Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

2007 Annual Report

China - Quality Assets

Contents

2 KEY HIGHLIGHTS

3 CHAIRMAN'S STATEMENT

7 CEO'S REPORT

9 COAL DIVISION

14 DAPINGZHANG MINE

20 ENVIRONMENT, REHABILITATION, HEALTH AND SAFETY

22 DIRECTORS' REPORT

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

63 CORPORATE GOVERNANCE REPORT

72 INDEPENDENT AUDITORS' REPORT

AUDITED FINANCIAL STATEMENTS

74 Consolidated Income Statement

76 Consolidated Balance Sheet

78 Company Balance Sheet

80 Consolidated Statement of Changes in Equity

82 Consolidated Cash Flow Statement

84 Notes to the Financial Statements

Key Highlights

Finance

- Net profit of US$1.6 million
- Shareholders' equity of US$384 million
- Cash of US$138 million
- Unhedged

Corporate

- Acquired 100% of CCEC Ltd. in share offer
- Market capitalisation significantly increased to US$728 million as at 31 December 2007 on a fully diluted basis

Exploration – Dapingzhang

- 44 million tonnes of JORC Code global resources – 374,000 tonnes copper and 260,000 tonnes zinc
- 17.8 million tonnes of ore reserves grading 1.01% copper and 0.88% zinc (upper quartile of VMS deposits world wide)
- Commenced drilling at Rongfa 1 with two drill rigs, a significant new discovery of copper and zinc mineralisation north of Dapingzhang with copper – zinc mineralisation now known over a 'camp-sized' 6km strike length and open to the north. Also started drilling at Tian Fang within the Yinzishan Project, a 97.54% owned joint venture of the Company, with one drill rig.

Operations – Dapingzhang

- Produced over 16,000 tonnes zinc metal, in line with budget
- Record throughput at Dapingzhang
- Cash operating cost of US$0.14/lb (US 14 cents), based on production of zinc concentrate and bulk copper-zinc concentrate, met target
- Completed commissioning of central filter plant
- SGS-Lakefield completed mineralogy and metallurgical test work
- Environmental Resources Management completed mine wide environmental, health and safety plan and training with mine site personnel
- Completed upgrading of existing tailings storage facility and waste dump

Your Company ("**Regent**") continues to grow in line with our stated vision of building a major Asian mining house. This growth has and will continue to come primarily from acquisitions, our core capability. This capability was demonstrated through the completion of the acquisition in December 2007 of CCEC Ltd. ("**CCEC**"), a thermal coal and coke to chemical company with extensive activities in the People's Republic of China ("**China**"). The projects acquired will provide the bulk of the Company's growth from 2008 onwards, as we ramp up the thermal coal production by bringing on line new mines, principally in China.

The CCEC acquisition will introduce incremental volume growth in thermal coal at a time of unprecedented demand in China. Equally important, the CCEC transaction also injects further near-term growth options into the Company's pipeline, which will enhance the net present value of the Company's enlarged assets.

Financial Results

2007 is a nine-month reporting period as we changed our financial year end to 31 December to match the accounting year end of our operations in China. 2007 saw a slight weakening in commodity prices, particularly for zinc, but demand and price remain well above-long term trends.

Our net profit attributable to equity holders of the Company for the nine months ended 31 December 2007 was US$1.6 million. Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**") contributed US$7.1 million for the nine-month period, but this was offset by interest paid on the convertible bonds and redeemable convertible preference shares of US$1.7 million. Post period end, the convertible bonds have now been extinguished.

We saw continued growth in market capitalisation during this nine-month period by around US$125 million to US$728 million. Shareholders' equity increased to US$384 million from US$20 million, which was resulted mainly from raising cash of US$136.5 million (net of commissions and expenses), issuance of 1.53 billion new shares for the acquisition of CCEC and part conversion of the convertible bonds.

