company where we strive forward with our ambitious plans. We are focused and driven to succeed. We expect 2007 will be a remarkable year for your Company.

We thank you for your continuing support for the Company.

Jamie Gibson

17 July 2007

Dapingzhang Mine

DAPINGZHANG MINE OPERATION - A WORLD CLASS VMS DEPOSIT

Mining and Production

In April 2007, Cube Consulting Pty Ltd ("**Cube**") completed the first ore reserves and life of mine, including the optimisations, pit designs and mining schedules. The current life of mine ("**LOM**") plan extends to 2015 with ore reserves of 15.57 million tonnes of probable reserve tonnes at an average copper grade of 1.17% and an average zinc grade of 1.09% net of mining depletion as at 31 March 2007. The ore reserves were prepared in accordance with JORC Code Guidelines - see figure 1.

Figure 1 - Ore reserves

			Reserves	Grade						Contained Metal				
										Cu	Zn	Au	Ag	Pb
			tonnes	Cu	Zn	Au	Ag	Pb		tonnes	tonnes	ounces	ounces	tonnes
Deposit	Classification	Ore Type	millions	%	%	g/t	g/t	%		x 1000	x 1000	x 1000	x 1000	x 1000
Dapingzhang	Probable	Massive	8.37	1.72	1.53	0.47	17.98	0.16		144	128	128	4,835	13
		Disseminated	6.54	0.54	0.04	0.10	3.65	0.01		35	3	20	767	1
Dapingzhang Total			14.91	1.2	0.88	0.31	11.69	0.09		179	131	148	5,602	14
Dawaz	Probable	Massive	0.66	0.53	5.98	0.23	38.30	1.05		4	40	5	814	7
		Disseminated	—	—	—	—	—	—		—	—	—	—	—
Dawaz Total			0.66	0.53	5.98	0.23	38.30	1.05		4	40	5	814	7
TOTAL RESERVES			15.57	1.17	1.09	0.31	12.82	0.13		183	171	153	6,416	21

The average annual production for the current LOM is 83,000 tonnes copper and 31,000 tonnes zinc at a cash cost of US$0.30/lb copper net of by product credits.

The Dapingzhang mine is an open pit mining operation using excavators in backhoe configuration and trucks. The mining is completed by independent contractors under instruction from the mine. Mining is managed to follow the pit design and ensure minimal ore loss and dilution occurs - see figure 2.

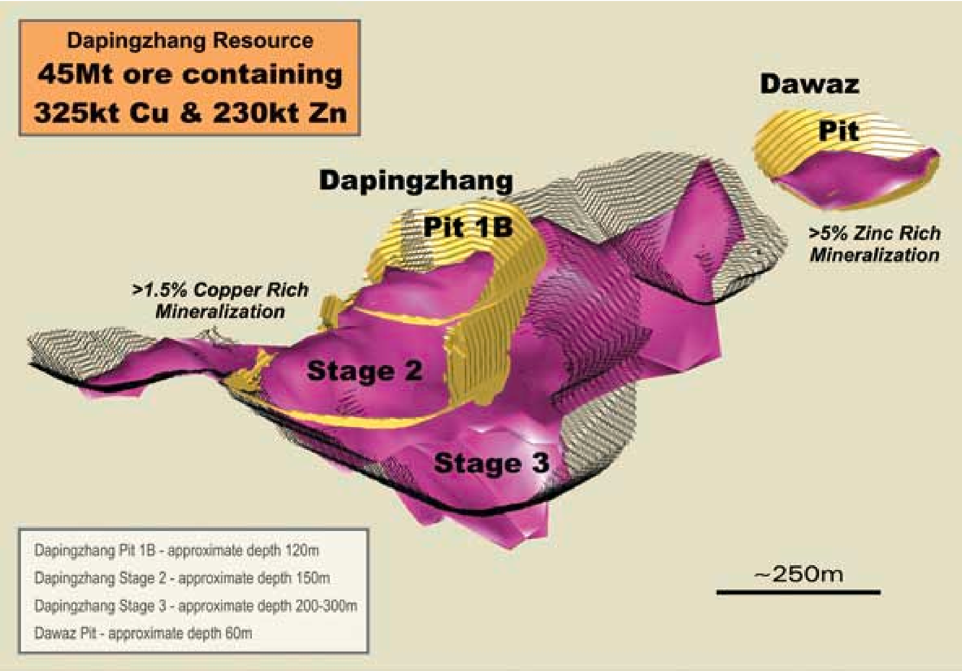


Figure 2 - Dapingzhang Mine

Dapingzhang Mine

DAPINGZHANG MINE OPERATION - A WORLD CLASS VMS DEPOSIT

Mining and Production (Continued)

February 2007 saw the commencement of the stripping phase. The stripping is focused on removing waste overlying the massive sulphide ore bodies at both Dapingzhang and Dawaz. It is anticipated that the waste stripping will be completed in these areas in September 2007. From February 2007 to May 2007, over 7.1 million cubic metres of waste has been removed from the open pits at Dapingzhang and Dawaz.

A total of 14,705 cubic metres of massive sulphide ore has been mined from the open pit at Dawaz. While the ore reserve average zinc grade for the Dawaz pit is 5.98%, mill head grades to date have averaged between 7% and 8% zinc. Mining is well ahead of the Cube mining schedule, with over 140,000 tonnes of Dawaz massive sulphide ore are on ROM.

The concentrators have been reconfigured to produce separate copper and zinc concentrates. The total annual nameplate throughput capacity of the concentrators is 575,000 tonnes. However, this will be increased by 25% to 719,000 tonnes from October 2007 with the aim of going to over 1 million tonnes by March 2008.

Plant throughput was 599,967 tonnes for the year. The milled head grade was 0.81% copper equivalent for the year, which represents the treatment of lower grade disseminated copper and stringer-type mineralisation.

Dapingzhang Mine

DAPINGZHANG MINE OPERATION - A WORLD CLASS VMS DEPOSIT

Mining, Production and Costs

The mining, production and costs for the year were:

Production – 31 March 2007

Table 1

	Units	Year ended 31 March 2007
Ore mined	t	745,215
Copper grade	%	0.81
Waste stripped	bcm	5.7
Ore milled	t	599,967
Copper grade	%	0.81
Copper recoveries	%	92
Production		
Copper concentrate	t	22,541
Zinc concentrate (pilot plant test work)	t	879
Copper concentrate sold	t	20,891
Contained metal in concentrates~		
Cu	t	4,125
Au	oz	2,873
Ag	oz	55,669

Dapingzhang Mine

DAPINGZHANG MINE OPERATION - A WORLD CLASS VMS DEPOSIT

Mining, Production and Costs (Continued)

Operating Costs – 31 March 2007

Table 2

All in US$'000	Year ended 31 March 2007
Operating costs[1]	8,479
Admin costs[2]	1,034
Selling costs[2]	265
Transportation costs	684
By-product credit[3]	(1,663)
Total Cash Cost	8,799
Depreciation and amortisation[4]	1,490
Total Production Costs[5]	10,289
Cash operating costs/lb (US$)	0.183

1 Exploration and resource drilling expenditures are not included in mine site cash costs where there are payable terms

2 Directly attributable to the mine operations

3 Revenue from gold and silver

4 Includes amortisation of mine assets and exploration & mining licences

5 Includes cost of goods sold and inventory costs of finished goods

Total cash costs of US$0.183 per pound copper equivalent included downtime while the plant was being upgraded for including a separate zinc circuit and running pilot plant test programs. Cash operating costs for 2007 are expected to be negative.

Exploration cost for the 60,000 metre drilling programme completed up to February 2007 for the deposit was US$0.0056 per pound copper equivalent metal.

Dapingzhang Mine

DAPINGZHANG MINE OPERATION - A WORLD CLASS VMS DEPOSIT

Marketing

Dapingzhang copper concentrate and zinc concentrate is shipped to smelters owned by Yunnan Copper Group Co., Ltd and Yunnan Yuntong Zinc Company Ltd respectively. 100% prepayment is received before shipment is made to the smelter.

Outlook

The current LOM forecast production, metal sold and cash costs for 2007 and 2008 of:

2007

	Zinc concentrate tonnes	Copper concentrate tonnes	Zinc tonnes	Copper tonnes
Production	35,000 ~ 40,000	10,000 ~ 15,000		
Metal Sold			15,000 ~ 20,000	3,000 ~ 3,500

Cash costs net of by product credits
2007: - US$3.50/lb

2008

	Zinc concentrate tonnes	Copper concentrate tonnes	Zinc tonnes	Copper tonnes
Production	55,000 ~ 66,000	45,000 ~ 52,000		
Metal Sold			28,000 ~ 33,000	9,000 ~ 10,200

Cash costs net of by product credits
2008: - US$2.00/lb

Dapingzhang Mine

DAPINGZHANG MINE OPERATION - A WORLD CLASS VMS DEPOSIT

Resources and Exploration

Ore is currently being mined from the Dawaz orebody where ore reserves as at 31 March 2007 were 0.66 million tonnes and resources stood at 730,000 tonnes of copper equivalent.

Overall resources at Dapingzhang and Dawaz total 45 million tonnes containing 325,000 tonnes copper and 230,000 tonnes zinc. Over 60,000 metres were drilled during the year. All drilling has been done in the mining licence area that is 2.75km^2. The purpose of the infill drilling was to upgrade confidence in the resource and establish the first ore reserve at Dapingzhang. The drilling program returned excellent intersections with potential to add further resources and ore reserves in 2007 - see figure 3.

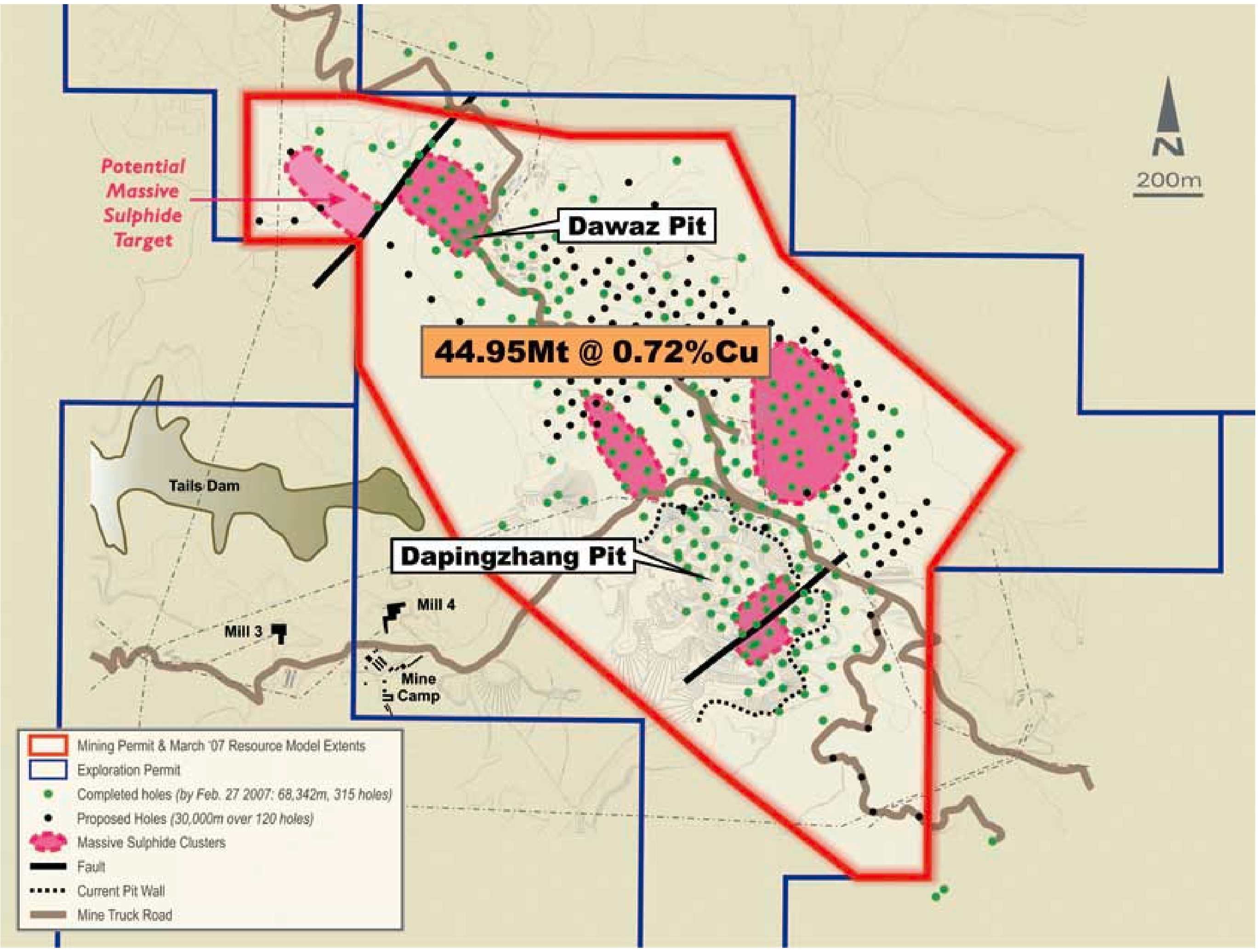


Figure 3 - Dapingzhang Mine - Potential to Add Further Resources

DAPINGZHANG MINE OPERATION - A WORLD CLASS VMS DEPOSIT

Resources and Exploration (Continued)

Some recent drilling highlights that are not included in the current mineral resource estimate are set out below:

Hole	From (m)	Interval (m)	Copper (%)	Zinc (%)	Ore type
DH028	110.9	20.60	0.65	0.02	V1
	147.1	50.10	0.77	0.07	
	199.3	13.40	0.73	0.02	V2
	214.5	2.80	3.01	0.02	V1
DH0108	163	1.20	0.83	14.43	V1
DH010304	111.4	12.80	1.32	1.00	V1
	124.2	28.50	0.52	0.03	V2
DH010306	272	11.20	1.88	0.02	V1
DH010307	241.6	5.60	0.81	17.17	V1
	289.3	5.50	0.84	0.01	V2
DH356	186.1	6.50	1.59	0.04	V1
DH502	121.7	6.40	0.96	0.43	V1
	136	6.00	1.15	0.99	
	159.7	10.40	0.95	0.03	V2
DH10127	136.4	9.60	1.62	1.84	V1
	158.4	13.25	0.51	0.02	V2
DH1013	154.4	3.70	3.16	2.32	V1
	176.6	25.50	0.97	0.00	V2
DH1216	116.5	8.50	3.57	0.02	V1

An updated estimate of mineral resources is scheduled for September 2007.

As at 24 June 2007, the in-filling drilling program utilising 8 diamond drill rigs had completed 29,809.47 metres from 116 holes. A total of 30,000 metres is planned for completion by end of July 2007.

In 2007, the resource drilling program will include further drilling to explore the Dapingzhang-type volcanic massive sulphide ("**VMS**") mineralisation in an easterly direction. Drilling will commence in October 2007 on exploration permit areas contiguous with the mining licence.

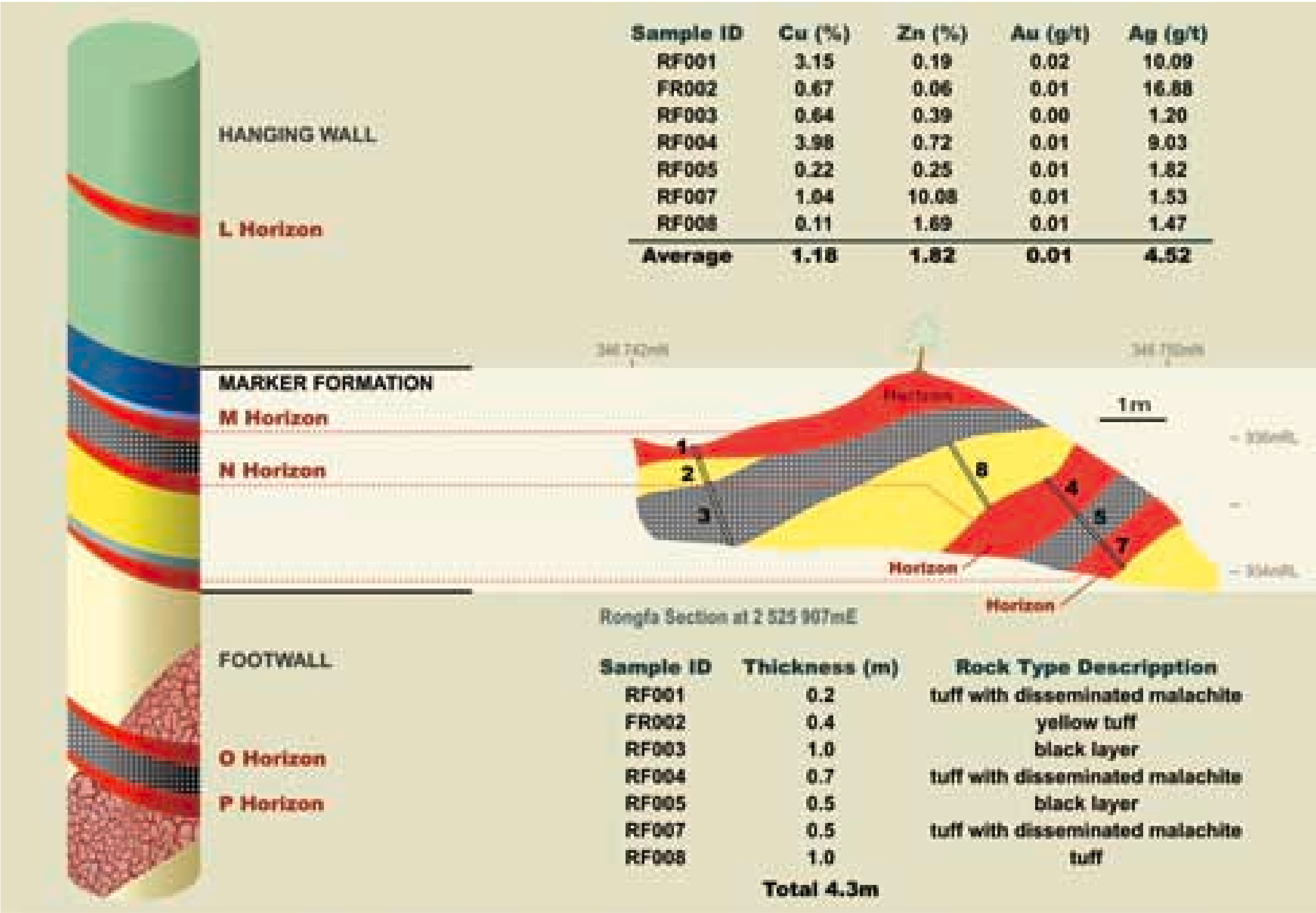
We aim to add copper and zinc resources and extend mine life in 2007. VMS systems often contain separate orebodies. Our regional search for new VMS orebodies has commenced successfully with our first discovery North of the Dawaz open pit. The mineralisation is of the ancient sea floor 'black smoker'-type as mined at Dapingzhang. The new discovery called Rongfa 1 is significant because it means copper-zinc mineralisation is now known over a 'camp-sized' six kilometre strike length and is open to the North. This six kilometre long portion of favourable volcanic host rocks lies within a

Dapingzhang Mine

DAPINGZHANG MINE OPERATION - A WORLD CLASS VMS DEPOSIT

Resources and Exploration (Continued)

larger belt of volcanic rocks that "crops out" intermittently for approximately 40 kilometres. The entire belt has the potential to host additional VMS deposits, a common feature for these types of systems world wide. A major exploration program will be implemented for the area Rongfa I showing area following the rainy season - see figure 4.



Sample ID	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)
RF001	3.15	0.19	0.02	10.09
FR002	0.67	0.06	0.01	16.88
RF003	0.64	0.39	0.00	1.20
RF004	3.98	0.72	0.01	9.03
RF005	0.22	0.25	0.01	1.82
RF007	1.04	10.08	0.01	1.53
RF008	0.11	1.69	0.01	1.47
Average	**1.18**	**1.82**	**0.01**	**4.52**

Sample ID	Thickness (m)	Rock Type Descripption
RF001	0.2	tuff with disseminated malachite
FR002	0.4	yellow tuff
RF003	1.0	black layer
RF004	0.7	tuff with disseminated malachite
RF005	0.5	black layer
RF007	0.5	tuff with disseminated malachite
RF008	1.0	tuff
	Total 4.3m	

Figure 4 - Comparison of Exhalative Tuff Horizons at Rongfa I to Dapingzhang Mine

Plant Expansion

Kunming Design Institute has completed a feasibility study for the new plant to supersede the existing smaller plants. Targeted plant expansion is 8,000 tonnes per day. Detailed design and engineering work will commence in September 2007.

Infrastructure Studies

China ENFI Engineering Corporation completed a detailed review of the existing tailings storage facility in May 2007. Work has commenced on improving the strength of the facility and completion is targeted for November 2007.

The return water system and upgrading of the mine access road has been completed. A new waste dam, central filter plant and mine camp are being constructed.

Yinzishan Mine

A fieldwork program involving geological mapping of surface exposures of volcanic rock and underground workings, and the collection of rock samples for geotechnical examination was completed in the fourth quarter of 2006. Geophysical surveys of a $3km^2$ area were completed in January 2007 and have identified three large anomalies. An exploration drilling program of approximately 5,000 metres commenced in April 2007 utilising two diamond drill rigs.

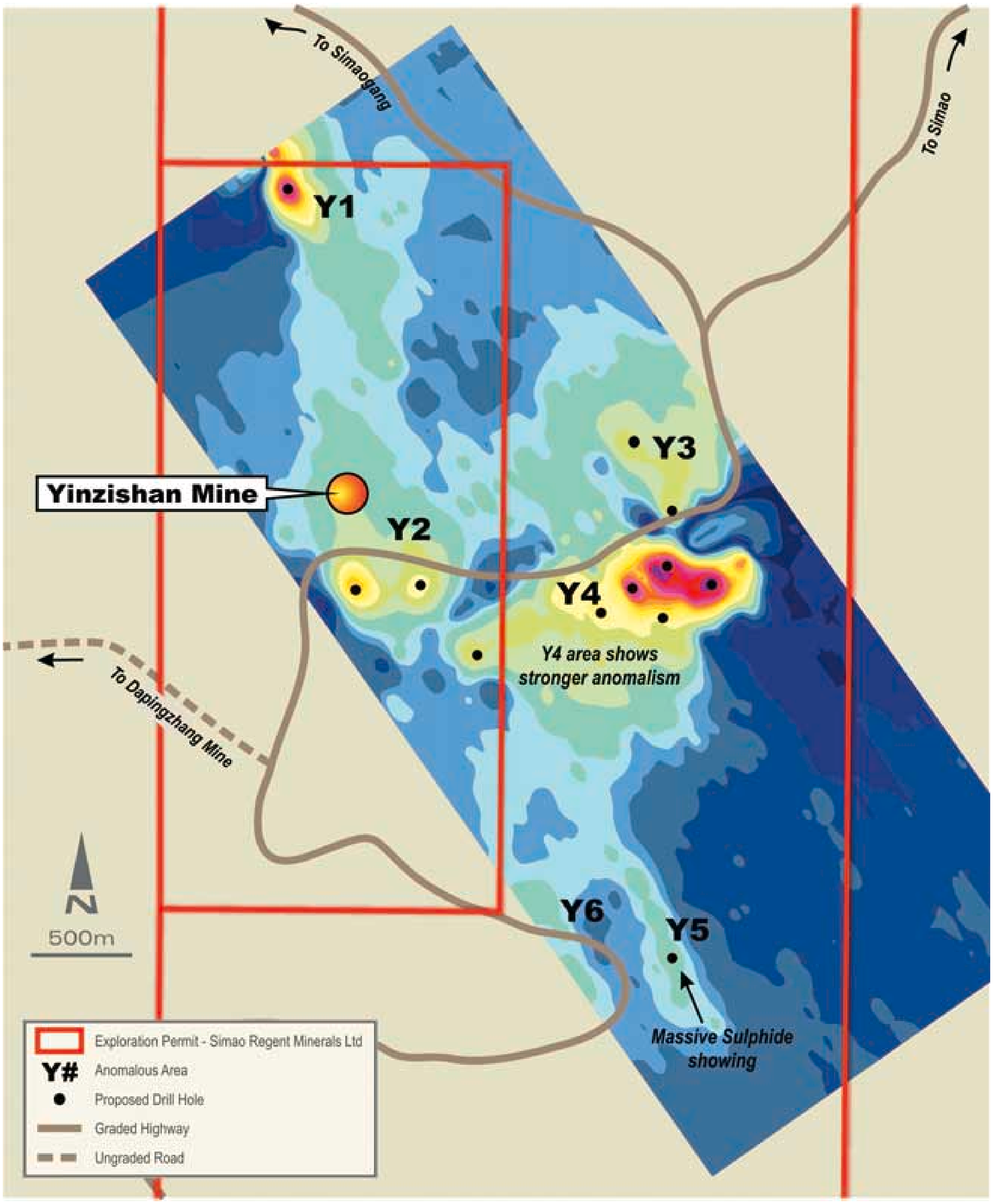


Figure 5 - Yinzishan IP Anomalies

The Yinzishan mine has been temporarily closed in order to take advantage of a small but high-grade copper oxide deposit hosted in limestone (not volcanogenic), the Manzitian Mine. The 100 tonnes per day mill has been successfully adapted to treat copper oxide. Exploration drilling is planned to trace Manzitian mineralisation along strike and down dip.

Environment, Rehabilitation, Health & Safety

Environment

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

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

Yunnan Simao Shanshui Copper Company Limited has engaged Environmental Resources Management for the purposes of developing a comprehensive mine wide environmental, health and safety plan, including the provision of training, among others.

There were no reportable environmental incidents during the financial year.

Rehabilitation

We aim to conduct progressive rehabilitation, wherever possible, to reduce the impacts on the environment and minimise the residual impact of the site. Generally this is recorded at the time of closure.

Following disturbance, we aim with our joint venture 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.

Environment, Rehabilitation, Health & Safety

Rehabilitation (Continued)

The environment that exists at the joint venture mine sites in Yunnan Province, the People's Republic of China, covers two distinct seasons, a wet sub tropics to semi-arid systems representing a wide rainfall spectrum. Consequently, there are a range of different challenges in respect to the development of post-mine landscapes that are stable, resistant to erosion, encapsulate any hostile mine wastes and provide a suitable substrate or water body targeted for specific end land use requirements. These range from the development of sustainable biodiverse ecosystems endemic to the local area, through to suitable agricultural, agro-forestry or aquaculture production systems.

The Company is undertaking a base line study to better understand the rehabilitation process and identify key indicators for reclamation success.

Health and Safety

The Company 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.
- Ensure effective communication and education with all employees so as to develop a health and safety culture that is bolstered by equal ownership and commitment.

There were no lost time injuries during the financial year.

Directors' Report

The Directors of the Company have pleasure in submitting their report and the audited financial statements of the Company and the Group for the year ended 31 March 2007 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding, and the Group's principal activities consist of mining and exploration of natural resources; asset management; provision of investment advisory services; corporate finance and advisory services and corporate investment.

Principal activities of the respective subsidiaries of the Company during the year are set out in note 16 to the Financial Statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2007 are set out in the Consolidated Income Statement on page 63.

The Company did not pay any dividend during the year ended 31 March 2007.

The Directors do not recommend the payment of a final dividend.

SUMMARY FINANCIAL INFORMATION

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

Results:

	For the year ended 31 March (restated)				
	2007 US$'000	2006 US$'000	2005 US$'000	2004 US$'000	2003 US$'000
Total income	3,684	3,722	3,602	2,595	2,335
Income less expenses	(2,981)	(5,312)	158	(2,001)	(1,905)
Finance costs – interest on convertible bonds and redeemable convertible preference shares	(2,613)	(8)	—	—	—
Operating (loss)/profit	(5,594)	(5,320)	158	(2,001)	(1,905)
Share of profits/(losses) of associates	1,828	13,001	(42,043)	7,089	(5,534)
Share of profit of a jointly controlled entity	4,378	—	—	—	—
Profit/(Loss) before taxation	612	7,681	(41,885)	5,088	(7,439)
Taxation	—	—	(7)	—	163
Profit/(Loss) for the year	612	7,681	(41,892)	5,088	(7,276)
Minority interests	(30)	(5)	(438)	(15)	16
Profit/(Loss) attributable to equity holders of the Company	582	7,676	(42,330)	5,073	(7,260)

Directors' Report

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	As at 31 March (restated)				
	2007 US$'000	2006 US$'000	2005 US$'000	2004 US$'000	2003 US$'000
Goodwill	1,876	1,876	—	—	—
Exploration and evaluation assets	78	—	—	—	—
Property, plant and equipment	195	34	49	25	59
Interests in associates	2,768	1,587	43,023	92,392	78,912
Interest in a jointly controlled entity	25,180	—	—	—	—
Available-for-sale financial assets	620	620	—	—	—
Non-current investments in securities	—	—	6,491	3,922	4,562
Amount due from an associate	—	—	435	495	662
Current assets	12,180	31,784	2,232	1,543	3,667
Total assets	42,897	35,901	52,230	98,377	87,862
Current liabilities	693	3,943	395	1,098	2,670
Non-current liabilities	21,631	18,352	—	—	—
Total liabilities	22,324	22,295	395	1,098	2,670
Net assets	20,573	13,606	51,835	97,279	85,192

SUBSIDIARIES, ASSOCIATE AND JOINTLY CONTROLLED ENTITY

Particulars of the Company's subsidiaries and the Group's associate and jointly controlled entity are set out in notes 16, 17 and 18 respectively to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the Financial Statements.

BORROWINGS

Details of movements in the borrowings of the Group and the Company during the year are set out in note 25 to the Financial Statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and outstanding share options are set out below and in note 29 to the Financial Statements.

At the Company's extraordinary general meeting held on 23 November 2006, the authorised share capital of the Company was increased from US$55,500,000 comprising 5,000,000,000 ordinary shares of US$0.01 each ("**Ordinary Shares**") and 550,000,000 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 ("**Deferred Shares**") to US$55,500,062.50 comprising 5,000,000,000 Ordinary Shares, 550,000,000 unclassified shares of US$0.01 each, which may be issued as Ordinary Shares or as Deferred Shares and 6,250 redeemable convertible preference shares of US$0.01 each ("**Redeemable Convertible Preference Shares**").

During the year, an aggregate of 123,325,862 new ordinary shares and 6,250 Redeemable Convertible Preference Shares (as referred to below) were issued and allotted, details of which are set out as follows:

a. An aggregate of 92,781,468 new ordinary shares were issued and allotted upon conversion of Convertible Bonds (as referred to below) with a principal amount of US$3.11 million, being at a conversion price of HK$0.2615 per share.

b. An aggregate of 2,306,000 new ordinary shares were issued and allotted for a total consideration of HK$613,396 (approximately US$78,640), being HK$0.266 per share, upon exercise of options under the Company's Share Option Scheme (2002) (as referred to below).

c. 6,250 Redeemable Convertible Preference Shares were issued and allotted on 30 November 2006 pursuant to a subscription agreement dated 11 October 2006 at US$1,000 per share in cash.

d. 6,724,138 new ordinary shares were issued and allotted on 12 February 2007 upon conversion of 250 Redeemable Convertible Preference Shares, being at a conversion price of HK$0.290 per share.

e. 21,514,256 new ordinary shares were issued and allotted on 12 February 2007 to Stephen Dattels upon completion of the introduction agreement dated 4 September 2006 (details of which were set out in the shareholders' circular issued by the Company on 27 October 2006).

Directors' Report

SHARE CAPITAL AND SHARE OPTIONS (Continued)

Subsequent to the year end date and prior to the date of this report, an aggregate of 154,562,777 new ordinary shares were issued and allotted, details of which are set out as follows:

i. An aggregate of 3,667,000 new ordinary shares were issued and allotted for a total consideration of HK$975,422 (approximately US$125,050), being HK$0.266 per share, upon exercise of options under the Share Option Scheme (2002).

ii. An aggregate of 6,480,000 new ordinary shares were issued and allotted for a total consideration of HK$1,944,000 (approximately US$249,230), being HK$0.300 per share, upon exercise of options under the Share Option Scheme (2002).

iii. An aggregate of 130,967,501 new ordinary shares were issued and allotted upon conversion of Convertible Bonds with a principal amount of US$4.39 million, being at a conversion price of HK$0.2615 per share.

iv. 13,448,276 new ordinary shares were issued and allotted upon conversion of 500 Redeemable Convertible Preference Shares, being at a conversion price of HK$0.290 per share.

1. Convertible Bonds

A summary of the principal terms of the Convertible Bonds is set out in note 29.1 to the Financial Statements.

During the year, Convertible Bonds with a principal amount of US$3.11 million were converted into, in aggregate, 92,781,468 new ordinary shares. Subsequent to the year end date, Convertible Bonds with a principal amount of US$4.39 million were converted into, in aggregate, 130,967,501 new ordinary shares. Accordingly, as at the date of this report, Convertible Bonds with a principal amount of US$12.5 million, which may be convertible into 372,912,749 new ordinary shares, are outstanding.

2. Redeemable Convertible Preference Shares

A summary of the principal terms of the Redeemable Convertible Preference Shares is set out in note 29.2 to the Financial Statements.

During the year, 250 Redeemable Convertible Preference Shares were converted into 6,724,138 new ordinary shares. Subsequent to the year end date, 500 Redeemable Convertible Preference Shares were converted into 13,448,276 new ordinary shares. Accordingly, as at the date of this report, there are 5,500 Redeemable Convertible Preference Shares outstanding, which may be convertible into 147,931,035 ordinary shares.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

3. Share Option Scheme (2002)

Details of the Share Option Scheme (2002) and particulars of the options held under the scheme by various participants are set out in note 29.3 to the Financial Statements.

As at 1 April 2006, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 20,274,000 shares at the exercise price of HK$0.266 per share. During the year:

- Options in respect of an aggregate of 109,700,000 shares at the exercise prices ranging from HK$0.300 to HK$0.325 per share were granted;
- No options were cancelled;
- Options in respect of an aggregate of 917,000 shares at the exercise prices ranging from HK$0.266 to HK$0.300 per share lapsed upon resignation of an eligible participant; and
- Vested options in respect of an aggregate of 2,306,000 shares were exercised at HK$0.266 per share.

Accordingly, as at 31 March 2007, there were outstanding options in respect of 126,751,000 shares at the exercise prices ranging from HK$0.266 to HK$0.325 per share.

Subsequent to the year end date:

- Vested options in respect of an aggregate of 10,147,000 shares were exercised at the exercise prices ranging from HK$0.266 to HK$0.300 per share.
- Options in respect of an aggregate of 26,000,000 shares at the exercise price HK$0.780 per share were granted; and
- No options were cancelled or lapsed.

Accordingly, as at the date of this report, there were outstanding options in respect of 142,604,000 shares at the exercise prices ranging from HK$0.266 to HK$0.780 per share.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 30 to the Financial Statements. The Company considers that only profits and share premium are distributable to shareholders.

Directors' Report

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

No shares in the Company were purchased or sold by the Company or any of its subsidiaries during the year, whether on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") or otherwise. The Company has not redeemed any of its securities during the year.

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 and as at the date of this report, the Company has complied with the public float requirement prescribed in The Rules Governing the Listing of Securities (the "**HK Listing Rules**") on the HK Stock Exchange for the Company.

DIRECTORS

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

James Mellon *(Chairman)**	
Jamie Alexander Gibson *(Chief Executive Officer)*	
Cheung Mei Chu, Clara	
Charles David Andrew Comba#	
Julie Oates#	
Thomas Patrick Reid#	
Stawell Mark Searle#	
John Ian Stalker*	(Appointed on 15 May 2007)
Jayne Allison Sutcliffe*	
Dr Youzhi Wei*	(Appointed on 15 May 2007)
Alexander Anderson Whamond*	

* *non-executive Directors*
\# *independent non-executive Directors*

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

DIRECTORS (Continued)

In accordance with Article 87, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third), who have been longest in office since their last re-election or appointment, shall retire from office by rotation. A retiring Director shall be eligible for re-election.

John Stalker and Dr Youzhi Wei will retire pursuant to Article 86(3) while Clara Cheung, Jayne Sutcliffe and Anderson Whamond will retire by rotation pursuant to Article 87 at the forthcoming annual general meeting of the Company. All of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to shareholders.

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

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

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

1. ***James Mellon***, aged 50, British, was appointed as an executive Director of the Company in July 1991 and the Chairman of the Board of Directors of the Company in April 1994 and held such positions until May 2002, except for the period from December 2000 to April 2001 during which he stepped down from the role of the Chairman. In May 2002, Mr Mellon was re-designated as a non-executive Director of the Company and resigned as the Chairman in May 2003. In October 2005, he resumed as the non-executive Chairman of the Board. 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 and funds managed by the Group. Since the completion of a restructuring scheme of Regent Pacific Group and the Group's divestment in Charlemagne Capital Limited (formerly known as Regent Europe Limited) in June 2000 (the "**Restructuring Scheme**"), Mr Mellon has been non-executive Chairman of Charlemagne Capital Limited, which is currently listed on the AIM (UK).

Directors' Report

DIRECTORS (Continued)

2. ***Jamie Alexander Gibson***, aged 41, 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. On 16 May 2002, he became Chief Executive Officer of the Company. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers & Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also director of (i) a number of subsidiaries of Regent Pacific Group; (ii) Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**") which is the Sino-foreign equity joint venture enterprise established for the Dapingzhang Copper Mine and is a 40% owned associate of the Company; and (iii) Simao Regent Minerals Limited which is the Sino-foreign co-operative joint venture enterprise established for the Yinzishan Mine and is a 90.5% owned subsidiary of the Company.

3. ***Cheung Mei Chu, Clara***, aged 33, Chinese, joined Regent Pacific Group in March 2002 and was appointed as the Finance Director of the Company in January 2004. Ms Cheung is a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. She has a Master's degree in Business Administration from The Hong Kong University of Science and Technology. Prior to joining the Company, she has gained extensive experience in auditing and accounting with Deloitte Touche Tohmatsu. She is also director of certain subsidiaries of Regent Pacific Group and YSSCCL.

4. ***Charles David Andrew Comba***, aged 64, Canadian, was appointed as an independent non-executive Director of the Company in October 2005. He is currently director of three Canadian listed companies, namely First Nickel Inc (listed on the TSX-T), Cogitore Resources Inc (formerly Woodruff Capital Management Inc) (listed on the TSX-V) and North American Palladium Ltd (listed on the TSX-T and AMEX). In the past few years, Mr Comba also served on the boards of Viking Gold Explorations Inc (listed on the TSX-V), Dumont Nickel Inc (listed on TSX-V) and Black Pearl Minerals Consolidated Inc (listed on TSX-V). Until his retirement in May 2005, he held senior staff positions as Director Issues Management and more recently as Director of Regulatory Affairs with the Prospectors and Developers Association of Canada. Mr Comba also served the association as a Director prior to joining staff in 1998. In addition, he also served as one of two expert witnesses in the successful 1999 defence of Larche vs Scintilor, the last of the court cases regarding title challenges arising from the 1980 discovery of the Hemlo, Ontario, Canada gold camp. He also served on or lead mineral exploration teams that have made eleven significant discoveries of base and precious metals, primarily for Falconbridge Group companies. Five discoveries were taken to production; two are still producing.

   After holding Falconbridge Regional Exploration Manager positions in Timmins, Ontario and Sudbury, Ontario, Mr Comba was transferred to Toronto, Ontario in 1990 as Vice President Exploration Falconbridge Gold Corporation. Subsequent to the sale of FGC to Kinross Gold Corporation he became a director, President and Chief Executive Officer of a Kinross controlled exploration company, Pentland Firth Ventures Limited, which was a junior capital pool company listed on the Alberta Stock Exchange and subsequently listed on the Toronto Stock Exchange.

DIRECTORS (Continued)

Mr Comba obtained two geological degrees from Queen's University Kingston, Ontario, Canada, an MSc (1975) and a Hon BSc (1972). He commenced his underground experience in 1964 as a sampler at a then Falconbridge controlled operation of Giant Yellowknife Gold Mines Ltd in Yellowknife, North West Territories, Canada.

5. ***Julie Oates***, aged 45, British, was appointed as an independent non-executive Director of the Company in September 2004. She was trained with Pannell Kerr Forster in the Isle of Man and was 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 more recently has established her own accountancy practice. Mrs Oates gained experience in both the general practice areas of accounting and business assurance as well as offshore corporate and trust administration. She is a member of The Society of Estate and Trust Practitioners and is licensed by the Isle of Man Government Financial Supervision Commission to provide corporate services.

6. ***Thomas Patrick Reid***, aged 64, is a Canadian Citizen and lives in Toronto, Ontario, Canada. He was appointed as an independent non-executive Director of the Company in October 2005. Mr Reid was elected to the Ontario Legislature in 1967, and served for five terms, retiring in 1984. He joined the Ontario Mining Association, a trade association representing the producing mines, and suppliers of equipment and services to the industry in Ontario. He retired after twenty years at the end of 2004. Mr Reid has been a partner in a number of businesses, and a political panelist on television. He has attended and been a speaker at mining related conferences around the globe. Presently, Mr Reid has his own consulting firm and serves as an independent director on the boards of directors of three Canadian listed companies, namely a director of Canstar Resources on the TSX-V, the chairman and director of Probe Mines on the TSX-V and a director of Valencia Ventures on the TSX-V.

7. ***Stawell Mark Searle***, aged 64, 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. Currently, Mr Searle is a director of Invesco Perpetual European Absolute Return Trust Plc (a listed company on the London Stock Exchange).

Directors' Report

DIRECTORS (Continued)

8. *John Ian Stalker*, aged 55, British, was appointed as a non-executive Director of the Company on 15 May 2007. Mr Stalker is an international mining executive with over thirty years of mining experience in Europe, Africa and Australia. He is CEO of UraMin Inc, which is developing mineral deposits, predominantly uranium, throughout the world. UraMin has a market capitalisation of over US$2 billion and has offices in London, United Kingdom and in Johannesburg, South Africa. Prior to joining UraMin, Mr Stalker was at Gold Fields Ltd, the world's fourth largest gold producer. At Gold Fields, he managed the company's PGE project in Finland starting in 2001 and eventually became a vice president and responsible for all of the company's main project activities in Australia and Europe in 2004. Prior to Gold Fields, he worked at Lycopodium, an engineering, mining, and metallurgical consultancy company, where he was responsible for new business in Africa and acted as project manager on select projects worldwide.

   From 1998 to 2000, Mr Stalker worked as a consultant on various projects located in Africa, including the Langer Heinrich Uranium project in Namibia. He also worked as a managing director at Ashanti Goldfield Company Limited from 1996 to 1998, where he was responsible for implementation of all the company's large scale projects in Africa. Mr Stalker has also been employed by Caledonia Mining Corporation (1995 to 1996), AGC Ltd (1987 to 1995) and Zambia Consolidated Copper Mines Ltd (1974 to 1987). He holds a BSc. in chemical engineering.

9. *Jayne Allison Sutcliffe*, aged 43, British, was appointed as the Group Corporate Finance Director in August 1991. Upon completion of the Restructuring Scheme (as defined above), Mrs Sutcliffe became a non-executive Director of the Company. Since then, she has been the Chief Executive of Charlemagne Capital Limited, which is currently listed on the AIM (UK). 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.

10. *Dr Youzhi Wei*, aged 44, Chinese, is an Australian citizen and lives in Sydney, Australia. Dr Wei was appointed as a non-executive Director of the Company on 15 May 2007. He is a qualified professional mining engineer with over 16 years of experience and knowledge of the mining industry, with particular experience in the Chinese mining industry and mineral projects. He has considerable experience in evaluating Chinese mining assets and/or projects.

    Since early 2004, Dr Wei has been the founding chairman and chief consultant of the China Mining Business Solutions which provides independent technical, financial and policy advice to global mining companies, Chinese mining companies, financial institutions, private investors and government departments. Some of the companies that Dr Wei has advised include Placer Dome Group, Lingbao Gold Company Limited (HK Stock Code: 3330), Zhaojin Mining Industry Company Limited (HK Stock Code: 1818), CVRD, Alcoa, Redox Diamond Limited, and South China Resources Limited. Dr Wei is currently independent principal advisor to the Zhaojin Mining Industry Company Limited.