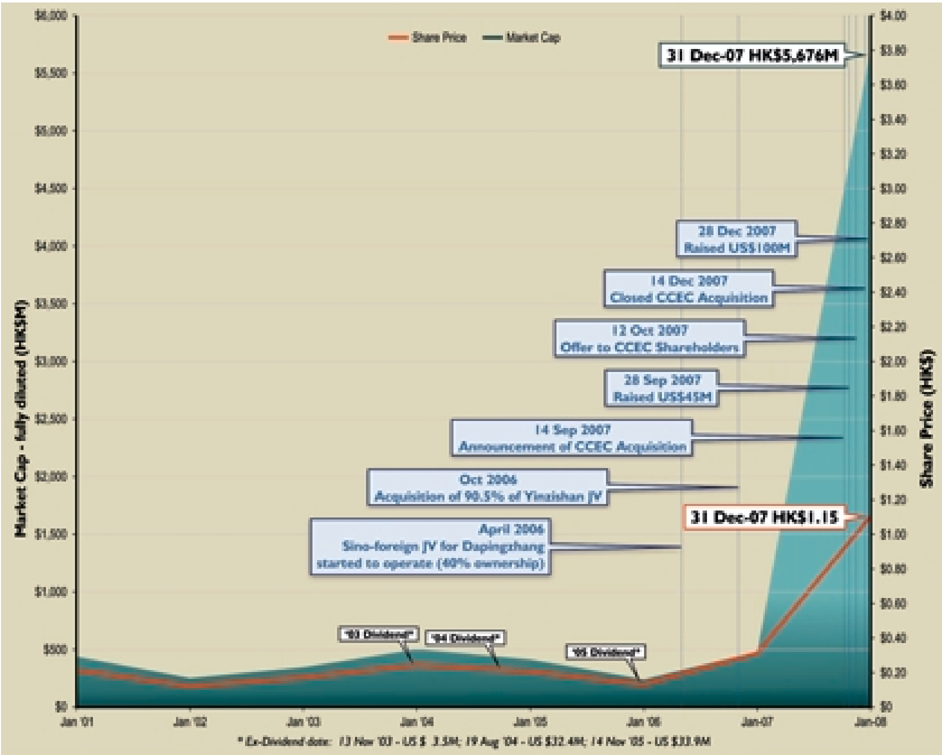
We foresee a stronger year in terms of production and commodities sold, with a major increase in production in 2009, when we will benefit from a full year of production from Dapingzhang (production of separate copper and zinc concentrates), Ji Ri Ga Lang (thermal coal) and Amerinvest Coal Industry Holding Company Limited (coke to chemical projects) and with that, significant additions to cash flow.

In 2008 we will focus on securing certain assets within our ambitious project pipeline and maintain the ability to fund our current projects through our own balance sheet and the pending increase in cash flow.

The Group has no net debt and no hedging, and substantial cash reserves.

Financial Results (Continued)

It should be noted that since the Board terminated the previous management under Peter Everington in January 2002, the Company under the guidance of Jamie Gibson, myself and the experienced management team we have put in place has gone from strength to strength. From May 1997 to December 2007, Regent's compound annual rate of return to shareholders was 19%. In addition, since the change of management, our company's market capitalisation has risen by 25 times to US$728 million from US$29 million, a reflection of the dedication of our team to improving shareholder returns.



Share Price & Market Capitalisation - Annual Growth

I am confident that with our strong cash positions, our outstanding mining prospects and the geographical locations of our assets we will have very strong growth in the years ahead.

I also believe that we will be able to resume dividend payments this year.

Operational Performance

At Dapingzhang we met our operating targets with more than 16,166 tonnes of zinc metal being sold. The cash operating costs at Dapingzhang were US$0.14 (14 US cents) per pound (based on production of zinc concentrate and bulk copper-zinc concentrate), in line with our budget. We saw the successful commissioning of the new central filter plant and zinc circuit with metallurgical performance meeting budget. In addition, mill improvements have increased throughput at mill 4 from 1,500 tonnes per day to 2,500 tonnes per day, taking total daily throughput at mine site to 3,500 tonnes per day.