DIRECTORS (Continued)

From 2001 to end of 2003, Dr Wei was the founding managing director of the SRK China Consulting Practice and was involved in a number of key projects as part of the SRK Consulting team as coordinator or principal consultant. In his role, Dr Wei:

- Undertook due diligence review and preparation of the SRK Independent Technical Report which was included in the prospectus for the IPO of the Fujian Zijin Mining Industry Company Limited (HK Stock Code: 2899) on the HK Stock Exchange in December 2003; and
- Undertook due diligence review and preparation of the SRK Independent Technical Report which was included in the prospectus for the dual listing of the China Aluminum Corporation Limited (HK Stock Code: 2600) on the New York Stock Exchange and the HK Stock Exchange in 2001.

From 1995 to 2000, Dr Wei worked for the Australia CSIRO Exploration and Mining as principal research engineer and leader of the mine environment and geomechanics group. Prior to joining CSIRO, Dr Wei worked for the Rio Tinto's Western Australia research and technology group (formerly CRA ATD) in Perth as Senior Research Engineer for three years.

Dr Wei is a Fellow and Chartered Professional Engineering in Mining of the Australasia Institute of Mining and Metallurgy. He obtained a BSc degree in Mining (1983) from South China University of Metallurgy, MSc in Mine Engineering (1986) and PhD in Geotechnical Engineering (1990) from China University of Mining and Technology. From June 2000 to end of 2001, he conducted his Post Doctoral Research in Maryland, USA.

11. ***Alexander Anderson Whamond***, aged 47, British, was appointed as an executive Director of the Company in January 1999. Upon completion of the Restructuring Scheme (as defined above), Mr Whamond became a non-executive Director of the Company. He commenced his career in 1982 with White Weld Securities Limited. Subsequently, he worked at both Salomon Brothers and Morgan Stanley International in London. Prior to joining Regent Pacific Group in March 1998 as the head of the Group's head of Corporate Investments, Mr Whamond was a Managing Director of Peregrine Securities International Limited and a member of the executive committee of Peregrine Investment Holdings Limited. Mr Whamond is currently director of the following companies which are listed on the AIM: Charlemagne Capital Limited, European Convergence Property Company Plc, European Convergence Development Company Plc and Naya Bharat Property Company Plc. He is also director of certain subsidiaries of Regent Pacific Group and a private equity fund managed by the Group.

Directors' Report

DIRECTORS (Continued)

In compliance of Rule 3.10(1) of the HK Listing Rules, the Board currently comprises four independent non-executive Directors, namely David Comba, Julie Oates, Patrick Reid 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 that he/she complied with the independence criteria set out in Rule 3.13. The Directors consider that all four independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). In addition, Clara Cheung, an executive Director, is a qualified accountant responsible for oversight of the Group's financial reporting procedures, in compliance with Rule 3.24.

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.

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 2006, 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 share manipulation. The arrest warrant was re-issued on 14 January 2004 and will remain valid and effective until 12 March 2010 or otherwise such time as James Mellon returns to South Korea to assist with the investigation. As noted above, as far as the Board is aware, no proceedings have been issued or served on James Mellon to date. In these circumstances, the Board, including the independent non-executive Directors, considers that Mr Mellon can fulfil his fiduciary duties and perform the requisite duties of skill, care and diligence as a Director of the Company to the standard at least commensurate with the standard established by the laws of Hong Kong and therefore it is entirely appropriate for Mr Mellon to remain on the Board.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS

As at 31 March 2007, 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	43,216,180	2.89%
	A	Beneficiary of a trust	Long position	370,821,131	24.79%
Jamie Gibson	B	Beneficial owner	Long position	6,724,138	0.45%
Clara Cheung	C	—	—	—	—
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Patrick Reid		—	—	—	—
Mark Searle		Beneficial owner	Long position	4,194,444	0.28%
	D	Beneficiary of a trust	Long position	50,000	0.00%
John Stalker	E	—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	1.15%
	F	Beneficiary of a trust	Long position	27,965,226	1.87%
Dr Youzhi Wei	G	—	—	—	—
Anderson Whamond		Beneficial owner	Long position	7,500,000	0.50%
	H	Beneficiary of a trust	Long position	5,826,088	0.39%
	H	Family interest	Long position	1,000,000	0.07%

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

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. Securities of the Company (Continued)

a. Ordinary shares of US$0.01 each (Continued)

** The total issued ordinary share capital of the Company as at 31 March 2007 consisted of 1,495,925,718 shares. Following the issue and allotment of an aggregate of 10,147,000 shares upon exercise of options under the Share Option Scheme (2002), an aggregate of 130,967,501 shares upon conversion of Convertible Bonds with a principal amount of US$4.39 million and 13,448,276 shares upon conversion of 500 Redeemable Convertible Preference Shares (as referred to in the section headed "Share Capital and Share Options" in this report), the Company's issued ordinary share capital consists of 1,650,488,495 shares as at the date of this report.

b. Redeemable Convertible Preference Shares of US$0.01 each

On 30 November 2006, an aggregate of 6,250 Redeemable Convertible Preference Shares were issued and allotted to the Purchasers on the terms and conditions set out in the Subscription Agreement (as referred to in note 29.2 to the Financial Statements).

On 12 February 2007, 250 Redeemable Convertible Preference Shares were converted into 6,724,138 ordinary shares. Accordingly, there were 6,000 Redeemable Convertible Preference Shares outstanding as at 31 March 2007.

As at 31 March 2007, the Directors of the Company had the following beneficial interests in the Redeemable Convertible Preference Shares:

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding	Number of ordinary shares to be issued on conversion
James Mellon	A	Beneficiary of a trust	Long position	2,750	45.83%	73,965,517
Jamie Gibson	B	—	—	—	—	—
Clara Cheung		—	—	—	—	—
David Comba		Beneficial owner	Long position	50	0.83%	1,344,828
Julie Oates		Beneficial owner	Long position	100	1.67%	2,689,655
Patrick Reid		—	—	—	—	—
Mark Searle		Beneficial owner	Long position	100	1.67%	2,689,655
John Stalker		—	—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	250	4.17%	6,724,138
Dr Youzhi Wei		—	—	—	—	—
Anderson Whamond	H	Beneficiary of a trust	Long position	250	4.17%	6,724,138

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. Securities of the Company (Continued)

b. Redeemable Convertible Preference Shares of US$0.01 each (Continued)

Subsequent to the year end date, 500 Redeemable Convertible Preference Shares were converted into 13,448,276 new ordinary shares. Accordingly, as at the date of this report, there are 5,500 Redeemable Convertible Preference Shares outstanding, which may be convertible into 147,931,035 ordinary shares.

c. Options of the Company

Please refer to note 29.3 to the Financial Statements as to the details of the Share Option Scheme (2002).

As at 31 March 2007, 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$)	Exercise period#	Number of shares subject to vested options#	Consideration for grant of option (HK$)
Jamie Gibson	9 September 2004	11,000,000	0.266	9 September 2005 – 8 September 2014	7,333,333	10.00
	4 April 2006	45,600,000	0.300	4 April 2007 – 3 April 2016	—	10.00
Clara Cheung	9 September 2004	3,500,000	0.266	9 September 2005 – 8 September 2014	2,333,333	10.00
	4 April 2006	8,000,000	0.300	4 April 2007 – 3 April 2016	—	10.00
	14 December 2006	6,000,000	0.325	14 December 2007 – 13 December 2016	—	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.

As noted above, options in respect of 59,600,000 shares were granted during the year to the Directors of the Company under the Share Option Scheme (2002). None of the outstanding options were exercised or cancelled or lapsed during the year ended 31 March 2007.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. **Securities of the Company** (Continued)

   c. **Options of the Company** (Continued)

   Subsequent to the year end date:

   i. On 4 April 2007, 15,200,000 shares and 2,666,666 shares were vested under the respective options granted to Jamie Gibson and Clara Cheung on 4 April 2006.

   ii. On 11 April 2007, Clara Cheung exercised part of her rights under the option granted on 9 September 2004 and subscribed for 1,500,000 shares, which were allotted and issued to her on 11 April 2007.

   iii. On 23 April 2007, Clara Cheung further exercised part of her rights under the option granted on 9 September 2004 and subscribed for 800,000 shares, which were allotted and issued to her on 24 April 2007.

   iv. On 15 May 2007, options were granted to John Stalker and Dr Youzhi Wei entitling them to subscribe, in stages, for an aggregate of 24,000,000 shares at the exercise price of HK$0.780 per share.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

I. Securities of the Company (Continued)

c. Options of the Company (Continued)

Accordingly, as at the date of this report, 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$)	Exercise period#	Number of shares subject to vested options#	Consideration for grant of option (HK$)
Jamie Gibson	9 September 2004	11,000,000	0.266	9 September 2005 – 8 September 2014	7,333,333	10.00
	4 April 2006	45,600,000	0.300	4 April 2007 – 3 April 2016	15,200,000	10.00
Clara Cheung	9 September 2004	1,200,000	0.266	9 September 2005 – 8 September 2014	33,333	10.00
	4 April 2006	8,000,000	0.300	4 April 2007 – 3 April 2016	2,666,666	10.00
	14 December 2006	6,000,000	0.325	14 December 2007 – 13 December 2016	—	10.00
John Stalker	15 May 2007	12,000,000	0.780	15 May 2008 – 14 May 2017	—	10.00
Dr Youzhi Wei	15 May 2007	12,000,000	0.780	15 May 2008 – 14 May 2017	—	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.

Save for the above, during the year or 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' Report

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

2. Securities of associated corporations

a. Ordinary shares of US$0.01 of AstroEast.com Limited (note I)

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding
James Mellon		—	—	—	—
Jamie Gibson		Beneficial owner	Long position	225,000	0.80%
Clara Cheung		—	—	—	—
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Patrick Reid		—	—	—	—
Mark Searle		—	—	—	—
John Stalker		—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	150,000	0.54%
Dr Youzhi Wei		—	—	—	—
Anderson Whamond		Beneficial owner	Long position	150,000	0.54%

b. Ordinary shares of US$0.01 of bigsave Holdings plc (note I)

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding
James Mellon		—	—	—	—
Jamie Gibson		Beneficial owner	Long position	131,579	0.33%
Clara Cheung		—	—	—	—
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Patrick Reid		—	—	—	—
Mark Searle		—	—	—	—
John Stalker		—	—	—	—
Jayne Sutcliffe	F	Beneficiary of a trust	Long position	350,000	0.88%
Dr Youzhi Wei		—	—	—	—
Anderson Whamond		Beneficial owner	Long position	350,000	0.88%

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

Notes:

A. The 370,821,131 ordinary shares in the Company are held by companies wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary.

The 2,750 Redeemable Convertible Preference Shares are held by a company wholly owned by this settlement.

B. Jamie Gibson subscribed for 250 Redeemable Convertible Preference Shares pursuant to the subscription agreement dated 11 October 2006 (as detailed in note 29.2 to the Financial Statements), which represented 4% of the then total issued Redeemable Convertible Preference Shares and were convertible into 6,724,138 ordinary shares. The 250 Redeemable Convertible Preference Shares were converted into 6,724,138 ordinary shares on 12 February 2007.

Subsequent to the year end date, Jamie Gibson disposed of an aggregate of 2,305,000 shares in the Company. Accordingly, Jamie Gibson holds 4,419,138 shares in the Company as at the date of this report.

C. Subsequent to the year end date, Clara Cheung exercised part of her rights under the option granted under the Share Option Scheme (2002) on 9 September 2004 and subscribed for 1,500,000 shares and 800,000 shares, which were issued and allotted on 11 April 2007 and 24 April 2007 respectively.

Clara Cheung disposed of an aggregate of 2,300,000 shares in the Company. Accordingly, Clara Cheung does not hold any shares in the Company as at the date of this report.

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

E. John Stalker was appointed as a non-executive Director of the Company on 15 May 2007. On 15 May 2007, an option was granted to John Stalker, entitling him to subscribe, in stages, for 12,000,000 shares at the exercise price of HK$0.780 per share.

F. The 27,965,226 ordinary shares in the Company and the 350,000 ordinary shares in bigsave Holdings plc are held by the trustee of a discretionary trust, under which Jayne Sutcliffe and members of her family may become beneficiaries.

G. Dr Youzhi Wei was appointed as a non-executive Director of the Company on 15 May 2007. On 15 May 2007, an option was granted to Dr Youzhi Wei, entitling him to subscribe, in stages, for 12,000,000 shares at the exercise price of HK$0.780 per share.

H. The 5,826,088 ordinary shares in the Company are held by a pension fund, of which Anderson Whamond is the sole beneficiary. The 1,000,000 ordinary shares in the Company are held by his wife.

The 250 Redeemable Convertible Preference Shares are held by this pension fund.

I. AstroEast.com Limited and bigsave Holdings plc are indirect 50.99% and 64.26% owned subsidiaries of the Company respectively. The Company has no effective control over bigsave Holdings plc and its results and assets and liabilities were not consolidated into the Company's financial statements.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

Save as disclosed herein, as at 31 March 2007 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

The following is a summary of connected transactions (as defined in Chapter 14A of the HK Listing Rules) of the Company and significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules), which subsisted at 31 March 2007 or at any time during the year, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company is/are or was/were materially interested, either directly or indirectly.

(1) A loan agreement dated 26 September 2001 was entered into between (a) the Company as lender and (b) AstroEast.com Limited ("**AstroEast**"), an indirect 51% owned subsidiary of the Company, as borrower, pursuant to which the Company agreed to grant an interest bearing secured loan facility of up to an amount of US$50,000 to AstroEast.

The facility is secured by AstroEast granting, at the request of the Company, a first priority perfected security interest in all its interests of at least 1,614,625 shares of Red Dragon Resources Corporation ("**RDRC Ontario**", formerly called iFuture.com Inc), which are listed on the TSX Venture Exchange. AstroEast must maintain such collateral with a minimum coverage of at least 300% of the amount outstanding in respect of the facility.

The loan agreement, at the time of execution, constituted a connected transaction of the Company under Chapter 14 of the HK Listing Rules then prevailing. However, the Directors of the Company were of the opinion that the facility, being interest bearing and secured by the collateral in the form of marketable securities valued at 300% of the amount outstanding, was granted on normal commercial terms. Additionally, they considered that it was in the ordinary and usual course of business of the Company to offer financial assistance to its subsidiaries from time to time. As a result, the loan agreement was not subject to any disclosure or shareholders' approval requirements as a connected transaction in accordance with the de minimis provision under Rule 14.24(5) of the HK Listing Rules then prevailing.

As at the date of the loan agreement, James Mellon, Anthony Baillieu and Karin Schulte were directors of AstroEast. In addition, Peter Everington, who ceased to be a Director of the Company on 7 January 2002, held an interest of less than 2% of its total issued share capital, and each of Anthony Baillieu, Julian Mayo, Jayne Sutcliffe, Anderson Whamond and Jamie Gibson, who was appointed a Director of the Company on 7 January 2002, held an interest of less than 1% of its total issued share capital. James Mellon resigned as a director of AstroEast on 3 June 2003 but was re-appointed on 5 February 2004. Julian Mayo resigned as the alternate to James Mellon in the Company on 18 June 2003, and Karin Schulte resigned as a director of AstroEast and the Company on 12 January 2004. Anthony Baillieu resigned as a Director of the Company on 27 October 2005.

The loan agreement is, however, not a connected transaction of the Company under the new Chapter 14A of the HK Listing Rules, which took effect on 31 March 2004.

The outstanding amount (inclusive of accrued interest) of US$54,085 was repaid to the Company on 16 September 2006.

Directors' Report

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

(2) Six facilities agreements dated 24 January 2002, 6 February 2002, 24 April 2002, 23 July 2002, 29 July 2002 and 1 November 2002 respectively were entered into between (a) bigsave Holdings plc ("**bigsave**"), an indirect 64.3% owned subsidiary of the Company, as borrower and (b) Burnbrae Limited as lender, pursuant to which Burnbrae Limited agreed to advance unsecured interest-bearing loan facilities of maximum amounts of GBP80,000 (approximately US$157,440), GBP300,000 (approximately US$590,400), GBP75,000 (approximately US$147,600), GBP25,000 (approximately US$49,200), GBP75,000 (approximately US$147,600) and GBP150,000 (approximately US$295,200) respectively to bigsave.

The facilities agreements constituted connected transactions of the Company under Chapter 14 of the HK Listing Rules then prevailing. However, they were not subject to any disclosure or shareholders' approval requirements as connected transactions in accordance with Rule 14.24(8) of the HK Listing Rules then prevailing. The Directors of the Company were of the opinion that as bigsave was not operationally profitable and in the current economic environment it was unlikely for bigsave to either obtain loan financing from a bank or raise equity capital, the facilities from Burnbrae Limited were the most feasible way for bigsave to obtain funding. They were of the opinion that the facilities were granted on normal commercial terms.

Burnbrae Limited is a private company wholly-owned by a trust, of which James Mellon is a beneficiary. At the time of the facilities agreements, David McMahon, who resigned as a Director of the Company on 31 March 2003, and Anderson Whamond were directors of Burnbrae Limited. James Mellon was a director of bigsave. Each of Anthony Baillieu, Dominic Bokor-Ingram, who resigned as a Director of the Company on 11 March 2002, Jamie Gibson, Julian Mayo, David McMahon, Jayne Sutcliffe, Anderson Whamond and Robert Whiting, who was appointed as a Director of the Company on 24 March 2004, was interested in less than 1% of the issued share capital of bigsave. David McMahon resigned as a director of Burnbrae Limited on 24 January 2003, and Julian Mayo resigned as the alternate to James Mellon in the Company on 18 June 2003. Anthony Baillieu and Robert Whiting resigned as Directors of the Company on 27 October 2005.

As at 31 March 2007, an amount of GBP1,114,975 (approximately US$2,194,000), inclusive of accrued interest, was outstanding under the facilities agreements. The outstanding amount, inclusive of accrued interest, has increased to GBP1,148,455 (approximately US$2,260,000) as at the date of this report.

The facilities agreements are connected transactions of the Company under the new Chapter 14A of the HK Listing Rules, which took effect on 31 March 2004, but are not subject to any disclosure or shareholders' approval requirements as connected transactions in accordance with the new Rule 14A.65(4).

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

(3) A loan agreement dated 22 September 2005 (the "**Loan Agreement**") was entered into between (a) the Company as lender and (b) Red Dragon Minerals Corporation ("**RDMC**") as borrower, pursuant to which the Company advanced a sum of US$200,000 (HK$1,560,000) (the "**Loan**") to RDMC. The aggregate principal amount of the Loan together with all interest accrued thereon shall be repaid by RDMC in full to the Company on the date falling six months after the drawdown date. The Company should have the option to convert the Loan (and all interest accrued thereon) into shares of RDMC so that, immediately after conversion, it became beneficially interested in 3% of the issued share capital of RDMC. A charge was given by all the shareholders of RDMC in favour of the Company in respect of their shares in RDMC as security for the Loan.

As at the date of the Loan Agreement, RDMC was owned as to 60% by Finistere Limited, which was in turn a 20% shareholder of Regent Metals Holdings Limited ("**RMHL**", then known as Red Dragon Resources Corporation and an 80% owned subsidiary of the Company), and as to 20% each by the two then directors of the RMHL. By virtue of Rule 1.01(b)(i) of the HK Listing Rules, RDMC was regarded as an associate of Finistere Limited and was therefore a connected person of the Company. Accordingly, the Loan Agreement constituted a connected transaction of the Company. Based on the amount of the Loan, the Loan Agreement was subject to the reporting and announcement requirements set out in Chapter 14A of the HK Listing Rules.

The Company completed the acquisition of the remaining 20% interest in RMHL in 15 March 2006, upon which RMHL became a wholly owned subsidiary of the Company and the aforesaid two directors each holding a 20% interest in RDMC resigned as directors of RMHL. Accordingly, both Finistere Limited and RDMC ceased to be connected persons of the Company. The Directors of the Company resolved on 13 July 2006 that the Loan (and all interests accrued thereon as at 31 March 2006) in the amount of US$221,772 should be written off, as there was no prospect that RDMC would repay the Loan to the Company. While the Company had security of shares over RDMC, it was considered that such security was worthless and accordingly the Company should not seek to enforce the security by incurring legal fees for what it perceived as no eventual recovery.

No Directors of the Company had any interests in the Loan Agreement.

Save for the above, 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 a party and in which a Director or Directors of the Company has/had a material interest, either directly or indirectly, subsisted at 31 March 2007 or at any time during the year ended 31 March 2007.

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 as at 31 March 2007 or any time during the year, whereby any individual, firm or body corporate undertook the management and administration of the whole or any substantial part of any business of the Company.

Directors' Report

RELEVANT TRANSACTIONS

As at 31 March 2007 and at any time during the year, none of the Directors of the Company owed 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 are not interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business save that RDRC Ontario may pursue investment opportunities in the People's Republic of China that may compete against the Company, but to-date this has not happened.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, the following persons (other than James Mellon, whose interests are set out in detail under the section headed "Directors' Interests in Securities and Options") had the following beneficial interests in the shares of the Company, which were recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests which they were deemed or taken to have under such provisions of the SFO):

Name of shareholder	Note	Class of shares	Capacity in which the shares are held	Long/Short position	Total interests (Number of shares)	Approximate % of holding**	Derivative interests (Number of shares)
Israel Alexander Englander	A&B	Ordinary shares	Interest by controlled corporation	Long position	322,662,306	21.57%	311,778,767
Millennium Management, LLC	A&B	Ordinary shares	Interest by controlled corporation	Long position	322,662,306	21.57%	311,778,767
Millennium Partners, LP	A&B	Ordinary shares	Interest by controlled corporation	Long position	322,662,306	21.57%	311,778,767
Richard Crawford	A&C	Ordinary shares	Interest by controlled corporation	Long position	149,165,430	9.97%	149,165,430
Clive Harris	A&C	Ordinary shares	Interest by controlled corporation	Long position	149,165,430	9.97%	149,165,430

SUBSTANTIAL SHAREHOLDERS (Continued)

Name of shareholder	Note	Class of shares	Capacity in which the shares are held	Long/Short position	Total interests (Number of shares)	Approximate % of holding**	Derivative interests (Number of shares)
Highbridge Capital Management LLC	A&C	Ordinary shares	Investment manager	Long position	149,165,430	9.97%	149,165,430
Highbridge GP, Ltd	A&C	Ordinary shares	Interest by controlled corporation	Long position	149,165,430	9.97%	149,165,430
Sir John Templeton		Ordinary shares	Interest by controlled corporation	Long position	140,262,280	9.38%	Nil
Templeton World Charity Foundation		Ordinary shares	Beneficial owner	Long position	39,107,000	2.61%	Nil
		Ordinary shares	Beneficiary of a trust	Long position	101,155,280	6.76%	Nil
First Trust Bank Limited		Ordinary shares	Trustee	Long position	101,155,280	6.76%	Nil
Gladiator Assets Limited		Ordinary shares	Investment manager	Long position	77,863,000	5.21%	Nil

** The total issued ordinary share capital of the Company as at 31 March 2007 consisted of 1,495,925,718 shares. Following the issue and allotment of an aggregate of 10,147,000 shares upon exercise of options under the Share Option Scheme (2002), an aggregate of 130,967,501 shares upon conversion of Convertible Bonds with a principal amount of US$4.39 million and 13,448,276 shares upon conversion of 500 Redeemable Convertible Preference Shares (as referred to in the section headed "Share Capital and Share Options" in this report), the Company's issued ordinary share capital consists of 1,650,488,495 shares as at the date of this report. These are the % holding of the shareholders' total interests (including derivative interests, if any) over the Company's issued share capital as at 31 March 2007.

Notes:

A. On 31 March 2006, the Company issued US$20 million 12% guaranteed convertible bonds due 2009 (the "**Convertible Bonds**" as referred to in note 29.1 to the Financial Statements) under a purchase agreement dated 30 March 2006, pursuant to which (i) MLP Investments (Caymans), Ltd; (ii) Highbridge International LLC; (iii) Highbridge Asia Opportunities Fund LP; and (iv) JP Morgan Securities Ltd purchased Convertible Bonds with principal amounts of US$12 million, US$2.5 million, US$2.5 million and US$3 million respectively. The Convertible Bonds may give rise to the issue, in aggregate, of 596,661,718 ordinary shares.

On 11 October 2006, the Company entered into a subscription agreement (the "**Subscription Agreement**") with certain Directors of the Company and independent placees relating to the placing and issue by the Company of, and the subscription by the placees for, an aggregate of 6,250 dividend bearing non-voting redeemable convertible preference shares ("**Redeemable Convertible Preference Shares**" as referred to in note 29.2 to the Financial Statements) in the share capital of the Company, which may give rise to the issue, in aggregate, of 168,103,449 ordinary shares on conversion.

MLP Investments (Caymans), Ltd subscribed for 500 Redeemable Convertible Preference Shares pursuant to the Subscription Agreement, which may give rise to the issue of 13,448,276 ordinary shares on conversion.

Directors' Report

SUBSTANTIAL SHAREHOLDERS (Continued)

Shown under "derivative interests" are the numbers of shares subject to the Convertible Bonds and Redeemable Convertible Preference Shares issued to the respective shareholders/bondholders, which are included in their total interests.

B. These shareholders disclosed the interests held by corporations controlled by the respective named shareholders. The disclosures referred to the same lot of interests in respect of the Convertible Bonds purchased by MLP Investments (Caymans), Ltd and the Redeemable Convertible Preference Shares subscribed by MLP Investments (Caymans) Ltd pursuant to the Subscription Agreement.

Subsequent to the year end date, these shareholders filed notices with the Company with respect to the disposal of shares. In addition, MLP Investments (Caymans), Ltd elected to convert 500 Redeemable Convertible Preference Shares into 13,448,276 ordinary shares, which were issued and allotted on 12 June 2007. Further, they advised the Company that MLP Investments (Luxembourg) Sarl, which on previous filings was reported as being wholly owned by Millennium Partners LP, is not wholly owned by Integrated Holding Group, LP. Accordingly, as at the date of this report, each of (i) Israel Alexander Englander; (ii) Integrated Holding Group, LP; and (iii) Millennium Management, LLC is interested in 311,779,306 shares in the Company, of which 298,330,491 shares are of derivative interests.

C. These shareholders disclosed the interests held by corporations controlled by the respective named shareholders. The disclosures referred to the same lot of interests in respect of the Convertible Bonds purchased by Highbridge International LLC and Highbridge Asia Opportunities Fund LP.

Subsequent to the year end date, Highbridge International LLC and Highbridge Asia Opportunities Fund LP elected to convert Convertible Bonds with, in aggregate, a principal amount of US$2.5 million into an aggregate of 74,583,172 ordinary shares, which were issued and allotted on 12 and 20 June 2007. Further, these shareholders filed notices with the Company with respect to disposal of shares. Accordingly, as the date of this report, each of (i) Richard Crawshaw; (ii) Clive Harris; (iii) Highbridge Capital Management LLC; and (iv) Highbridge GP, Ltd is interested in 131,649,430 shares in the Company, of which 74,582,258 shares are of derivative interests.

Save for such interests, the Directors are not aware of any other persons who, as at 31 March 2007, had beneficial interests and short positions in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company, which would have to be recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests and short positions which they were deemed or taken to have under such provisions of the SFO).

Directors' Report

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 Grant Thornton.

Grant Thornton were appointed as the Company's Auditors at the Company's extraordinary general meeting held on 16 June 2006 in place of the resigning Auditors, PricewaterhouseCoopers. In relation to the resignation of PricewaterhouseCoopers, the Directors are not aware of any facts or circumstances that ought to be brought to the notice of the holders of the securities of the Company.

Grant Thornton will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. An ordinary resolution has been proposed for the Company's annual general meeting for Year 2007 for the re-appointment of Grant Thornton.

CORPORATE GOVERNANCE REPORT

Shareholders' attention is also drawn to the Corporate Governance Report included in this annual report, in compliance of Appendix 23 to the HK Listing Rules.

On Behalf of the Board

James Mellon
Chairman

17 July 2007

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

REVENUE AND PROFITS

The Group recorded a profit after tax and minority interests of US$0.58 million for the year ended 31 March 2007.

The jointly controlled entity and the associate of the Group, Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**") and Regent Markets Holdings Limited ("**Regent Markets**"), contributed a share of profit of US$4.38 million and US$1.83 million respectively to the Group for the year ended 31 March 2007. YSSCCL recorded a profit of RMB 86.93 million (equivalent to US$10.95 million) for the period from its incorporation (8 March 2006) to 31 March 2007.

The fair value gain from investments of US$2.68 million represented mainly the marked-to-market increase in the shares of Red Dragon Resources Corporation and UraMin Plc. Of this US$2.68 million fair value gain, US$0.85 million represented realised gain and US$1.83 million was unrealised. The revenue from the corporate investment division reduced to US$0.38 million and the revenue from the asset management division dropped to US$0.12 million due to the reduction in the funds under management.

The Group continued to monitor its operating costs closely. The majority of the operating expenses were (i) the interest expenses of the convertible bonds and the redeemable convertible preference shares amounting to US$2.61 million, and (ii) the write off of US$1.13 million in respect of the consideration shares issued for the Yinzishan joint venture acquisition for the year ended 31 March 2007.

The main elements of the profit are analysed as follows:

	US$ million
Share of profit from YSSCCL	4.38
Share of profit from Regent Markets	1.83
Asset management and corporate finance	(0.23)
Corporate investment	(2.16)
Mining	(0.63)
Finance costs	(2.61)
Total profit attributable to shareholders	0.58

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

BALANCE SHEET

The shareholders' equity increased by 52.78% to US$20.09 million as at 31 March 2007 from US$13.15 million as at 31 March 2006. The increase was mainly due to (i) the conversion of the US$3.11 million convertible bonds resulting in a total increase of share capital and share premium of US$2.88 million, (ii) the issue of new shares of US$1.13 million, and (iii) the profit of US$0.58 million for the year ended 31 March 2007.

The interests in YSSCCL of US$25.18 million and Regent Markets of US$2.77 million accounted for 125.3% and 13.8% of the shareholders' equity respectively. The Group's other assets comprised: (i) cash of US$3.94 million, (ii) listed and unlisted investments of US$6.91 million, (iii) goodwill of US$1.88 million and (iv) other assets and receivables of US$2.22 million.

The Group's liabilities comprised: (i) convertible bonds (liability portion) of US$15.90 million, (ii) redeemable convertible preference shares (liability portion) of US$5.66 million and (iii) payables and accruals of US$0.76 million.

FUNDING

As at 31 March 2007, the Group had US$3.94 million cash or 19.6% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$5.57 million.

On 30 November 2006, the Group successfully issued US$6.25 million 8.5% redeemable convertible preference shares due November 2011.

On 31 March 2006, the Group issued US$20 million 12% guaranteed convertible bonds due March 2009 (the "**Convertible Bonds**"). These funds were used to acquire the Group's 40% interest in YSSCCL. The Convertible Bonds are secured by a guarantee dated 31 March 2006 given by Regent Metals Limited ("**RML**") in favour of the security agent (the "**Security Agent**") guaranteeing the due payment of all sums to be payable by the Company in respect of the Convertible Bonds (the "**Guarantee**"); a floating charge given by RML in favour of the Security Agent over all its assets and undertaking and a charge over a specified bank account into which all dividend payments and other distributions, including without limitation, proceeds of sale of assets made by YSSCCL, will be made; and a share charge dated 31 March 2006 given by Regent Metals (Jersey) Limited in favour of the Security Agent to secure RML's obligations under the Guarantee.

Save as above, there were no other material charges against the Group's assets as at 31 March 2007.

The Company's subsidiaries, associates and jointly controlled entity may require funding as their businesses develop. It is expected that the bulk of such funding will be obtained from external sources but, dependent upon the amount and the duration, funding will also be made available by the Group from its internal resources.

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

MANAGEMENT OF RISK

The most significant risk affecting the profitability and viability of the Company is its 40% interest in YSSCCL, a Sino-foreign equity joint venture enterprise that produces a copper concentrate and a zinc concentrate with gold and silver credits. It is expected that the Company's main earnings and cash flow will be contributed by YSSCCL over the next two to three years.

There are a number of factors that may affect the business of the Company and/or YSSCCL, including but not limited to:

Price Risk

The profitability of any mining operation in which the Group has an interest is significantly affected by the market prices of copper and zinc and to a lesser extent gold and silver.

The fluctuations in metal prices are influenced by numerous factors beyond the control of the Company and YSSCCL. Exchange rates, interest rates, inflation, and the world's supply and demand for metals can each cause significant fluctuations in metals prices. Such external economic factors are, in turn, influenced by changes in international economic growth patterns and political developments. In addition, commodity prices in the People's Republic of China ("**PRC**") are highly influenced by fluctuations in international commodity prices, which is beyond the control of both the Company and YSSCCL.

Co-operation of the YSSCCL Partners

The Company has two joint venture partners. The smooth operation of YSSCCL is dependent upon the co-operation of all joint venture parties.

Operational Risks

YSSCCL's business of operating a mine is 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 developed, 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.

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

MANAGEMENT OF RISK (Continued)

Licence Period of Exploration and Mining Rights

YSSCCL may obtain mining rights for conducting mining activities in a specific mining area during the licence period. There can be no assurance that YSSCCL will be able to exploit the entire mineral resources of its mine during the initial licence period. If YSSCCL fails to renew its exploration and mining licences upon expiry or it cannot effectively utilise the resources within a licence period specified in such licence, the operation and performance of YSSCCL may be adversely affected.

Capital Requirements and Funding Sources

The exploration and mining of mineral resources require substantial capital investments. The ability of YSSCCL to obtain future financing involves a number of uncertainties including its future operational results, financial condition and cash flow. If YSSCCL fails to obtain adequate funds to satisfy its operations or development plans, this may affect the business of YSSCCL, the efficiency of its operations and the operating results of YSSCCL.

Potential Cost Overruns on Expansion

In recent years, there have been cost over runs in mining and oil projects as the cost of raw materials such as steel have spiked unexpectedly. YSSCCL will expand its current mining operations. There is a risk that the costs could exceed the forecasts.

Operational Costs

The mining and exploration business requires timely supply of various raw materials and electricity. There is no assurance that interruptions or shortage of such supplies will not occur in the future. YSSCCL did experience shortages of power during the financial year concerned. However YSSCCL has rented a 9 mega watt diesel power station from Aggreko Shanghai Energy Rental Equipment Company Limited for producing continuous power to mine site while the 110 kilo volt electrical upgrade is being carried out. In addition, an increase in the price of such raw materials and/or electricity may have an adverse impact on the operation of YSSCCL.

Government Regulations

Mining operations in the PRC are subject to extensive laws and regulations governing exploration, development, production, exports, taxes, labour standards, occupational health and safety, waste disposal, monitoring, protection, and remediation of the environment, reclamation, mine safety, toxic substances and other matters. Changes in such laws and regulations could increase the costs of YSSCCL.

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

MANAGEMENT OF RISK (Continued)

Political and Economic Considerations

The PRC government has been making efforts to promote reforms of the economic system. These reforms have brought about marked economic growth and social progress. However, revisions or amendments may be made to these policies and measures from time to time, and YSSCCL is not in a position to predict whether any change in the political, economic or social conditions may adversely affect the operating results of YSSCCL.

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, these regulations are relatively new and the availability of public cases as well as the judicial interpretation of them are limited in number. Furthermore, as they are not binding, both the implementation and interpretation of these regulations are uncertain in many areas.

Competition for Resources and Copper/Zinc Concentrates

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

Foreign Exchange Risk

The Company operates using American dollars. As such the Company is exposed to foreign currency fluctuations arising from operations of its subsidiaries, associates and jointly controlled entity. 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 40% interest in YSSCCL. This exposes the Company to increased volatility in earnings as reported in American dollars due to fluctuations in foreign exchange rates. While foreign currencies are generally convertible into American 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.

The Group has not taken any currency hedge against its main investment in the PRC or elsewhere.

MANAGEMENT OF RISK (Continued)

Credit Risk

YSSCCL is subject to credit risk through trade receivables. YSSCCL has two customers for its concentrates. Credit risk is mitigated through the use of provisional payment arrangements whereby 100% is paid within five business days after the issuance of the monthly provisional delivery notice.

The Company does not have any significant customers as its revenue is generated from (i) the realisation of investments, or (ii) earnings from associates and YSSCCL. Credit risk also relates to derivative contracts arising from the possibility that a counterparty to an instrument in which the Company has an unrealised gain fails to perform. The Company transacts through Bear Stearns Securities Corp. and does not consider the credit risk associated with these financial instruments to be significant.

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 Risk

Environmental risks relate to every mining company. The tailings storage facility where the tailings are discharged is usually the most important potential area of risk to consider. Spilling a tailings storage facility can be enormously damaging to the environment and expensive to clean up.

Currently YSSCCL's environmental and health and safety standards are far below international requirements. Management of YSSCCL is currently implementing recommendations for strengthening the tailings dam for seismic stability (as the mine is located in an active seismic region), designing a stable waste dump and sediment control from the existing and future waste dumps to minimise the impact on the downstream rivers and compiling a comprehensive environmental management system. The comprehensive environmental management system will require the support and "buy in" of the Chinese joint venture partners, management and the operating personnel of YSSCCL.

The approach for health and safety will be similar to the environmental plan. Since April 2006 there was no lost time injury at Dapingzhang. The focus will be on training the workforce in appropriate safety procedures.

The Company's focus is on working with its joint venture partners and the management of YSSCCL for developing and operating the mine in a manner that controls and minimises pollution and takes into account the local cultural sensitivities and community expectations.

At the mine site, community initiatives are centered on land compensation and training locals in the skills required for employment at the mine. Land compensation will be integral to building trust with the local communities.

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

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 March 2007, the amount of these margin deposits was US$58,000 (2006: US$382,000).

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

CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 31 March 2007.

EMPLOYEES

The Group, including subsidiaries but excluding associates and jointly controlled entity, employed approximately 22 employees at 31 March 2007. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the remuneration committee of the Board. In all cases, grants of share options will be agreed by the Board as a whole. During the year and up to the date of this report, options in respect of an aggregate of 135,700,000 ordinary shares in the Company were granted to eligible participants.

Corporate Governance Report

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices (the "**Code on CG Practices**") was introduced to Appendix 14 to The Rules Governing the Listing of Securities (the "**HK Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") in November 2004 to take effect on 1 January 2005 (and applicable to accounting periods commencing on or after 1 January 2005), with an exception in respect of the provisions on internal controls, which took effect on 1 July 2005 (and applicable to accounting periods commencing on or after 1 July 2005). Appropriate actions were duly taken by the Directors to bring the Company in compliance with all code provisions in the Code on CG Practices.

The Company has applied the principles of the Code on CG Practices since their adoption on 1 January 2005 as mentioned above in a manner consistent with best practices of a Hong Kong listed issuer. The primary responsibility for ensuring that the Code on CG Practices is complied with rests with the Directors with the full support of the Company's company secretary and its executive management.

As far as the Directors are aware, the Company has complied with the code provisions set out in the Code on CG Practices during the year ended 31 March 2007.

BOARD OF DIRECTORS

The Board (the "**Board**") of Directors ("**Directors**") of the Company currently consists of eleven Directors, two of which were appointed on 15 May 2007. The Directors of the Company who held office during the year and up to the date of this report, accompanied by their respective biographical details, are listed in the Report of the Directors under the section headed "Directors". It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interests of the Company.

In compliance of Rule 3.10(1) of the HK Listing Rules, the Board currently comprises four independent non-executive Directors, namely David Comba, Julie Oates, Patrick Reid 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 that he/she has complied with the independence criteria set out in Rule 3.13. The Directors consider that all four independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement. Amongst them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). In addition, Clara Cheung, an executive Director, is a qualified accountant responsible for oversight of the Group's financial reporting procedures, in compliance of Rule 3.24.

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

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

In accordance with Article 86(3) of the Company's Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the Shareholders in general meeting, as an addition to the existing Board. Any Director so appointed shall retire at the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. In addition, Article 87 provides that at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third), who have been longest in office since their last re-election or appointment, shall retire from office by rotation. A retiring Director shall be eligible for re-election.

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

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

During the year ended 31 March 2007, the Directors held four board meetings, which were attended by all Directors except (i) that each of Clara Cheung and Patrick Reid was absent from one of the meetings; (ii) that Jayne Sutcliffe was absent from two of the meetings; and (iii) that James Mellon was absent from three of the meetings. Subsequent to the year end date, the Directors held two board meetings, which were attended by all Directors except that Jayne Sutcliffe was absent from both of the meetings. Sufficient notices were given to all Directors so as to ensure that each of them had an opportunity to attend the meetings, and an agenda and accompanying board papers were given to all Directors in a timely manner before the appointed date of the Board meetings. Adequate information was also supplied by the management to the Board in a timely manner to enable it to make informed decisions, which are made in the best interests of the Company.

Resolutions were also passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary. In any event, the matters in which a substantial shareholder or a Director has a conflict of interest, which the Board has determined to be material, will be considered at a Board meeting but not to be dealt with by way of circulation of written resolutions or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a Board meeting). Pursuant to Rule 13.44 of the HK Listing Rules, interested Directors will be required to abstain from voting on any Board resolution in which they or any of their associates have a material interest and that they shall not be counted in the quorum present at the relevant Board meeting.

BOARD OF DIRECTORS (Continued)

The Board is primarily responsible for leadership and control of the Company and is committed to make decisions in the interests of the Company. However, the following duties of the Board have been delegated to the management:

(a) the daily operations of the Company, including the management of all aspects of the Company's principal activities, namely corporate investment and asset management;

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

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

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

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

- material capital commitment (material being defined as representing more than 5% of the Company's net assets based on the most recent financial information on hand);
- issuance, purchase or redemption of securities (including options);
- significant contracts with any Director (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) and connected transactions;
- 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.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

James Mellon has been the Non-Executive Chairman of the Board of Directors since October 2005. The Chairman provides leadership for the Board. He also ensures 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, who 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 Chairman of the Board and the Chief Executive Officer are segregated and the division of their responsibilities has been established by the respective written terms of reference, in compliance of Code Provision A.2.1 of the Code on CG Practices. The Chairman, however, has delegated the following duties to the Chief Executive Officer or the Company Secretary so that:

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

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

NOMINATION OF DIRECTORS

The Company did not establish a nomination committee.

During the year ended 31 March 2007, no new Directors were appointed. Subsequent to the year end date, John Stalker and Dr Youzhi Wei were appointed as non-executive Directors of the Company on 15 May 2007. Mr Stalker and Dr Wei were appointed by board resolutions passed by all Directors. Mr Stalker will be involved in advising management on the development of the Company's mining investments and, in particular, the proposed expansion at the Dapingzhang mine, which the Company has a 40% equity interest in. Dr Wei will be tasked with bringing new mining projects for management to review. In the Board's opinion, these appointments bring a wealth of mining experience and importantly Dr Wei's mining contacts and knowledge to the Board.

The terms of the newly-appointed Directors, including remuneration, are substantially the same as the other non-executive Directors.

REMUNERATION COMMITTEE

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

During the year ended 31 March 2007, the Remuneration Committee held four meetings with respect to (i) the review and approval of the payment of the remaining 50% of the bonus provision under the Group's Performance Bonus Plan (the "**Performance Bonus Plan**") for the six months ended 30 September 2005; (ii) the review and approval of the increase in salary of Clara Cheung and Jamie Gibson; (iii) the review and approval of the payment of the bonus provision under the Performance Bonus Plan; and (iv) the review and approval of the service agreement of Jamie Gibson respectively. The meetings were attended by all members of the committee except that James Mellon was absent from two of the meetings. Subsequent to the year end date, the Remuneration Committee held one meeting with respect to the approval of a new long term incentive plan, which was attended by all members of the committee except James Mellon. Sufficient notices were given to all committee members so as to ensure each of them had an opportunity to attend the meetings, and an agenda and accompanying board papers were given to all committee members in a timely manner before the appointed date of the committee meetings. Adequate information was also supplied by the management to the committee in a timely manner to enable it to make informed decisions, which are made in the best interests of the Company.

In addition, the Remuneration Committee approved by way of a written resolution the allocation of the bonuses under the Performance Bonus Plan for the six months ended 30 September 2005.