Safety performance and awareness is continuing at Dapingzhang and there were no lost time injuries reported during the financial year. Dapingzhang has implemented a comprehensive mine wide environmental, health and safety plan, security and health of our employees paramount. And importantly Dapingzhang completed the upgrading of the existing tailings storage facility and waste dump based on design recommendations provided by our external consulting engineers.

Mine Exploration and Reserves

At Dapingzhang we published our third global mineral estimate (JORC Code Guidelines) of 44 million tonnes of resources containing 374 thousand tonnes copper and 260 thousand tonnes zinc. In addition, Dapingzhang completed its second ore reserve calculation (reserves were prepared in accordance with JORC Code Guidelines) of 17.82 million tonnes of probable reserve tonnes at an average copper grade of 1.01% and an average zinc grade of 0.88% net of mining depletion as at 31 March 2008. All ore reserves are currently derived from the Dawaz pit and the Dapingzhang pit which are within the 2.75 km^2 mining licence area.

Regional Exploration

Our regional search for new volcanic massive sulphide ("**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' 6km strike length and is open to the north. We have started the drilling at Rongfa 1 with two drill rigs with an initial drill programme of 3,000 metres in 20 holes.

We have also embarked on a drilling programme at Yinzishan, our 97.54% joint venture with one drill rig. The initial drill programme consists of 1,500 metres in 10 holes.

We will continue to aggressively explore for new VMS deposits in this region, whose potential remains unknown, under explored and under developed.

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.

Chairman's Statement

Outlook

With a recession in the United States ("**US**") highly probable, with likely negative consequences for short-term growth in OECD countries, I expect continued commodity price volatility until uncertainty over the US economy is played out. In addition, low exchange stocks and the meaningful presence of commodity investors are also likely to exacerbate ongoing price volatility.

I expect Chinese GDP growth of around 8~9% this year, which is driven by the combination of rapidly accelerating domestic demand, investment and export-led growth. The bulk of China's demand is driven by internal factors such as the increasing urbanization of the Chinese population and rapid income growth. I expect robust growth in the demand for commodities will continue to be fuelled by demand from China, India, Russia and certain other countries in South-East Asia.

There has been much talk of decoupling by China from the US. I believe that the demand for commodities is diverging away from a historic dependence on the US and OECD countries. This decoupling is driven by the domestic demand for metals, energy and other commodities in China and other emerging markets compared to developed countries. A case in point is that China alone accounts for over 70% of growth in global mined commodity demand, including consuming over 25% of world copper demand. This copper demand evidence suggests that China has already decoupled from the US. The decoupling is also strengthened by the increased volume of trade among emerging Asian countries themselves, which now exceeds exports to the US from the region. So while we expect a slowdown in the US and OECD countries will have an impact on global demand for commodities, I expect it to be muted and short lived. China and the other emerging countries will take up the slack in this short lived period and the medium term outlook for commodities is further strengthened by the return to growth of the developed economies over the next three years.

Consequently I remain very confident in the outlook for all of Regent's commodities from the short term through the medium to long term. I am a believer in this continued super cycle demand for commodities, albeit with jagged periods of underperformance. Our gross margins over and above costs of extraction on all of our projects, and the excellence of our in-situ teams mean that we will weather almost all periods of commodity price fluctuations with little or no impairment to our strong profit growth prospects.

Regent is perfectly positioned to benefit from the positive demand outlook for our commodities as we progress the transformation of our portfolio into operating mining assets through industry leading operating performance and look to internal and external growth for building out the Company, in line with our stated vision of being a major Asian focused mining company.

I welcome to the Board Stephen Dattels, Stephen Bywater and Wu Yuan. To make way for these appointments, Anderson Whamond, Patrick Reid and Dr Youzhi Wei resigned as Directors and I would like to thank them for their valuable contributions to the Board.

Thank you for your continued support for Regent. I thank the management team and our employees for their continued hard work in building a major Asian mining company.