Apart from the above, the Remuneration Committee did not meet to discuss the remuneration of the executive Directors. No Director was involved in deciding his/her own remuneration.

Terms of reference of the Remuneration Committee are available on request.

Corporate Governance Report

THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

In compliance of Code Provision A.5.4 of the Code on CG Practices, a code for securities transactions by Directors and employees, on exactly the terms and required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the HK Listing Rules, was adopted by the Group on 31 March 2004. All Directors of the Company confirmed that they have complied with The Group's Code for Securities Transactions by Directors and Employees during the year under review.

Directors' interests in securities and options of the Company are set out in detail in the Report of the Directors.

FINANCIAL REPORTING

The financial statements of the Company for the year ended 31 March 2007 have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

A report of the independent auditors with respect to the Company's financial statements for the year ended 31 March 2007 is included in this annual report.

AUDIT COMMITTEE

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

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

AUDIT COMMITTEE (Continued)

During the year ended 31 March 2007, the Audit Committee held three meetings with respect to (i) the review and approval of the change of the Company's auditors; (ii) the review and approval of the Company's final financial statements for the year ended 31 March 2006; and (iii) the review and approval of the Company's interim financial statements for the six months ended 30 September 2006 respectively. The meetings were attended by all members of the committee except that James Mellon was absent from two of the meetings. Subsequent to the year end date, the Audit Committee held one meeting with respect to the review and approval of the Company's final financial statements for the year ended 31 March 2007, which was attended by all members of the committee except James Mellon. Sufficient notices were given to all committee members so as to ensure each of them had an opportunity to attend the meetings, and an agenda and accompanying board papers were given to all committee members in a timely manner before the appointed date of the committee meetings. Adequate information was also supplied by the management to the committee in a timely manner to enable it to make informed decisions, which are made in the best interests of the Company.

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

Terms of reference of the Audit Committee are available on request.

AUDITORS' 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 interest of the Company. Apart from audit service, the Group's auditors, Grant Thornton did not provide any other services.

INTERNAL CONTROL

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

Internal audit function

The Group has established an internal audit function assisting the Board in maintaining effective internal controls by evaluating their 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 semi-annually 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 independent risk consulting firm.

Corporate Governance Report

INTERNAL CONTROL (Continued)

Internal audit function (Continued)

The internal audit function performs regular reviews of the Group's internal controls based on a risk-based annual audit plan approved by the Audit Committee. The annual audit plan was arrived at using a risk-based approach to determine the priorities of the internal audit activity. The Audit Committee has the final authority to review and approve the annual audit plan and all major changes to the plan. In addition, special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time.

Risk assessment

The Company is committed to conduct a quality and comprehensive review of the effectiveness of the internal control systems. The internal audit function of the Group facilitated a risk assessment exercise for the Group during the year ended 31 March 2007. The results of the risk assessment have been used to compile the internal audit plan.

Interviews with selected key members of management team have been arranged to revisit the strategic objectives of the Group and to identify major updates in the risk profile of the organisation resulted from the changing internal and external environment.

Annual internal control assessment

During the year ended 31 March 2007, the internal audit function has conducted reviews of the system of internal control of the Group. Internal control reviews were carried out in accordance with the risk-based audit plan and the specific requests by the Audit Committee and management.

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

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

COMMUNICATION WITH SHAREHOLDERS

The Company will endeavour to respond to shareholders' queries in a timely manner via what it considers the most appropriate method of communication, including, but not limited to, participation at the Company's general meetings.

Independent Auditors' Report

Grant Thornton
均富會計師行

Certified Public Accountants
Member of Grant Thornton International

TO THE MEMBERS 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**") set out on pages 63 to 156, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, 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 as to whether the financial statements are free from material misstatement.

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

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

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

17 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 US$'000	2006 (restated) US$'000
Revenue/Turnover:	5		
Asset management and corporate finance income		123	472
Corporate investment income		377	275
Other income		509	178
		1,009	925
Fair value gain		2,675	2,797
Total income		3,684	3,722
Expenses:			
Employee benefit expenses	7	(3,156)	(5,080)
Rental and office expenses		(224)	(195)
Information and technology expenses		(199)	(170)
Marketing costs and commissions		(100)	(117)
Professional fees		(2,175)	(2,159)
Investment advisory fee		(95)	(228)
Finance costs	8	(2,613)	(8)
Other operating expenses		(716)	(1,085)
Operating loss	6	(5,594)	(5,320)
Share of profits of associates			
– continuing		1,828	60
– discontinued		—	12,941
Share of profit of a jointly controlled entity		4,378	—
Profit before taxation		612	7,681
Taxation	9	—	—
Profit for the year		612	7,681

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 US$'000	2006 (restated) US$'000
Attributable to:			
Equity holders of the Company	10	582	7,676
Minority interests		30	5
		612	7,681
Dividend	11	—	33,872
Earnings per share (US cent):	12		
– Basic		0.04	0.62
– Diluted		0.04	0.62

Consolidated Balance Sheet

As at 31 March 2007

	Notes	2007 US$'000	2006 (restated) US$'000
Non-current assets:			
Goodwill	13	1,876	1,876
Exploration and evaluation assets	14	78	—
Property, plant and equipment	15	195	34
Interest in an associate	17	2,768	1,587
Interest in a jointly controlled entity	18	25,180	—
Available-for-sale financial assets	19	620	620
		30,717	4,117
Current assets:			
Cash and bank balances	21	3,938	22,067
Financial assets at fair value through profit and loss	20	6,290	5,267
Trade receivables	22(a)	173	175
Prepayments, deposits and other receivables	22(b)	1,779	4,275
		12,180	31,784
Current liabilities:			
Derivative financial instruments	31	(17)	(27)
Trade payables, accruals and other payables	23	(647)	(3,916)
Borrowings	25	(29)	—
		(693)	(3,943)
Net current assets		11,487	27,841
Total assets less current liabilities		42,204	31,958
Non-current liabilities			
Borrowings	25	(21,631)	(18,352)
Net assets		20,573	13,606

Consolidated Balance Sheet

As at 31 March 2007

	Notes	2007 US$'000	2006 (restated) US$'000
Equity			
Equity attributable to the Company's equity holders			
Share capital	29	14,959	13,726
Reserves	30	5,127	(573)
		20,086	13,153
Minority interests		487	453
Total equity		20,573	13,606

The financial statements on page 63 to 156 were approved and authorised for issue by the Board of Directors on 17 July 2007.

James Mellon
Chairman

Jamie Gibson
Director

Company Balance Sheet

As at 31 March 2007

	Notes	2007 US$'000	2006 (restated) US$'000
Non-current assets:			
Property, plant and equipment	15	3	—
Interests in subsidiaries	16	3,634	3,708
Interest in an associate	17	2,000	918
Available-for-sale financial assets	19	19	19
		5,656	4,645
Current assets:			
Cash and bank balances	21	3,230	21,656
Amounts due from subsidiaries	24	29,136	6,192
Financial assets at fair value through profit and loss	20	3,341	1,082
Prepayments, deposits and other receivables	22(b)	953	44
		36,660	28,974
Current liabilities:			
Trade payables, accruals and other payables	23	(415)	(2,580)
Amounts due to subsidiaries	24	(6,695)	(6,035)
		(7,110)	(8,615)
Net current assets		29,550	20,359
Total assets less current liabilities		35,206	25,004
Non-current liabilities:			
Borrowings	25	(21,556)	(18,352)
Net assets		13,650	6,652

Company Balance Sheet

As at 31 March 2007

	Notes	2007 US$'000	2006 (restated) US$'000
Equity			
Equity attributable to the Company's equity holders			
Share capital	29	14,959	13,726
Reserves	30	(1,309)	(7,074)
Total equity		13,650	6,652

The financial statements on page 63 to 156 were approved and authorised for issue by the Board of Directors on 17 July 2007.

James Mellon
Chairman

Jamie Gibson
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

2007	Share capital US$'000	Accumulated losses (restated) US$'000	Share premium US$'000	Employee share-based payment reserve US$'000	Convertible bonds reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve (restated) US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
	Equity attributable to equity holders of the Company											
At 31 March 2006, as previously reported	13,726	(52,460)	50,233	216	56	—	1,204	—	178	13,153	453	13,606
Prior year adjustment (note 2.5)	—	(453)	—	—	—	—	—	453	—	—	—	—
At 1 April 2006, as restated	13,726	(52,913)	50,233	216	56	—	1,204	453	178	13,153	453	13,606
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	9	9	4	13
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	—	871	871	—	871
Net income recognised directly in equity	—	—	—	—	—	—	—	—	880	880	4	884
Profit for the year	—	582	—	—	—	—	—	—	—	582	30	612
Total recognised income and expense for the year	—	582	—	—	—	—	—	—	880	1,462	34	1,496

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

2007	Share capital US$'000	Accumulated losses (restated) US$'000	Share premium US$'000	Employee share-based payment reserve US$'000	Convertible bonds reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve (restated) US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
	Equity attributable to equity holders of the Company											
Exercise of share options	23	—	92	(36)	—	—	—	—	—	79	—	79
Issue of new shares	215	—	914	—	—	—	—	—	—	1,129	—	1,129
Conversion of convertible bonds	928	—	1,953	—	(9)	—	—	—	—	2,872	—	2,872
Conversion of redeemable convertible preference shares	67	—	168	—	—	(6)	—	—	—	229	—	229
Equity portion of redeemable convertible preference shares	—	—	—	—	—	159	—	—	—	159	—	159
Employee share-based payment	—	—	—	651	—	—	—	—	—	651	—	651
Share of reserve of an associate	—	—	—	51	—	—	—	—	—	51	—	51
Disposal of a subsidiary	—	—	—	—	—	—	—	—	301	301	—	301
At 31 March 2007	14,959	(52,331)	53,360	882	47	153	1,204	453	1,359	20,086	487	20,573

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Equity attributable to equity holders of the Company										
2006	Share capital US$'000	Accumulated losses (restated) US$'000	Share premium US$'000	Employee share-based payment reserve US$'000	Convertible bonds reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve (restated) US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
At 1 April 2005	11,936	(60,589)	81,876	—	—	1,204	—	16,960	51,387	448	51,835
Foreign currency translation adjustment, recognised directly in equity	—	—	—	—	—	—	—	(16,782)	(16,782)	—	(16,782)
Profit for the year	—	8,129	—	—	—	—	—	—	8,129	5	8,134
Total recognised income and expense for the year	—	8,129	—	—	—	—	—	(16,782)	(8,653)	5	(8,648)
Exercise of share options	3	—	8	—	—	—	—	—	11	—	11
Issue of new shares	707	—	1,169	—	—	—	—	—	1,876	—	1,876
Dividend	—	—	(33,872)	—	—	—	—	—	(33,872)	—	(33,872)
Scrip dividend	1,080	—	1,052	—	—	—	—	—	2,132	—	2,132
Equity portion of convertible bonds	—	—	—	—	56	—	—	—	56	—	56
Employee share-based payment	—	—	—	216	—	—	—	—	216	—	216
At 31 March 2006, as previously reported	13,726	(52,460)	50,233	216	56	1,204	—	178	13,153	453	13,606
Prior year adjustment (note 2.5)	—	(453)	—	—	—	—	453	—	—	—	—
At 31 March 2006, as restated	13,726	(52,913)	50,233	216	56	1,204	453	178	13,153	453	13,606

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	2007 US$'000	2006 (restated) US$'000
Cash flows from operating activities:			
Profit before taxation		612	7,681
Adjustments for:			
Depreciation of property, plant and equipment	15	26	18
Bad debts written off		124	500
Introduction fee settled by issue of new shares		1,129	—
Interest income		(131)	(207)
Dividend income from available-for-sale financial assets		(246)	(68)
Finance costs on convertible bonds	8	2,443	8
Finance costs on redeemable convertible preference shares	8	170	—
Employee share-based payment		651	216
Share of profits of associates		(1,828)	(13,001)
Share of profit of a jointly controlled entity		(4,378)	—
Change in fair value on derivative financial instruments		17	27
Change in fair value on financial assets at fair value through profit and loss	20	(1,827)	(502)
Loss on disposal of a subsidiary	32	301	15
Gain on disposal of an associate		(39)	—
Profit on disposal of financial assets at fair value through profit and loss		(1,179)	(2,199)
Operating loss before working capital changes		(4,155)	(7,512)
Decrease/(Increase) in trade receivables		2	(51)
Decrease/(Increase) in prepayments, deposits and other receivables		2,992	(3,880)
(Decrease)/Increase in trade payables, accruals and other payables		(3,269)	1,947
Cash used in operations		(4,430)	(9,496)
Income tax paid		—	—
Net cash used in operating activities		(4,430)	(9,496)

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	2007 US$'000	2006 (restated) US$'000
Cash flows from investing activities:			
Purchase of exploration and evaluation assets	14	(78)	—
Purchase of property, plant and equipment		(84)	(5)
Capital injection in a jointly controlled entity		(19,931)	—
Purchase of financial assets at fair value through profit and loss	20	(1,869)	(1,734)
Proceeds from disposal of financial assets at fair value through profit and loss		3,852	5,613
Proceeds from disposal of a subsidiary, net of cash disposal	32	—	(11)
Proceeds from disposal of an associate		90	—
Decrease in amount due from an associate		—	435
Interest received		131	207
Dividend received from available-for-sale financial assets		246	68
Dividend received from an associate		—	37,665
Net cash (used in)/generating from investing activities		(17,643)	42,238
Cash flows from financing activities:			
Proceeds from exercise of share options		79	11
Proceeds from issue of convertible bonds		—	20,000
Gross proceeds from issue of redeemable convertible preference shares	27	6,250	—
Transaction cost on issue of redeemable convertible preference shares	27	(373)	—
Dividend paid		—	(31,740)
Finance costs on convertible bonds paid	26	(2,026)	—
Net cash generating from/(used in) financing activities		3,930	(11,729)
Net (decrease)/increase in cash and cash equivalents		(18,143)	21,013
Cash and cash equivalents at the beginning of the year		22,067	1,063
Effects of foreign currency fluctuations		14	(9)
Cash and cash equivalents at the end of the year	21	3,938	22,067

Notes to the Financial Statements

For the year ended 31 March 2007

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, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") and Frankfurt Stock Exchange.

The Company is engaged in investment holding, and the principal activities of the Company and its subsidiaries (collectively herein the "**Group**") consist of mining and exploration of natural resources; asset management; provision of investment advisory services; corporate finance and advisory services and corporate investment.

The financial statements on pages 63 to 156 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations ("**HK (IFRIC) Interpretation**") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and The Rules Governing the Listing of Securities (the "**HK Listing Rules**") on the HK Stock Exchange.

2. ADOPTION OF NEW OR REVISED HKFRS

In 2007, the Group has adopted all the new and amended HKFRS, which are effective from the financial year ended 31 March 2007 and relevant to its operations.

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the comparatives in these financial statements have been restated in accordance with HKAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. Due to the change in accounting policies, the 2006 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 March 2006.

Significant effects on current, prior or future periods arising from the first-time application of the new HKFRS in respect of presentation, recognition and measurement of accounts are described in the following notes.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.1 Adoption of Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – The Fair Value Option ("Amendment to HKAS 39")

Prior to the adoption of Amendment to HKAS 39, the Group has classified all its investments in financial assets at fair value through profit and loss. Any changes in fair value were recognised in the consolidated income statement as they arise.

On the adoption of Amendment to HKAS 39, the Group re-designated certain of its investments from financial assets at fair value through profit and loss to available-for-sale financial assets. The changes in fair value of financial assets at fair value through profit and loss are recognised in the consolidated income statement while changes in fair value of available-for-sale financial assets are recognised in reserve.

In accordance with the transitional provisions of the Amendment to HKAS 39, comparative amounts have been restated based on the new classification.

The effect on adoption of Amendment to HKAS 39 to the financial statements is set out in notes 2.3 to 2.5.

2.2 Other Standards Adopted

The adoption of other revised standards did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2.3 The effect of change in the accounting policies on the consolidated income statement is summarised below:

	Effect of adopting Amendment to HKAS 39 US$'000
Year ended 31 March 2006	
Decrease in unrealised gain on financial assets at fair value through profit and loss	(453)
Decrease in profit for the year	
Attributable to equity holders of the Company	(453)
Minority interest	—
	US cent
Decrease in basic earnings per share	(0.04)

Notes to the Financial Statements

For the year ended 31 March 2007

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.4 The effect of change in the accounting policies on the consolidated balance sheet is summarised below:

	Effect of adopting Amendment to HKAS 39 US$'000
At 31 March 2006	
Increase in available-for-sale financial assets	620
Decrease in financial assets at fair value through profit and loss	(620)
Change in consolidated balance sheet	—

2.5 The effect of change in the accounting policies on the change in reserves is summarised below:

	Effect of adopting Amendment to HKAS 39 US$'000
At 31 March 2006	
Increase in accumulated losses	(453)
Increase in investment revaluation reserve	453
Change in reserves	—

* The adoption of Amendment to HKAS39 has no effect for the current year.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.6 New standards that have been issued but are not yet effective

The Group has not early adopted the following standards that have been issued but are not yet effective. The Directors of the Company anticipate that the following standards will have no material impact on the financial statements of the Group:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) Interpretation 8	Scope of HKFRS 2[3]
HK(IFRIC) Interpretation 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) Interpretation 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) Interpretation 11	Group and Treasury Share Transactions[6]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006
6 Effective for annual periods beginning on or after 1 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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 the revaluation of certain financial assets and financial liabilities. The measurement bases are fully described in the accounting policies below.

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

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March each year.

Notes to the Financial Statements

For the year ended 31 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Associates and joint ventures

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates and joint ventures (Continued)

In consolidated financial statements, investment in associates and jointly controlled entities are initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interests in the associate and jointly controlled entities are carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's or jointly controlled entity's net assets less any identified impairment loss. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate or the jointly controlled entity for the year, including any impairment loss on goodwill relating to the investment in associate or jointly controlled entity recognised for the year.

When the Group's share of losses in an associate or a jointly controlled entity equals or exceeds its interest in the associate or the jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or jointly controlled entities. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate or jointly controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 3.10) of the associate or the jointly controlled entity and its carrying amount.

Notes to the Financial Statements

For the year ended 31 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates and joint ventures (Continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's or the jointly controlled entity's profit or loss in which the investment is acquired.

Unrealised gains on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates and the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate or jointly controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's or the jointly controlled entity's accounting policies to those of the Group when the associate's or the jointly controlled entity's financial statements are used by the Group in applying the equity method. In the Company's balance sheet, investments in associates and jointly controlled entities are stated at cost less any impairment losses. The results of associates and jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

3.5 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, property, plant and equipment, receivables and operating cash, and mainly exclude corporate assets, and available-for-sale investment. Segment liabilities comprise operating liabilities and exclude items such as certain corporate borrowings.

Capital expenditure comprises additions to intangible assets and property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the consolidated income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into United States dollars. Assets and liabilities have been translated into United States dollars at the closing rates at the balance sheet date. Income and expenses have been converted into United States dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the foreign currency exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 April 2005 have been treated as assets and liabilities of the foreign operation and translated into United States dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain and loss on sale.

Notes to the Financial Statements

For the year ended 31 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant and equipment

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

Depreciation is provided to write off the cost less its 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 years
Furniture and fixtures	5 years
Computer equipment	3-5 years
Other equipment	4-5 years

The gain or loss arising on disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

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

3.8 Goodwill

Goodwill represents the excess of the cost of an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the investment is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in the consolidated income statement.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Exploration and evaluation assets

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

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

3.10 Impairment of assets

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

Goodwill is tested for impairment at least annually. Intangible assets with an 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 carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of assets (Continued)

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Lease

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Lease (Continued)

(ii) Assets acquired under finance leases (Continued)

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the consolidated income statement in the accounting period in which they are incurred.

3.12 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries, associates and jointly controlled entities are set out below.

Financial assets are classified into the following categories:

– financial assets at fair value through profit or loss
– loans and receivables
– available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

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

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

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

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

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

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

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

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in consolidated income statement.

(ii) *Loan and receivables*

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the consolidated income statement.

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

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

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

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

Notes to the Financial Statements

For the year ended 31 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets

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

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

(iii) Financial assets carried at cost

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

3.13 Cash and cash equivalent

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 cashflow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities

The Group's financial liabilities include derivative financial instruments, trade payable, accruals and other payables, convertible bonds, redeemable convertible preference shares and finance lease obligations . They are included in balance sheet line items as derivative financial instruments, trade payable, accruals and other payables and borrowings under current or non-current liabilities.

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

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

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

Finance lease liabilities

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Notes to the Financial Statements

For the year ended 31 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities (Continued)

Convertible bonds (Continued)

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bonds reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bonds reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bonds reserve is released directly to retained profits.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

The finance cost recognised in the consolidated income statement is calculated using the effective interest method.

Redeemable convertible preference shares

Redeemable convertible preference shares that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Preference shares, which are mandatory redeemable on a specific date or at the option of the shareholders, are classified as liabilities. The dividends on these preference shares are recognised on an accrual basis in the consolidated income statement as interest expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities (Continued)

Redeemable convertible preference shares (Continued)

Redeemable convertible preference shares issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible preference shares. The difference between the proceeds of the issue of the redeemable convertible preference shares and the fair value assigned to the liability component, representing the call option for conversion of the preference shares into equity, is included in equity as preference shares reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the preference shares.

When the preference shares are converted, the preference shares reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the preference shares are redeemed, the preference shares reserve is released directly to retained profits.

Transaction costs that relate to the issue of a redeemable convertible preference shares are allocated to the liability and equity components in proportion to the allocation of proceeds.

The finance cost recognised in the consolidated income statement is calculated using the effective interest method.

Derivative financial instrument

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

Trade payables

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Notes to the Financial Statements

For the year ended 31 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.17 Taxation

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the consolidated income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit including existing taxable temporary differences will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Taxation (Continued)

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the consoldiated income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.18 Employee benefits

(i) *Bonus plans*

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

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

(ii) *Defined contribution plan*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance, 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 and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in People's Republic of China ("**PRC**") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 20% of its payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

Notes to the Financial Statements

For the year ended 31 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Employee benefits (Continued)

(iii) Share-based payment

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 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 share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in the consolidated income statement, with a corresponding increase in equity (employee share-based payment reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

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. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee share-based payment reserve will continue to be held in employee share-based payment reserve.

3.19 Non employee share-based payments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

3.21 Revenue recognition

Revenue, which is also the Group's turnover represents income from provision of services principally includes:

(i) investment management fees from asset management business;

(ii) corporate finance and advisory fees and commission income from corporate advisory services; and

(iii) 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 consolidated income statement as follows:

(i) investment management, advisory and administration fees; and other corporate finance and advisory fees and commissions contractually receivable by the Group are recognised in the period in which the respective fees are earned;

(ii) interest income is recognised on a time-proportion basis using the effective interest method; and

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

Notes to the Financial Statements

For the year ended 31 March 2007

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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:

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. The recoverable amount of a cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates of the future cash flows expected to arise from the cash-generating units and the suitable discount rates in order to calculate the present value.

5. SEGMENTED INFORMATION

Primary Reporting Format – Business Segments

The Group comprises four business segments as follows:

Asset management	:	management of assets entrusted by the shareholders of various mutual funds including private equity
Corporate finance	:	provision of investment advisory services to associates and third parties
Corporate investment	:	investment in corporate entities, both listed and unlisted
Mining	:	mining and exploration of natural resources

Inter-segment revenues arising from inter-segment transactions are conducted at competitive market prices charged to external customers. Those revenues are eliminated on consolidation.

5. SEGMENTED INFORMATION (Continued)

Primary Reporting Format – Business Segments (Continued)

For the year ended 31 March 2007

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Mining US$'000	Unallocated US$'000	Total US$'000
Revenue from external customers	630	—	379	—	—	1,009
Inter-segment revenue	2	—	(2)	—	—	—
	632	—	377	—	—	1,009
Segment results	(70)	(161)	(2,121)	(629)	—	(2,981)
Unallocated operating expenses						—
Finance costs						(2,613)
Operating loss						(5,594)
Share of profits of associates					1,828	1,828
Share of profit of a jointly controlled entity				4,378		4,378
Taxation						—
Profit for the year						612

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Mining US$'000	Unallocated US$'000	Total US$'000
Segment assets	1,443	13	13,203	290	—	14,949
Interests in associates	—	—	—	—	2,768	2,768
Interest in a jointly controlled entity	—	—	—	25,180	—	25,180
Total assets	1,443	13	13,203	25,470	2,768	42,897
Segment liabilities	283	—	487	—	21,554	22,324

Notes to the Financial Statements

For the year ended 31 March 2007

5. SEGMENTED INFORMATION (Continued)

Primary Reporting Format – Business Segments (Continued)

For the year ended 31 March 2007 (Continued)

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Mining US$'000	Unallocated US$'000	Total US$'000
Depreciation	26	—	—	—	—	26
Other non cash expense	—	—	—	—	1,780	1,780
Capital expenditure	188	—	—	20,009	—	20,197

For the year ended 31 March 2006 (restated)

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Unallocated US$'000	Total US$'000
Revenue from external customers	649	—	276	—	925
Inter-segment revenue	1	—	(1)	—	—
	650	—	275	—	925
Segment results	(4,428)	1,056	(1,940)	—	(5,312)
Unallocated operating expenses					—
Finance costs					(8)
Operating loss					(5,320)
Share of profits of associates					
– continuing				60	60
– discontinued				12,941	12,941
Taxation					—
Profit for the year					7,681

5. SEGMENTED INFORMATION (Continued)

Primary Reporting Format – Business Segments (Continued)

For the year ended 31 March 2006 (restated) (Continued)

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Unallocated US$'000	Total US$'000
Segment assets	747	15	6,455	27,097	34,314
Interests in associates	—	—	—	1,587	1,587
Total assets	747	15	6,455	28,684	35,901
Segment liabilities	527	702	48	21,018	22,295

	Asset management US$'000	Corporate finance US$'000	Corporate investment US$'000	Unallocated US$'000	Total US$'000
Depreciation	18	—	—	—	18
Other non cash expense	—	—	—	216	216
Capital expenditure	5	—	—	1,885	1,890

Secondary Reporting Format – Geographical Segments

The Group's business is managed on a world-wide basis. Asia Pacific is a major market for its asset management business, and North America is a major market for its corporate investments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, investing funds or corporate investments.

There are no sales between the geographical segments.

Notes to the Financial Statements

For the year ended 31 March 2007

5. SEGMENTED INFORMATION (Continued)

Secondary Reporting Format – Geographical Segments (Continued)

For the year ended 31 March 2007

	North[1] America US$'000	Asia Pacific[2] US$'000	Western[3] Europe US$'000	Unallocated US$'000	Total US$'000
Revenue from external customers	268	660	75	6	1,009
Segment assets	3,834	8,552	2,563	—	14,949
Capital expenditure	—	20,197	—	—	20,197

For the year ended 31 March 2006 (restated)

	North[1] America US$'000	Asia Pacific[2] US$'000	Western[3] Europe US$'000	Unallocated US$'000	Total US$'000
Revenue from external customers	2	598	234	91	925
Segment assets	3,974	30,281	59	—	34,314
Capital expenditure	—	5	—	1,885	1,890

1 North America includes the United States and Canada
2 Asia Pacific includes the PRC and Hong Kong
3 Western Europe includes the United Kingdom

6. OPERATING LOSS

	2007 US$'000	2006 (restated) US$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– charge for the year	226	161
– under provision in prior year	36	26
Bad debts written off	124	500
Depreciation of owned property, plant and equipment	26	18
Operating lease charges on property and equipment	109	102
Share-based payments#	1,780	216
and crediting:		
Interest income on bank deposits*	131	207
Dividend income from available-for-sale financial assets*	246	68
Profit on disposal of an associate	39	—

* Included in revenue

\# Included in share-based payments were employee share-based payment of US$651,000 (note 29.3) and non-employee share-based payment of US$1,129,000 (note 29) in relation to share options granted to employees and ordinary shares granted to Stephen Dattels respectively.

Notes to the Financial Statements

For the year ended 31 March 2007

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 US$'000	2006 US$'000
Wages and salaries and benefits in kind	1,862	1,267
Special bonus	—	710
Discretionary bonuses	628	2,873
Pension costs – defined contribution plans (note 33)	15	14
Share options granted to directors and employees	651	216
	3,156	5,080

a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 March 2007 is set out below:

Name of director	Fees US$'000	Salaries and benefit in kind US$'000	Discretionary bonuses US$'000	Contribution to defined contribution plans US$'000	Share option US$'000	Total US$'000
Executive Directors						
Jamie Gibson	—	518	299	—	351	1,168
Clara Cheung	—	170	54	2	54	280
Non-Executive Directors						
James Mellon	20	53	104	—	—	177
Jayne Sutcliffe	20	—	—	—	—	20
Anderson Whamond	29	—	—	—	—	29
Independent Non-Executive Directors						
David Comba	20	—	—	—	—	20
Julie Oates	20	—	—	—	—	20
Patrick Reid	20	—	—	—	—	20
Mark Searle	20	—	—	—	—	20
Total	149	741	457	2	405	1,754

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 March 2006 is set out below:

Name of director	Fees US$'000	Salaries and benefit in kind US$'000	Special bonus* US$'000	Discretionary bonuses US$'000	Contribution to defined contribution plans US$'000	Share option US$'000	Total US$'000
Executive Directors							
Jamie Gibson	—	320	710	1,400	—	115	2,545
Clara Cheung	—	143	—	225	2	37	407
Non-Executive Directors							
James Mellon	20	50	—	934	—	—	1,004
Jayne Sutcliffe	20	—	—	—	—	—	20
Anderson Whamond	29	—	—	—	—	—	29
Anthony Baillieu	14	—	—	—	—	—	14
Independent Non-Executive Directors							
David Comba	9	—	—	—	—	—	9
Julie Oates	20	—	—	—	—	—	20
Patrick Reid	9	—	—	—	—	—	9
Mark Searle	20	—	—	—	—	—	20
Robert Whiting	11	—	—	—	—	—	11
Total	152	513	710	2,559	2	152	4,088

* Special bonus in respect of the Bridge Investment Holding Limited distribution.

No Directors waived or agreed to waive any emoluments in respect of the years ended 31 March 2006 and 31 March 2007.

Notes to the Financial Statements

For the year ended 31 March 2007

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

b) Five highest paid individuals

Of the five highest paid individuals, three (2006: three) were Directors of the Company and their remuneration has been included in the Directors' remuneration. Details of the remuneration of the remaining highest paid individuals are as follows:

	2007 US$'000	2006 (restated) US$'000
Basic salaries and other emoluments	269	145
Discretionary bonuses	110	135
Contribution to defined contribution plans	2	3
Share options granted to employees	128	6
	509	289

The above remuneration of the employees fell within the following bands:

		Number of employees	
		2007	2006 (restated)
HK$500,001–HK$1,000,000	(US$63,988–US$127,975)	—	1
HK$1,000,001–HK$1,500,000	(US$127,976–US$191,963)	1	1
HK$2,500,001–HK$3,000,000	(US$319,939–US$383,926)	1	—
		2	2

No emolument was paid by the Group to the Directors or any of the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil).

8. FINANCE COSTS

	2007 US$'000	2006 US$'000
Interest on convertible bonds (note 26)	2,443	8
Interest on redeemable convertible preference shares (note 27)	170	—
	2,613	8

9. TAXATION

No provision for Hong Kong or overseas 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 year.

Share of associates taxation for the year ended 31 March 2007 of US$18,000 (2006: US$1,229,000) is included in the consolidated income statement as share of profits of associates. Pursuant to a notice dated 30 June 2006 issued by the Simao Provincial Tax Bureau, the Company's jointly controlled entity is exempt from income tax from year 2006 to year 2007 and is subject to a reduced income tax rate of 15% for a period of three years from 2008 to 2010.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2007 US$'000	2006 (restated) US$'000
Profit before taxation	612	7,681
Less:		
Share of profits of associates	(1,828)	(13,001)
Share of profits of a jointly controlled entity	(4,378)	—
Loss before share of profits of associates and a jointly controlled entity and taxation	(5,594)	(5,320)
Calculated at a taxation rate of 17.5% -33% (2006: 17.5%)	(985)	(931)
Income not subject to taxation	(462)	(493)
Expenses not deductible for taxation purposes	1,338	1,292
Tax effect of tax losses not recognised	109	132
Taxation charge	—	—

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For the year ended 31 March 2007

9. TAXATION (Continued)

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of US$7,484,000 (2006: US$4,864,000) to carry forward against future taxable income. The tax loss has no expiry date.

10. NET PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The net profit attributable to the equity holders of the Company dealt with in the financial statements of the Company amounted to US$1,882,000 (2006: net loss of US$8,208,000).

11. DIVIDEND

	2007 US$'000	2006 US$'000
Special interim, of Nil (2006: 22 HK cents) per share	—	33,872

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	2007 US$'000	2006 (restated) US$'000
Profit attributable to equity holders of the Company, used to determine basic earnings per share	582	7,676
Interest on convertible bonds	—	8
Profit used to determine diluted earnings per share	582	7,684

Number of shares

	2007	2006
Weighted average number of ordinary shares, used to determine basic earnings per share	1,457,071,749	1,228,450,815
Effect of dilutive potential ordinary shares:		
Share options	21,215,348	30,677
Convertible bonds	—	1,634,700
Weighted average number of ordinary shares, used to determine diluted earnings per share	1,478,287,097	1,230,116,192

* The convertible bonds and the redeemable convertible preference shares outstanding during the year 2007 had an anti-dilutive effect on the earnings per share and were ignored in the calculation of diluted earnings per share.

\# Subsequent to the year end date and prior to the date of this report, new ordinary shares were issued and allotted and options were granted, details of which are set out in note 29.

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For the year ended 31 March 2007

13. GOODWILL

Group

	2007 US$'000	2006 US$'000
At 1 April		
Gross carrying amount	1,876	—
Accumulated impairment	—	—
Net carrying amount	1,876	—
Carrying amount at 1 April	1,876	—
Acquisition of a subsidiary	—	1,876
Net carrying amount at 31 March	1,876	1,876
At 31 March		
Gross carrying amount	1,876	1,876
Accumulated impairment	—	—
Net carrying amount	1,876	1,876

The goodwill arose from the acquisition of a subsidiary, Regent Metals Holdings Limited ("**RMHL**") during 2006. The carrying amount of goodwill is allocated to the cash generating unit ("**CGU**") of Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**").

The recoverable amount for the CGU is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to commodity prices 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 copper production growth forecasts. Changes in the commodity prices are based on expectations of the future changes in the market.

The value-in-use calculations covered a period of 9 years based on the mine's estimated mine life and followed by an extrapolation of expected cash flows at an estimated growth rate of 5.73%. The rate used to discount the forecast cash flows from the CGU is 16.15%.

Company

The Company has no goodwill.

14. EXPLORATION AND EVALUATION ASSETS

Group

	US$'000
At 1 April 2006	
Cost	—
Accumulated amortisation	—
Net book amount	—
Year ended 31 March 2007	
Opening net book amount	—
Addition	78
Amortisation charge for the year	—
Closing net book amount	78
At 31 March 2007	
Cost	78
Accumulated amortisation	—
Net book amount	78

During the year, the Group invested in a subsidiary to conduct exploration, mining and processing of copper and other multi-metal minerals in the PRC. The exploration and evaluation assets related to the mine which was not operative as at 31 March 2007. These assets are not subject to amortisation until they are placed in use and are not tested for impairment until some facts and circumstances suggest that the carrying amount exceed the recoverable amount.

Company

The Company has no exploration and evaluation assets.

Notes to the Financial Statements

For the year ended 31 March 2007

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor* Vehicle US$'000	Furniture and fixtures US$'000	Computer and other equipment US$'000	Total US$'000
At 1 April 2005				
Cost	—	144	339	483
Accumulated depreciation	—	(116)	(318)	(434)
Net book amount	—	28	21	49
Year ended 31 March 2006				
Opening net book amount	—	28	21	49
Exchange differences	—	—	(1)	(1)
Additions	—	—	5	5
Disposals	—	—	(24)	(24)
Depreciation charge for the year	—	(7)	(11)	(18)
Depreciation written back on disposals	—	—	23	23
Closing net book amount	—	21	13	34
At 31 March 2006				
Cost	—	144	320	464
Accumulated depreciation	—	(123)	(307)	(430)
Net book amount	—	21	13	34
Year ended 31 March 2007				
Opening net book amount	—	21	13	34
Exchange differences	—	—	(1)	(1)
Additions	115	31	42	188
Disposals	—	(70)	(184)	(254)
Depreciation charge for the year	(3)	(7)	(16)	(26)
Depreciation written back on disposals	—	70	184	254
Closing net book amount	112	45	38	195
At 31 March 2007				
Cost	115	104	174	393
Accumulated depreciation	(3)	(59)	(136)	(198)
Net book amount	112	45	38	195

* The net book value of the Group's property, plant and equipment included amount of motor vehicle held under finance lease amounted to US$112,000 (2006: nil) (see note 28).

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Computer and other equipment US$'000
At 31 March 2006	
Cost	—
Accumulated depreciation	—
Net book amount	—
Year ended 31 March 2007	
Opening net book amount	—
Additions	4
Depreciation charge for the year	(1)
Closing net book amount	3
At 31 March 2007	
Cost	4
Accumulated depreciation	(1)
Net book amount	3

Notes to the Financial Statements

For the year ended 31 March 2007

16. INTERESTS IN SUBSIDIARIES

Company

	2007 US$'000	2006 US$'000
Investments – unlisted shares, at cost	52,316	63,715
Less: Provision for impairment	(48,682)	(60,007)
	3,634	3,708

Particulars of the principal subsidiaries as at 31 March 2007 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 activities
			Direct	Indirect	
Alphorn Management Limited*	Cayman Islands	Ordinary share of US$1	—	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
Regent Corporate Finance Limited*	Cayman Islands	Ordinary shares of US$2	100%	—	Corporate finance
Regent Financial Services Limited	Hong Kong	Ordinary shares of HK$5 million	—	100%	Investment holding
Regent Fund Management (Asia) Limited ("**RFM (Asia)**")*	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

16. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Country/Place of incorporation/operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Regent Metals Holdings Limited*	British Virgin Islands	Ordinary shares of US$10,000	100%	—	Investment holding
Regent Metals (Jersey) Limited ("**RMJ**")*	Jersey	Ordinary shares of US$0.02	—	100%	Investment holding
Regent Metals Limited ("**RML**")*	Barbados	Ordinary share of US$1	—	100%	Investment holding
Regent Pacific Group (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$5 million	100%	—	Provision of management services
RPG (Bahamas) Limited*	Bahamas	Ordinary shares of US$134,220	100%	—	Investment holding
Simao Regent Minerals Limited ("**SRM**")*	PRC	Injected capital of US$210,000	90.5%	—	Mining and exploration of natural resources

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group.

* The financial statements of these subsidiaries for the year ended 31 March 2007 were not audited by Grant Thornton.

Notes to the Financial Statements

For the year ended 31 March 2007

17. INTEREST IN AN ASSOCIATE

	Group		Company	
	2007	2006	2007	2006
	US$'000	US$'000	US$'000	US$'000
Investments – unlisted shares, at cost	—	—	918	918
Add: Provision for impairment reversed	—	—	1,082	—
	—	—	2,000	918
Share of net assets – unlisted	2,768	1,587	—	—
	2,768	1,587	2,000	918

Share of associates' taxation for the year ended 31 March 2007 of US$18,000 (2006: US$1,229,000) is included in the consolidated income statement as share of profits of associates.

Particulars of the associate as at 31 March 2007 are as follows:

Name of associate	Place of incorporation	Issued and fully paid share capital held in associate	Percentage of equity interest attributable to the Group		Principal activity
			Direct	Indirect	
Regent Markets Holdings Limited	British Virgin Islands	Ordinary shares of US$9,980	49.9%	—	Online betting

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

	2007	2006
	US$'000	US$'000
Assets	12,598	9,529
Liabilities	6,683	6,311
Revenue	98,628	152,611
Profit	3,783	33,860

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2007	2006	2007	2006
	US$'000	US$'000	US$'000	US$'000
Investments – unlisted shares, at cost	—	—	—	—
Share of net assets – unlisted	25,180	—	—	—
	25,180	—	—	—

The jointly controlled entity is entitled to preferential tax treatments that when it begins to earn taxable profit it will be entitled to two years' full exemption from Corporate Income Tax and, in the next three consecutive years, 50% exemption of tax liability on any taxable profits derived. The second tax-free year falls in 2007.

Particulars of the jointly controlled entity as at 31 March 2007 are as follows:

Name of jointly controlled entity	Country of incorporation	Total injected capital	Percentage of interest held		Principal activity
			Direct	Indirect	
Yunnan Simao Shanshui Copper Company Limited	PRC	Injected Capital of RMB160,000,000	—	40%	Exploration and mining of copper concentrate and other base and precious metals

The following table illustrates the summarised financial information of the Group's jointly controlled entity extracted from their management accounts.

	2007
	US$'000
Non-current assets	28,893
Current assets	5,976
Current liabilities	9,689
Income	9,733
Expenses	5,355

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For the year ended 31 March 2007

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007	2006 (restated)	2007	2006 (restated)
	US$'000	US$'000	US$'000	US$'000
At 1 April and at 31 March	620	620	19	19

Available-for-sale financial assets include the following:

	Group		Company	
	2007	2006 (restated)	2007	2006 (restated)
	US$'000	US$'000	US$'000	US$'000
Unlisted securities				
club debenture, at cost	19	19	19	19
equity security	601	601	—	—
	620	620	19	19

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Company	
	2007	2006 (restated)	2007	2006 (restated)
	US$'000	US$'000	US$'000	US$'000
At 1 April	5,267	6,445	1,082	2,254
Additions	1,869	1,734	1,199	654
Disposal	(2,673)	(3,414)	(697)	(1,931)
Changes in fair value – unrealised portion	1,827	502	1,757	105
At 31 March	6,290	5,267	3,341	1,082

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Continued)

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

	Group		Company	
	2007	2006 (restated)	2007	2006 (restated)
	US$'000	US$'000	US$'000	US$'000
Listed securities				
equity security – overseas	5,572	3,408	3,144	1,082
Unlisted securities				
equity security – overseas*	718	1,859	197	—
	6,290	5,267	3,341	1,082

The entire US$6,290,000 (2006: US$5,267,000) of the above financial assets are classified as held for trading.

* Included in the Group's unlisted equity securities was a close-ended fund amounting to US$521,000 managed by RFM (Asia), a wholly owned subsidiary of the Company.

21. CASH AND BANK BALANCES

	Group		Company	
	2007	2006	2007	2006
	US$'000	US$'000	US$'000	US$'000
Cash and balances with banks	680	326	54	70
Money at call and short notice	258	21,741	176	21,586
	938	22,067	230	21,656
Fixed deposits – one month	3,000	—	3,000	—
Total cash and bank balances	3,938	22,067	3,230	21,656

The Group's subsidiary maintains trust accounts with banks as part of its normal business transactions. At 31 March 2007, included in the Group's cash at banks were trust accounts of US$29,000 (2006: US$28,000).

Notes to the Financial Statements

For the year ended 31 March 2007

22. RECEIVABLES

a. Trade receivables

At 31 March 2007 and 2006, the ageing analysis of trade receivables was as follows:

	Group		Company	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
1 to 3 months old	31	174	—	—
More than 3 months old but less than 12 months old	142	1	—	—
Total trade receivables	173	175	—	—

The Group applies credit policies appropriate to the particular business circumstances concerned but generally requires outstanding amounts to be paid within 30 days of invoice. The fair value of the trade receivables was the same as illustrated above.

b. Prepayments, deposits and other receivables

	Group		Company	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Prepayments, deposits and other receivables	545	4,275	147	44
Amount due from an associate*	698	—	698	—
Amount due from a jointly controlled entity*	536	—	108	—
	1,779	4,275	953	44

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

The fair value of prepayments, deposits and other receivables were the same as illustrated above.

23. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
	US$'000	US$'000	US$'000	US$'000
Trade payables	31	142	—	—
Accruals and other payables	616	3,774	415	2,580
Total	647	3,916	415	2,580

At 31 March 2007 and 2006, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2007	2006	2007	2006
	US$'000	US$'000	US$'000	US$'000
Due within 1 month or on demand	2	97	—	—
More than 6 months	29	45	—	—
	31	142	—	—

Included in trade payables were those payables placed in trust accounts amounting to US$29,000 as at 31 March 2007 (2006: US$28,000).