James Mellon
Co-Chairman

17 April 2008

This year we report a nine-month period to 31 December 2007 as we bring in line our financial year end with our operations in the People's Republic of China ("**China**").

Our vision is the building of a major mining house. A successful part of Regent Pacific Group Limited's ("**Regent**") growth strategy and execution of our vision has and will continue to be, merger and acquisition activity. In 2007 Regent acquired CCEC Ltd. ("**CCEC**"), a company that has interests, or rights to interests, in thermal coal and coke to chemical projects in China. This will provide significant growth and cash-flow for Regent in 2008 and beyond.

Our core focus is on operations in China and this approach has given us a competitive advantage in this country. While we will continue to focus on China for the right value adding assets, we may look to acquiring and developing projects in the Asia-Pacific – Australasian region. We are focussed on growth by acquisition and by putting our pipeline of projects into production as quickly as possible, thereby enhancing the value of Regent. Regent has strict merger and acquisition criteria where an acquisition must add value to Regent and its stakeholders.

Our commodities of choice are coal, coking coal (and their related by-products such as coke, methanol and ammonia), copper and zinc. These are all commodities that we produce or will shortly produce and are those which we believe have strong supply demand fundamentals.

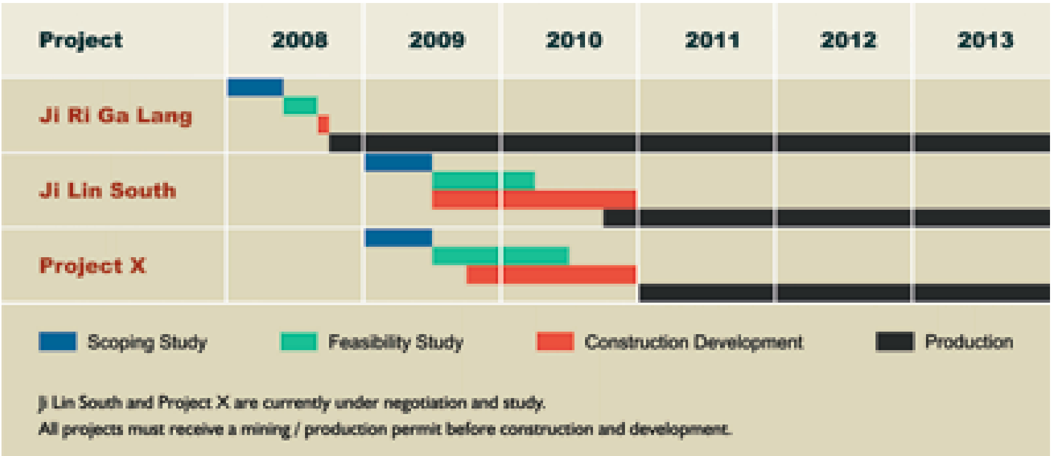
Our operational strategy is to develop high quality operations with our partners, that are high margin and with long mine lives or have potential for increasing mine life through the capture of additional resources. Currently our operations team is focussed on growth in 2008 from:

- Delivering 10,000 tonnes copper metal and 32,000 tonnes zinc metal at Dapingzhang
- Increasing resources and throughput at Dapingzhang
- Commencement of mining at the Ji Ri Ga Lang thermal coal project is expected to be 0.5~1.0 million tonnes thermal coal sold in 2008 and 3 million tonnes annually thereafter
- Starting drilling programmes at Ji Lin South (a significant thermal coal project in Inner Mongolia, China, of approximately 2.4 billion tonnes of thermal coal. Regent has entered into a memorandum of understanding in March 2008, with Chuncheng Industry and Trade Group Co. Ltd., to establish a joint venture for developing the deposit) and Project X (a significant thermal coal project in Inner Mongolia, China, of approximately 6 billion tonnes of thermal coal, which CCEC entered into a letter of agreement in December 2007, with the Inner Mongolian Autonomous Region coal mine geological bureau, to establish a joint venture for developing the deposit).

CEO's Report

We are lucky to possess and maintain a project pipeline that will ensure our continued growth over the coming years.