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

Notes to the Financial Statements

For the year ended 31 March 2007

25. BORROWINGS

	Group		Company	
	2007	2006	2007	2006 (restated)
	US$'000	US$'000	US$'000	US$'000
Non-current				
Convertible bonds (note 26)	15,897	18,352	15,897	18,352
Redeemable convertible preference shares (note 27)	5,659	—	5,659	—
Obligation under finance lease (note 28)	75	—	—	—
	21,631	18,352	21,556	18,352
Current				
Obligation under finance lease (note 28)	29	—	—	—
Total borrowings	21,660	18,352	21,556	18,352

The effective interest rates for the convertible bonds, redeemable convertible preference shares and obligation under finance lease at the balance sheet date were 16.15%, 10.84% and 7.03% per annum respectively. The carrying amounts of the convertible bonds, redeemable convertible preference shares and obligation under finance lease approximate their fair value respectively. The fair values were calculated using a market interest rate for an equivalent non-convertible bond, non-convertible redeemable preference share and present value of the minimum lease payment respectively.

Obligation under finance lease is effectively secured as the rights to the leased asset revert to the lessor in the event of default.

26. CONVERTIBLE BONDS

On 31 March 2006, the Company issued US$20 million 12% guaranteed convertible bonds to finance the Group's investment project in the PRC.

The bonds mature three years from the issue date at their nominal value of US$20 million or can be converted into shares on and after 9 May 2006 to 23 March 2009 at the holder's option at a conversion price of HK$0.2615 per share, subject to adjustment upon the occurrence of certain events.

The fair value of the liability component and the equity conversion component were determined at issuance of the bonds.

The fair value of the liability component, included in long-term borrowing, was calculated using a market interest rate for an equivalent non-convertible bond and subsequently measured at amortisation cost. The residual amount, representing the value of the equity conversion component, was included in shareholders' equity (note 30).

The convertible bonds recognised in the balance sheet were calculated as follows:

Group and Company	2007 US$'000	2006 US$'000
Fair value of convertible bonds	18,352	18,400
Equity component	—	(56)
Liability component on initial recognition	18,352	18,344
Conversion of convertible bond to ordinary shares	(2,872)	—
Interest expense	2,443	8
Interest paid	(2,026)	—
Liability component at 31 March	15,897	18,352

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 16.15% per annum.

The convertible bonds are secured by a guarantee dated 31 March 2006 given by RML in favour of the security agent guaranteeing the due payment of all sums to be payable by the Company in respect of the convertible bonds (the "**Guarantee**"); a floating charge given by RML in favour of the security agent over all its assets and undertaking and a charge over a specified bank account into which all dividend payments and other distributions, including without limitation, proceeds of sale of assets made by the YSSCCL, will be made but only up to the amount of outstanding principal and interest due on the convertible bonds; and a share charge on RML's equity which was owned by RMJ dated 31 March 2006 given by RMJ in favour of the security agent to secure RML's obligations under the Guarantee.

27. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 30 Novermber 2006, the Company issued US$6.25 million 8.5% redeemable convertible preference shares to finance the subsidiary of SRM which principal activities are mining and exploration of natural resources in the PRC.

The redeemable convertible preference shares mature five years from the issue date at their nominal value of US$6.25 million or can be converted into shares on and after 30 November 2006 to 23 November 2009 at the holder's option at a conversion price of HK$0.29 per share, subject to adjustment upon the occurrence of certain events.

The fair value of the liability component and the equity conversion component were determined at issuance of the preference shares.

The fair value of the liability component, included in long-term borrowing, was calculated using a market interest rate for an equivalent non-convertible redeemable preference shares and subsequently measured at amortisation cost. The residual amount, representing the value of the equity conversion component, was included in shareholders' equity (note 30).

The redeemable convertible preference shares recognised in the balance sheet were calculated as follows:

Group and Company	2007 US$'000
Face value of redeemable convertible preference shares	6,250
Transaction costs	(373)
Net proceeds	5,877
Equity component	(159)
Liability component on initial recognition	5,718
Conversion	(229)
Liability component	5,489
Interest expense	170
Liability component at 31 March 2007	5,659

Interest expense on the redeemable convertible preference shares is calculated using the effective interest method by applying the effective interest rate of 10.84% per annum.

28. OBLIGATION UNDER FINANCE LEASE

At 31 March 2007, the Group's obligation under a finance lease was repayable as follows:

	2007 US$'000
Total minimum lease payments	
Within one year	30
In the second year	30
In the third to fifth years	59
	119
Less: total future interest expenses	(15)
Present value of finance lease liability	104
Present value of finance lease liability:	
Within one year	29
In the second year	27
In the third to fifth years	48
	104
Less: portion due within one year included under current liabilities	(29)
	75

The effective interest rate of the obligation under the finance lease is 7.03%.

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29. SHARE CAPITAL

Authorised:	Number of ordinary shares of US$0.01 each	US$'000	Number of unclassified shares*	US$'000	Total number of shares	Total US$'000
At 1 April 2005	2,000,000,000	20,000	550,000,000	5,500	2,550,000,000	25,500
Increase in authorised ordinary shares	3,000,000,000	30,000	—	—	3,000,000,000	30,000
At 31 March 2006 and 2007	5,000,000,000	50,000	550,000,000	5,500	5,550,000,000	55,500

Issued and fully paid:	Number of ordinary shares of US$0.01 each	US$'000	Number of deferred shares of US$0.01 each	US$'000	Total number of shares	Total US$'000
At 1 April 2005	1,106,900,089	11,069	86,728,147	867	1,193,628,236	11,936
Employee share option scheme – exercise of share option	326,000	3	—	—	326,000	3
Scrip dividend	107,992,423	1,080	—	—	107,992,423	1,080
Issue of new shares	70,653,197	707	—	—	70,653,197	707
Conversion of deferred shares	86,728,147	867	(86,728,147)	(867)	—	—
At 31 March 2006	1,372,599,856	13,726	—	—	1,372,599,856	13,726
Conversion of convertible bonds	92,781,468	928	—	—	92,781,468	928
Employee share option scheme – exercise of share option	2,306,000	23	—	—	2,306,000	23
Conversion of redeemable convertible preference shares	6,724,138	67	—	—	6,724,138	67
Issue of new shares	21,514,256	215	—	—	21,514,256	215
At 31 March 2007	1,495,925,718	14,959	—	—	1,495,925,718	14,959

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

29. SHARE CAPITAL (Continued)

As noted above, during the year, an aggregate of 123,325,862 new ordinary shares were issued and allotted, details of which are set out as follows:

a. An aggregate of 92,781,468 new ordinary shares were issued and allotted upon conversion of Convertible Bonds (as referred to in note 29.1) with a principal amount of US$3.11 million, being at a conversion price of HK$0.2615 per share.

b. An aggregate of 2,306,000 new ordinary shares were issued and allotted for a total consideration of HK$613,396 (approximately US$78,640), being HK$0.266 per share, upon exercise of options under the Company's Share Option Scheme (2002) (as referred to note 29.3).

c. 6,724,138 new ordinary shares were issued and allotted on 12 February 2007 upon conversion of 250 Redeemable Convertible Preference Shares (as referred to in note 29.2), being at a conversion price of HK$0.290 per share.

d. 21,514,256 new ordinary shares were issued and allotted on 12 February 2007 to Stephen Dattels upon completion of the introduction agreement dated 4 September 2006 (details of which were set out in the shareholders' circular issued by the Company on 27 October 2006).

Subsequent to the year end date and prior to the date of this report, an aggregate of 154,562,777 new ordinary shares were issued and allotted, details of which are set out as follows:

i. An aggregate of 3,667,000 new ordinary shares were issued and allotted for a total consideration of HK$975,422 (approximately US$125,054), being HK$0.266 per share, upon exercise of options under the Share Option Scheme (2002).

ii. An aggregate of 6,480,000 new ordinary shares were issued and allotted for a total consideration of HK$1,944,000 (approximately US$249,230), being HK$0.300 per share, upon exercise of options under the Share Option Scheme (2002).

iii. An aggregate of 130,967,501 new ordinary shares were issued and allotted upon conversion of Convertible Bonds with a principal amount of US$4.39 million, being at a conversion price of HK$0.2615 per share.

iv. An aggregate of 13,448,276 new ordinary shares were issued and allotted upon conversion of 500 Redeemable Convertible Preference Shares, being at a conversion price of HK$0.290 per share.

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29. SHARE CAPITAL (Continued)

I. Convertible Bonds

On 31 March 2006, the Company issued US$20 million 12% guaranteed convertible bonds due 2009 (the "**Convertible Bond(s)**") under a purchase agreement dated 30 March 2006 (the "**Purchase Agreement**"), pursuant to which (i) MLP Investments (Caymans), Ltd; (ii) Highbridge International LLC; (iii) Highbridge Asia Opportunities Fund LP; and (iv) J.P. Morgan Securities Ltd purchased Convertible Bonds with principal amounts of US$12 million, US$2.5 million, US$2.5 million and US$3 million respectively. The Convertible Bonds may give rise to the issue, in aggregate, of 596,661,718 ordinary shares.

Set out below are the principal terms of the Convertible Bonds:

a. *Maturity date*

31 March 2009

b. *Redemption*

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Convertible Bond at its principal amount on 31 March 2009. The Company may not redeem the Convertible Bonds at its option prior to 31 March 2009 except as provided in paragraphs (i) and (ii) below.

Subject to certain conditions, the Convertible Bonds may be redeemed by the Company:

i. at any time on or after 31 March 2008 and prior to 31 March 2009, in whole but not in part, by giving not less than 30 but not more than 60 days' notice to the holders of the Convertible Bonds (the "**Bondholder(s)**"), at their principal amount together with interest accrued to the date fixed for such redemption, provided that, for at least 20 of 30 consecutive trading days, the last trading day of which period falls within 5 trading days prior to the date on which the relevant notice of redemption is given to the Bondholders, the closing price of the shares shall have been at least 150% of the conversion price in effect on each of such trading days; or

ii. at any time, in whole but not in part, by giving not less than 14 but not more than 60 days' notice to the Bondholders, at their principal amount together with accrued and unpaid interest, in the event of certain changes in the Cayman Islands or Hong Kong taxation regulations on or after 31 March 2006, being the issue date, that would require the Company to pay additional amounts of tax and such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Convertible Bonds then due.

29. SHARE CAPITAL (Continued)

I. Convertible Bonds (Continued)

c. Conversion

i. Conversion price

The conversion price of the Convertible Bonds is HK$0.2615 per share, subject to adjustment upon the occurrence of certain events, among others, including:

1. any alteration to the nominal value of the shares as a result of consolidation, subdivision or reclassification;
2. capitalisation of profits or reserves;
3. where the aggregate of interim and final dividends and distributions in respect of a financial year produces a yield greater than 0%, 10%, 13% and 15% for the financial years ended 31 March 2006, 2007, 2008 and 2009 respectively;
4. rights issue of shares or options over shares;
5. rights issue of other securities of the Company;
6. issues at less than the then current market price;
7. modification of rights of conversion; and
8. other offers to shareholders.

29. SHARE CAPITAL (Continued)

I. **Convertible Bonds** (Continued)

c. Conversion (Continued)

ii. Conversion period

The period during which the Convertible Bonds may be converted, in whole or in part in the amounts of US$10,000 (HK$78,014) or multiples thereof, at the option of the Bondholder(s) shall commence:

1. on or after 9 May 2006 (in the case of the Tranche A Convertible Bonds with a principal amount of US$7.4 million); or

2. on or after 16 June 2006 (in the case of the Tranche B Convertible Bonds with a principal amount of US$12.6 million),

and shall continue until the close of business on 23 March 2009 (or the close of business on such earlier date which is 7 business days before any date fixed for redemption of the Convertible Bonds by the Company).

iii. Conversion shares

The number of ordinary shares to be issued on conversion of a Convertible Bond will be calculated according to the following formula:

$$A = \frac{B \times 7.8014}{C}$$

A = number of ordinary shares to be issued on conversion

B = principal amount of the Convertible Bonds to be converted

C = the conversion price in effect at the conversion date

The conversion shares will rank pari passu in all respects with the shares then in issue. Transfer of the conversion shares will not be subject to any restrictions on sale other than those which are generally applicable to the then existing shares.

29. SHARE CAPITAL (Continued)

I. Convertible Bonds (Continued)

d. Interest

The Convertible Bonds bear interest from and including 31 March 2006. The rate of interest of the Convertible Bonds is 12% per annum. Interest is payable semi-annually in arrears on 31 March and 30 September each year commencing on 30 September 2006.

e. Security

The Convertible Bond are secured by (i) a guarantee dated 31 March 2006 (the "**Guarantee**") given by RML, the Company's wholly owned subsidiary, in favour of the security agent guaranteeing the due payment of all sums to be payable by the Company in respect of the Convertible Bonds; (ii) a floating charge dated 31 March 2006 given by RML in favour of the security agent over all its assets and undertakings and a charge over a specified bank account into which all dividend payments and other distributions, including without limitation, proceeds of sale of assets made by YSSCCL, a 40% owned associate of the Company; and (iii) a share charge dated 31 March 2006 given by Regent Metals (Jersey) Limited, the immediate holding company of RML, in favour of the security agent to secure RML's obligation under the Guarantee.

f. Negative pledge, covenant and undertaking

The Company has given certain undertakings and covenants under the terms of the Convertible Bonds which, among others, include:

1. The Company undertakes that, so long as any of the Convertible Bonds remain outstanding or any amount is due under or in respect of any Convertible Bonds, it will not, and will procure that none of its shareholders will, create or permit to subsist or arise any encumbrance upon the whole or any part of its or their respective present or future assets or revenues other than certain encumbrances set out in the terms of the Convertible Bonds, including any encumbrances in respect of indebtedness (i) in aggregate principal amount not exceeding US$5 million created by a subsidiary of the Company which is without recourse to the Company and is to finance or refinance the acquisition of assets after the date of the Purchase Agreement, provided that the indebtedness meets the criterion specified in paragraph 2 below may be secured as long as such security is junior to that in respect of the Guarantee or (ii) not exceeding US$15 million in aggregate principal amount of project finance without recourse or with recourse to YSSCCL.

Notes to the Financial Statements

For the year ended 31 March 2007

29. SHARE CAPITAL (Continued)

1. Convertible Bonds (Continued)

f. Negative pledge, covenant and undertaking (Continued)

2. The Company will not create any intra-group indebtedness (other than that arising as a result of the lending of the proceeds of the issue of the Convertible Bonds to fund investment in YSSCCL), unless (i) the terms of which have been approved by Bondholders holding more than 50% of the principal amount of Convertible Bonds for the time being outstanding and which indebtedness is subordinated to the Convertible Bonds and the Guarantee or (ii) it comprises not more than US$15 million in aggregate principal amount of project finance without recourse or with recourse to YSSCCL.

g. Transferability

Save as the restrictions set out in the Purchase Agreement which are applicable to the purchasers of the Convertible Bonds, the Convertible Bonds are freely transferable in multiples of US$10,000.

h. Voting

The Bondholder(s) will not be entitled to attend or vote at any meetings of the Company by reason only of being the Bondholder(s).

i. Default

Upon occurrence of an event of default, which is defined in the terms and conditions of the Convertible Bonds, the Convertible Bonds may become immediately due and payable.

j. Listing

No application was made to the HK Stock Exchange or any other stock exchange for the listing of, and permission to deal in, the Convertible Bonds. However, approval has been obtained from the HK Stock Exchange for the listing of, and permission to deal in, the ordinary shares to be issued upon conversion of the Convertible Bonds.

During the year, Convertible Bonds with a principal amount of US$3.11 million were converted into, in aggregate, 92,781,468 new ordinary shares. Subsequent to the year end date, Convertible Bonds with a principal amount of US$4.39 million were converted into, in aggregate, 130,967,501 new ordinary shares. Accordingly, as at the date of this report, Convertible Bonds with a principal amount of US$12.5 million, which may be convertible into 372,912,749 new ordinary shares, are outstanding.

29. SHARE CAPITAL (Continued)

2. Redeemable Convertible Preference Shares

On 11 October 2006, the Company entered into a subscription agreement (the "**Subscription Agreement**") with (i) Libra Fund LP; (ii) Libra Offshore Limited; (iii) MLP Investments (Caymans), Ltd; and (iv) certain Directors of the Company, namely James Mellon, Jayne Sutcliffe, Anderson Whamond, Jamie Gibson, Mark Searle, Julie Oates and David Comba (collectively the "**Purchasers**") relating to the issue by the Company of, and the subscription by the Purchasers for, 6,250 redeemable convertible preference shares ("**Redeemable Convertible Preference Share(s)**" or "**RCPS**") at US$1,000 per share in cash, in order to raise US$6.25 million (approximately HK$48.75 million) (the "**Placing**"). The Placing was approved by the independent and disinterested shareholders of the Company at the extraordinary general meeting held on 23 November 2006 under the requirement of the HK Listing Rules.

The Placing was completed on 30 November 2006, on which date an aggregate of 6,250 Redeemable Convertible Preference Shares were issued and allotted to the following Purchasers on the terms and conditions set out in the Subscription Agreement:

Name of Purchasers	Subscription amount (US$)	Number of RCPS allotted
Libra Fund LP	1,620,000	1,620
Libra Offshore Limited	380,000	380
MLP Investments (Caymans), Ltd	500,000	500
James Mellon	2,750,000	2,750
Jayne Sutcliffe	250,000	250
Anderson Whamond	250,000	250
Jamie Gibson	250,000	250
Mark Searle	100,000	100
Julie Oates	100,000	100
David Comba	50,000	50
	6,250,000	6,250

Set out below are the principal terms of the Redeemable Convertible Preference Shares:

a. *Maturity date*

30 November 2011

Notes to the Financial Statements

For the year ended 31 March 2007

29. SHARE CAPITAL (Continued)

2. Redeemable Convertible Preference Shares (Continued)

b. Redemption

Unless previously redeemed, converted or purchased and cancelled, the Company will, subject to the relevant legal requirements, redeem each Redeemable Convertible Preference Share at 100% of its issue amount on 30 November 2011.

If any of the following triggering events occurs:

i. full revocation by any governmental or regulatory authority of the PRC of the mining permits 5300000520208 or 5327010110012 issued to Simao Shanshui Minerals Limited and Simao Lianyou Minerals Limited respectively; and

ii. expropriation by any PRC governmental or regulatory authority of more than half of the assets, property and economic interests of YSSCCL (a 40% owned Sino-foreign equity joint venture enterprise in respect of the Dapingzhang copper mine) and/or SRM (a 90.5% owned co-operative joint venture enterprise to be established in respect of the Yinzishan mine),

then, for a period of 45 days after the occurrence of such event, any holder of the Redeemable Convertible Preference Shares shall have the right, upon giving not less than 15 days' and not more than 45 days' notice in writing to the Company, to require the Company, subject to relevant legislation, to redeem all but not some only of the Redeemable Convertible Preference Shares held by the holder thereof on the expiry date of the notice.

29. SHARE CAPITAL (Continued)

2. **Redeemable Convertible Preference Shares** (Continued)

c. *Conversion*

i. Conversion price

The initial conversion price (the "**Initial Conversion Price**") is HK$0.290 per share, subject to adjustments upon the occurrence of certain events, among others, including:

1. any alteration to the nominal value of the shares as a result of consolidation, subdivision or reclassification;
2. capitalisation of profits or reserves;
3. where the aggregate of interim and final dividends and distributions in respect of a financial year produces a yield in excess of 0%, 10%, 13%, 15% and 18% for the financial years ended 31 March 2007, 2008, 2009, 2010 and 2011 respectively;
4. rights issue of shares or options over shares at less than the then current market price of the shares;
5. rights issue of other securities of the Company (other than ordinary shares or options, warrants or other rights to subscribe for or purchase ordinary shares);
6. issues at less than the then current market price of the shares;
7. where there is any change made to the rights of conversion;
8. other offers to shareholders; and
9. other events where it is considered from an economic point of view that adjustment should be made in the interests of fairness and equity. In such event, the Company will consult an independent investment bank to determine what adjustment, if any, to the Initial Conversion Price is fair and reasonable.

The Initial Conversion Price shall be deemed to be fully paid by the holders of the Redeemable Convertible Preference Shares to the Company upon the serving of a written notice of conversion by such holders to the Company and no extra payment shall be made by the holders for each conversion.

Notes to the Financial Statements

For the year ended 31 March 2007

29. SHARE CAPITAL (Continued)

2. Redeemable Convertible Preference Shares (Continued)

c. Conversion (Continued)

ii. Conversion period

The period during which the Redeemable Convertible Preference Shares may be converted at the option of the holders thereof commenced on 30 November 2006 up to the close of business on 23 November 2009 (or if such Redeemable Convertible Preference Shares shall have been called for redemption before 30 November 2011, the close of business on such earlier date which is 7 Business Days (as defined in the Subscription Agreement) before any date fixed for redemption of the Redeemable Convertible Preference Shares by the Company).

iii. Conversion shares

Redeemable Convertible Preference Shares may be converted in whole or in part. The number of shares falling to be issued upon conversion of each Redeemable Convertible Preference Share will be calculated in accordance with the following formula:

$$A = \frac{B}{C}$$

A = number of shares to be issued on conversion of the Redeemable Convertible Preference Shares

B = issue amount of the Redeemable Convertible Preference Share (expressed in Hong Kong dollars at the fixed exchange rate of US$1.00 = HK$7.80) to be converted

C = the Initial Conversion Price of HK$0.290 per share (subject to adjustment, if any)

The shares falling to be issued upon conversion of the Redeemable Convertible Preference Shares will be credited as fully paid shares, will be unencumbered and will rank pari passu in all respects with the fully paid shares then in issue.

29. SHARE CAPITAL (Continued)

2. Redeemable Convertible Preference Shares (Continued)

d. *Optional redemption or conversion by the Company*

The Company may, subject to relevant legislation and at any time on or after 31 March 2008, upon the giving of not less than 14 days' notice in writing to the holders of the Redeemable Convertible Preference Shares, either (i) redeem all but not some only of the Redeemable Convertible Preference Shares then outstanding at their issue amount together with all dividends accrued to the date fixed for such redemption; or (ii) subject to proviso (2) below, compulsorily convert the Redeemable Convertible Preference Shares at the then prevailing conversion price into new shares, provided that:

1. in either case, within a period of 30 consecutive trading days ending within 5 trading days prior to the date on which the relevant notice of redemption or conversion is given to the holders of the Redeemable Convertible Preference Shares, the closing price of the shares on the HK Stock Exchange for 20 trading days shall have been at least 150% of the conversion price in effect on each of such trading days; and

2. if the Company reasonably believes that a notice to compulsorily convert all of the Redeemable Convertible Preference Shares could result in the Concert Party Group (comprising James Mellon, Jayne Sutcliffe and Anderson Whamond as registered under Rule 26.6 of The Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**")), and/or other persons with whom the Concert Party Group might then be acting in concert, incurring a mandatory offer obligation under the Takeovers Code, the Company may exclude all or part of the Redeemable Convertible Preference Shares held by the Concert Party Group (and/or other persons with whom the Concert Party Group might then be acting in concert) from the compulsory purchase notice so that no such mandatory offer obligation will result. Such excluded Redeemable Convertible Preference Shares may instead be made the subject of a redemption notice or left outstanding (and, if left outstanding, may be made the subject of notices to redeem or compulsorily convert at such date or dates thereafter as the Company may at its discretion determine, provided that any such future notice may only be given if proviso (1) above is satisfied at the relevant time).

29. SHARE CAPITAL (Continued)

2. Redeemable Convertible Preference Shares (Continued)

e. *Dividend*

Holders of the Redeemable Convertible Preference Shares shall be entitled in priority to any payment of dividend to the holders of any other class of shares in the Company to be paid in respect of each financial year or other accounting period of the Company a fixed cumulative preferential dividend of 8.5% per annum, calculated on the issue amount of the Redeemable Convertible Preference Shares and, subject to the relevant legal requirements, payable in two equal installments semi-annually.

f. *Listing*

No application was made to the HK Stock Exchange or any other stock exchange for the listing of, and permission to deal in, the Redeemable Convertible Preference Shares. However, approval has been obtained from the HK Stock Exchange for the listing of, and permission to deal in, the shares to be issued upon conversion of the Redeemable Convertible Preference Shares.

g. *Status of the Redeemable Convertible Preference Shares*

The Redeemable Convertible Preference Shares shall not confer on the holders thereof the right to receive notice of, attend, speak or vote at any general meeting of the Company, except when a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the Redeemable Convertible Preference Shares, or for the winding-up of the Company, or for sanctioning the sale of the undertakings of the Company, in which case the holders of the Redeemable Convertible Preference Shares shall only be entitled to vote on such resolution.

h. *Further issues*

The Company may from time to time create and issue further preference shares ranking as regards participation in the profits and assets of the Company pari passu with, but not in priority to, the Redeemable Convertible Preference Shares. Any such further preference shares of the Company may either carry rights and restrictions as regards participation in the profits and assets of the Company which are identical to the Redeemable Convertible Preference Shares or with any other series of further preference shares of the Company or rights and restrictions differing therefrom in any respect.

29. SHARE CAPITAL (Continued)

2. Redeemable Convertible Preference Shares (Continued)

i. *Transferability*

Save as the restrictions set out in the Subscription Agreement which are applicable to the purchasers of the Redeemable Convertible Preference Shares, the Redeemable Convertible Preference Shares are freely transferable.

During the year, 250 Redeemable Convertible Preference Shares were converted into 6,724,138 new ordinary shares. Subsequent to the year end date, 500 Redeemable Convertible Preference Shares were converted into 13,448,276 new ordinary shares. Accordingly, as at the date of this report, there are 5,500 Redeemable Convertible Preference Shares outstanding, which may be convertible into 147,931,035 ordinary shares.

3. Share Option Scheme (2002)

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

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.

Notes to the Financial Statements

For the year ended 31 March 2007

29. SHARE CAPITAL (Continued)

3. 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". The overall 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 now represents 242,642,132 shares or 14.70% of the Company's existing issued share capital. 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.

29. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

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

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

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

As at 1 April 2006, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 20,274,000 (1 April 2005: 20,600,000) ordinary shares at the exercise price of HK$0.266 per share, representing 1.48% (1 April 2005: 1.86%) of the Company's then issued voting share capital and 1.46% (1 April 2005: 1.83%) of the enlarged voting share capital. Amongst the outstanding options, options in respect of an aggregate of 6,540,663 shares or 32.26% were vested (1 April 2005: Nil). During the year ended 31 March 2007:

- Options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 89,200,000 ordinary shares at the exercise price of HK$0.300 per share were granted on 4 April 2006 (2006: Nil).

Notes to the Financial Statements

29. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

- Options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 20,500,000 ordinary shares at the exercise price of HK$0.325 per share were granted on 14 December 2006 (2006: Nil).
- No options were cancelled (2006: Nil).
- An option in respect of 167,000 shares at the exercise price of HK$0.266 per share and an option in respect of 750,000 shares at the exercise price of HK$0.300 per share lapsed upon resignation of an eligible participant (2006: Nil).
- Vested options in respect of an aggregate of 2,306,000 (2006: 326,000) shares were exercised at HK$0.266 per share.

Accordingly, as at 31 March 2007, there were outstanding options entitling the holders to subscribe, in stages, for an aggregate of 126,751,000 ordinary shares (31 March 2006: 20,274,000 shares) at the exercise prices ranging from HK$0.266 to HK$0.325 per share, representing 8.47% (31 March 2006: 1.48%) of the Company's then issued voting share capital and 7.81% (31 March 2006: 1.46%) of the enlarged voting share capital. Amongst the outstanding options, options in respect of an aggregate of 11,100,999 shares or 8.76% were vested (31 March 2006: options in respect of an aggregate of 6,540,663 shares or 32.26%). Exercise in full of the outstanding options would result in the issue of 126,751,000 additional ordinary shares for aggregate proceeds, before expenses, of HK$37,932,566 (approximately US$4,863,149).

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

- Vested options in respect of an aggregate of 3,667,000 shares were exercised at HK$0.266 per share.
- Vested options in respect of an aggregate of 6,480,000 shares were exercised at HK$0.300 per share.
- Options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 26,000,000 ordinary shares at the exercise price of HK$0.780 per share were granted on 15 May 2007.
- No options were cancelled or lapsed.

29. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

Accordingly, as at the date of this report, there are outstanding options entitling the holders to subscribe, in stages, for an aggregate of 142,604,000 ordinary shares at the exercise prices ranging from HK$0.266 to HK$0.780 per share, representing 8.64% of the Company's existing issued voting share capital and 7.95% of the enlarged voting share capital. Amongst the outstanding options, options in respect of an aggregate of 30,437,327 shares or 21.34% were vested. Exercise in full of the outstanding options would result in the issue of 142,604,000 additional ordinary shares for aggregate proceeds, before expenses, of HK$55,293,144 (approximately US$7,088,865).

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 April 2006, there were outstanding options, which were granted on 9 September 2004, entitling the Chief Executive Officer (also an executive Director) and an executive Director to subscribe, in stages, for an aggregate of 14,500,000 ordinary shares at the exercise price of HK$0.266 per share.

During the year, no options were exercised or cancelled or lapsed. Details of grant of options are set out as follows:

1. Options were granted on 4 April 2006 entitling the Chief Executive Officer and the aforesaid executive Director to subscribe, in stages, for an aggregate of 53,600,000 ordinary shares in the capital of the Company at the exercise price of HK$0.300 per share. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which the options were granted was HK$0.300.

2. An option was granted on 14 December 2006 entitling the aforesaid executive Director to subscribe, in stages, for 6,000,000 ordinary shares in the capital of the Company at the exercise price of HK$0.325 per share. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which the option was granted was HK$0.330.

Accordingly, as at 31 March 2007, there were outstanding options entitling the Directors of the Company to subscribe, in stages, for an aggregate of 74,100,000 ordinary shares at the exercise prices ranging from HK$0.266 per share to HK$0.325 per share.

Notes to the Financial Statements

For the year ended 31 March 2007

29. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

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

Subsequent to the year end date and prior to the date of this report, the following vested options were exercised by an executive Director:

a. A vested option in respect of 1,500,000 shares was exercised on 11 April 2007 at HK$0.266 per share, which were issued and allotted on 11 April 2007. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such option was exercised was HK$0.480.

b. A vested option in respect of 800,000 shares was exercised on 23 April 2007 at HK$0.266 per share, which were issued and allotted on 24 April 2007. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such option was exercised was HK$0.780.

In addition, options were granted on 15 May 2007 entitling two Directors of the Company to subscribe, in stages, for an aggregate of 24,000,000 ordinary shares in the capital of the Company at the exercise price of HK$0.780 per share. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which the options were granted was HK$0.750.

Accordingly, as at the date of this report, there were outstanding options entitling the Directors of the Company to subscribe, in stages, for an aggregate of 95,800,000 ordinary shares at the exercise prices ranging from HK$0.266 per share to HK$0.780 per share.

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

No options were granted to or held by any substantial shareholder of the Company, as referred to in the section headed "Substantial Shareholders" in this report, or their respective associates, at any time during the year or prior to the date of this report.

29. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

ii. *Full-time employees*

As at 1 April 2006, there were outstanding options, which were granted on 9 September 2004, entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 5,774,000 ordinary shares at the exercise price of HK$0.266 per share.

Details of grant of options during the year are set out as follows:

1. Options were granted on 4 April 2006 entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 35,600,000 ordinary shares in the capital of the Company at the exercise price of HK$0.300 per share. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which the options were granted was HK$0.300.

2. Options were granted on 14 December 2006 entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for 14,500,000 ordinary shares in the capital of the Company at the exercise price of HK$0.325 per share. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which the options were granted was HK$0.330.

During the year, the following vested options were exercised by full-time employees (excluding the Directors of the Company):

a. Vested options in respect of 1,316,000 shares were exercised on 25 July 2006 at HK$0.266 per share, which were issued and allotted on 25 July 2006. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such options were exercised was HK$0.335.

b. Vested options in respect of 990,000 shares were exercised on 11 September 2006 at HK$0.266 per share, which were issued and allotted on 11 September 2006. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such options were exercised was HK$0.400.

29. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

ii. *Full-time employees (Continued)*

No options were cancelled during the year. An option (which was granted on 9 September 2004) in respect of 167,000 shares at HK$0.266 per share and an option (granted on 4 April 2006) in respect of 750,000 shares at HK$0.300 per share lapsed upon resignation of a full-time employee during the year.

Accordingly, as at 31 March 2007, there were outstanding options entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 52,651,000 ordinary shares at the exercise prices ranging from HK$0.266 per share to HK$0.325 per share.

Subsequent to the year end date and prior to the date of this report, the following vested options were exercised by full-time employees (excluding the Directors of the Company):

i. On 10 April 2007, a vested option in respect of 200,000 shares was exercised at HK$0.266 per share and vested options in respect of an aggregate of 660,000 shares were exercised at HK$0.300 per share, which were issued and allotted on 10 April 2007. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such options were exercised was HK$0.420.

ii. On 11 April 2007, a vested option in respect of 1,000,000 shares were exercised at HK$0.266 per share and a vested option in respect of 100,000 shares was exercised at HK$0.300 per share, which were issued and allotted on 11 April 2007. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such options were exercised was HK$0.480.

iii. On 17 April 2007, a vested option in respect of 167,000 shares was exercised at HK$0.266 per share and vested options in respect of an aggregate of 1,330,000 shares were exercised at HK$0.300 per share, which were issued and allotted on 17 April 2007. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such options were exercised was HK$0.700.

29. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

ii. Full-time employees (Continued)

iv. On 23 April 2007, a vested option in respect of 400,000 shares was exercised at HK$0.300 per share, which were issued and allotted on 24 April 2007. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such option was exercised was HK$0.780.

v. On 11 May 2007, vested options in respect of an aggregate of 3,000,000 shares were exercised at HK$0.300 per share, which were issued and allotted on 11 May 2007. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such options were exercised was HK$0.720.

vi. On 13 May 2007, vested options in respect of an aggregate of 830,000 shares were exercised at HK$0.300 per share, which were issued and allotted on 18 May 2007. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such options were exercised was HK$0.740.

vii. On 17 May 2007, a vested option in respect of 160,000 shares was exercised at HK$0.300 per share, which were issued and allotted on 18 May 2007. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which such option was exercised was HK$0.860.

In addition, an option was granted on 15 May 2007 entitling a full-time employee of the Group (not being a Director of the Company) to subscribe, in stages, for 2,000,000 ordinary shares in capital of the Company at the exercise price of HK$0.780 per share. The closing price of the shares of the Company quoted on the HK Stock Exchange immediately before the date on which the option was granted was HK$0.750.

Accordingly, as at the date of this report, 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 46,804,000 ordinary shares at the exercise prices ranging from HK$0.266 per share to HK$0.780 per share.

Notes to the Financial Statements

For the year ended 31 March 2007

29. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

iii. Participants in excess of individual limit

17.03(4) of the HK Listing Rules provides that 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. Options granted on 4 April 2006 to the Chief Executive Officer (also an executive Director of the Company) and a full-time employee of the Group (not being a Director of the Company) in respect of 45,600,000 shares and 20,000,000 shares respectively were approved by the shareholders of the Company at the extraordinary general meeting held on 16 June 2006.

Save for the above, no participants were granted with options (including both exercised and outstanding options) in respect of an aggregate number of shares in the Company which was in excess of the individual limit referred to in Rule 17.03(4) of the HK Listing Rules.

iv. Suppliers of goods and services

No options were granted to or held by the suppliers of goods and services of the Company at any time during the year or prior to the date of this report.

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 or prior to the date of this report.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

29. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

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

	2007		2006	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
Outstanding at 1 April	20,274,000	0.266	20,800,000	0.274
Granted	89,200,000	0.300	—	—
Granted	20,500,000	0.325	—	—
Forfeited	(917,000)	0.294	—	—
Exercised	(2,306,000)	0.266	(326,000)	0.266
Expired	—	—	(200,000)	1.060
Outstanding at 31 March	126,751,000	0.299	20,274,000	0.266

The weighted average market price of the shares at the date of exercise of options for the year ended 31 March 2007 was HK$0.359 (2006: HK$0.305). All remaining share options as at 31 March 2007 have been accounted for under HKFRS 2. The Group has granted the following outstanding share options and exercise prices:

	2007		2006	
Exercisable beginning in financial year	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
-2006	—	—	6,540,663	0.266
-2007	11,100,998	0.266	6,866,668	0.266
-2008	43,016,661	0.299	6,866,669	0.266
-2009	36,316,666	0.305	—	—
-2010	36,316,675	0.305	—	—
Outstanding at 31 March	126,751,000	0.299	20,274,000	0.266

29. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

The weighted average remaining contractual life of the outstanding options as of 31 March 2007 is 8.91 years.

The fair value of share options granted during the year ended 31 March 2007 were determined using the Binomial valuation model. Significant inputs into the calculation included a closing share price at the dates of grant of option of HK$0.300 and HK$0.310 respectively and the exercise prices as illustrated above. Furthermore, the calculation takes into account a dividend yield of 22% and the volatility of 95% and 97.1% respectively, based on the Company's expected share price. A risk-free interest rate of 4.607% and 4.6% were used respectively.

The underlying expected volatilities were determined by reference to historical data according to the price return of the ordinary shares of the Company.

In total, US$651,000 of employee share-based payment has been included in the consolidated income statement for the year ended 31 March 2007 (2006: US$216,000). No liabilities were recognised due to share-based payment transactions.

30. RESERVES

	Accumulated losses (restated) US$'000	Share premium US$'000	Employee share-based payment reserve US$'000	Convertible bonds reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve (restated) US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group									
At 1 April 2005	(60,589)	81,876	—	—	—	1,204	—	16,960	39,451
Foreign currency translation adjustment of an associate	—	—	—	—	—	—	—	(16,782)	(16,782)
Exercise of share options	—	8	—	—	—	—	—	—	8
Issue of new shares	—	1,169	—	—	—	—	—	—	1,169
Dividend	—	(33,872)	—	—	—	—	—	—	(33,872)
Scrip dividend	—	1,052	—	—	—	—	—	—	1,052
Equity portion of convertible bonds	—	—	—	56	—	—	—	—	56
Employee share-based payment	—	—	216	—	—	—	—	—	216
Profit for the year	8,129	—	—	—	—	—	—	—	8,129
At 31 March 2006 as previously reported	(52,460)	50,233	216	56	—	1,204	—	178	(573)
Prior year adjustment (note 2.5)	(453)	—	—	—	—	—	453	—	—
At 1 April 2006 as restated	(52,913)	50,233	216	56	—	1,204	453	178	(573)
Foreign currency translation adjustment	—	—	—	—	—	—	—	9	9
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	871	871
Exercise of share options	—	92	(36)	—	—	—	—	—	56
Issue of new shares	—	914	—	—	—	—	—	—	914
Conversion of convertible bonds	—	1,953	—	(9)	—	—	—	—	1,944
Conversion of redeemable convertible preference shares	—	168	—	—	(6)	—	—	—	162
Equity portion of redeemable convertible preference shares	—	—	—	—	159	—	—	—	159
Employee share-based payment	—	—	651	—	—	—	—	—	651
Share of reserve of an associate	—	—	51	—	—	—	—	—	51
Disposal of a subsidiary	—	—	—	—	—	—	—	301	301
Profit for the year	582	—	—	—	—	—	—	—	582
At 31 March 2007	(52,331)	53,360	882	47	153	1,204	453	1,359	5,127

Notes to the Financial Statements

For the year ended 31 March 2007

30. RESERVES (Continued)

	Accumulated losses US$'000	Share premium US$'000	Employee share-based payment reserve US$'000	Convertible bonds reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Company								
At 1 April 2005	(52,841)	84,141	—	—	—	1,204	2	32,506
Foreign currency translation adjustment	—	—	—	—	—	—	(1)	(1)
Exercise of share options	—	8	—	—	—	—	—	8
Issue of new shares	—	1,169	—	—	—	—	—	1,169
Dividend	—	(33,872)	—	—	—	—	—	(33,872)
Scrip dividend	—	1,052	—	—	—	—	—	1,052
Equity portion of convertible bonds	—	—	—	56	—	—	—	56
Employee share-based payment	—	—	216	—	—	—	—	216
Loss for the year	(8,208)	—	—	—	—	—	—	(8,208)
At 31 March 2006	(61,049)	52,498	216	56	—	1,204	1	(7,074)
Foreign currency translation adjustment	—	—	—	—	—	—	(3)	(3)
Exercise of share options	—	92	(36)	—	—	—	—	56
Issue of new shares	—	914	—	—	—	—	—	914
Conversion of convertible bonds	—	1,953	—	(9)	—	—	—	1,944
Conversion of redeemable convertible preference shares	—	168	—	—	(6)	—	—	162
Equity portion of redeemable convertible preference shares	—	—	—	—	159	—	—	159
Employee share-based payment	—	—	651	—	—	—	—	651
Profit for the year	1,882	—	—	—	—	—	—	1,882
At 31 March 2007	(59,167)	55,625	831	47	153	1,204	(2)	(1,309)

31. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 March 2007, there were outstanding forwards and futures contracts amounting to approximately nil (2006: US$1,964,000) and US$537,000 (2006: US$492,000) respectively undertaken by the Group in the foreign exchange and equity markets.

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 March 2007, the amount of these margin deposits was US$58,000 (2006: US$382,000).

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of a subsidiary

	2007 US$'000	2006 US$'000
Net assets disposed of :		
Property, plant and equipment	—	1
Trade receivables	—	22
Prepayments, deposits and other receivables	—	7
Cash and bank balances	—	11
Trade payables, accruals and other payables	—	(26)
	—	15
Foreign currency exchange reserve	301	—
	301	15
Loss on disposal of a subsidiary	(301)	(15)
	—	—
Satisfied by:		
Cash consideration	—	—
	—	—
Net cash outflow arising on disposal:		
Cash and bank balances disposed of	—	(11)

Notes to the Financial Statements

For the year ended 31 March 2007

33. RETIREMENT BENEFIT OBLIGATIONS

The Group has operated a defined contributory 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, there were no forfeited contributions (2006: Nil) and the Group's contribution was US$15,000 (2006: US$14,000).

34. OPERATING LEASE COMMITMENTS

Group

	2007 US$'000	2006 US$'000
At 31 March 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
– within 1 year	608	94
– in the 2nd to 5th year, inclusive	821	8
	1,429	102
Equipment		
- within 1 year	5	—
- in the 2nd to 5th year, inclusive	12	—
	17	—
	1,446	102

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.

Notes to the Financial Statements

For the year ended 31 March 2007

35. CAPITAL COMMITMENTS

Group

	2007 US$'000	2006 US$'000
At 31 March 2007		
Contracted but not provided for:		
Purchasing of property, plant and equipment	1,969	—
Investment in a jointly controlled entity	—	17,000

Company

The Company has no capital commitments.

36. CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 31 March 2007.

37. 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 Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed to are described below:

Foreign currency risk

The Group has not taken any currency hedge as the management is not aware of any material foreign currency risk against its investments in financial assets.

Currently, the Group has no financial liabilities denominated in foreign currencies other than US dollars.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

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

Transaction in relation to derivative financial instruments are only carried out with financial institutions of high reputation.

Interest rate risk

The Company currently has no financial liabilities with floating interest rates.

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.

38. MATERIAL RELATED PARTY TRANSACTIONS

The following is a summary of material related party contracts or transactions of the Group during the year. All such transactions were entered into in the ordinary course of business of the Group.

For the purposes of these financial statements, parties are considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the entity that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

38. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such Group resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

In addition to those related party transactions disclosed elsewhere in the financial statements, the following transaction was carried out with a related party:

On 20 January 2007, an operational support agreement was entered into between (a) RML, an indirectly wholly-owned subsidiary of the Company, as service provider and (b) YSSCCL relating to the provision of personnel and related services by RML to YSSCCL at a fixed monthly fee of US$138,250 before PRC taxes.

An aggregate of US$415,000 was received and receivable for the year ended 31 March 2007.

39. POST BALANCE SHEET EVENTS

Save for the events disclosed in previous notes, there is no significant event took place subsequent to 31 March 2007.

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