We have plans at each of our Inner Mongolian projects that we consider critical to push towards growth (see table below). We are building out our coal team in managing and executing these plans in accordance with defined milestones.



Regent Development Pipeline - Coal Projects, Inner Mongolia, China

This year we expect to bring on the Ji Ri Ga Lang thermal coal project which has 92.2 million tonnes of JORC coal resources, subject to the issuance of the mining/production permit by September 2008. We are forecasting 0.5 million tonnes to 1 million tonnes thermal coal this year and in its first full operating year, 2009, we expect to produce 3 million tonnes of thermal coal. This is a very important project for Regent and we are doing everything we can to support the team for bringing on the mine in 2008; on time and on budget.

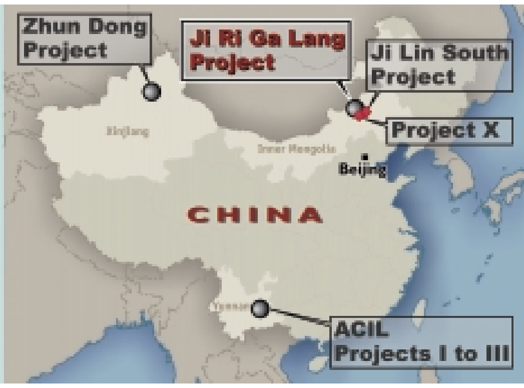
Regent's growth will also come from formalising legal relationships with our partners on the Ji Lin South and Project X thermal coal deposits in Inner Mongolia and bringing these large and significant coal deposits into production. In addition, Regent's growth next year will be enhanced from its associated interest in West China Coking and Gas Company Limited and Yunnan Daiwei Ammonia Co. Ltd. (acquisition approval pending).

Beyond this pipeline of projects, Regent will, as always, continue to look at mergers and acquisitions for adding growth. 2008 and beyond will require continued hard work to extract the maximum value from our assets to build a major mining company. We believe that 2008 and beyond will deliver significant improvements to the operational performance of Regent and consequently increase Regent's earnings and value for all stakeholders.

Jamie Gibson

17 April 2008

Clean Green Alternative Energy



COAL DIVISION

The Group has an interest in, or is in the process of acquiring interests in, the following projects:

- Abagaqi Changjiang Mining Company Limited ("**ACMC**" or the "**Ji Ri Ga Lang Coal Project**")
- Project X Coal Deposit
- Jin Lin South Coal Deposit
- Yuke Coal Limited (the "**Zhun Dong Coal Project**")

A brief description of each project is set out below:

JI RI GA LANG COAL PROJECT

The Ji Ri Ga Lang Coal Project is located to the north of Abagaqi, Inner Mongolia, the People's Republic of China ("**China**"). Currently Regent Pacific Group Limited ("**Regent**") has a majority interest held through a Sino-foreign equity joint venture company ("**EJV**"), which it acquired for RMB 80 million. The EJV will convert to a wholly-owned foreign enterprise on conversion of the existing exploration licence to a mining licence. The work programme, including reserves/resources evaluation, feasibility study and environmental impact assessment report, among others that are necessary to convert the exploration licence to a mining licence have commenced. Regent expects that this programme will complete by September 2008. Once completed, Regent will acquire 100% of the project for a remaining payment of RMB 100 million, with a total acquisition cost of RMB 180 million. Regent plans to mine 0.5 to 1 million tonnes of coal this year and 3 million tonnes annually thereafter. Regular reviews will be conducted to assess options to expand annual production beyond 3 million tonnes.

In April 2008, Regent announced a coal resource of 92.2 million tonnes in accordance with the JORC Code, 87% of which is a measured resource. The exploration licence area is 132.23km^2. The depth of the main coal seam ranges from 1 metre to 105 metres, with the average seam thickness over 25m.

Coal Resources Statement as at March 2008 (JORC Code)

	JORC Code Categories		
Seam	Measured (Mt)	Indicated (Mt)	Total (Mt)
5+(5L1-5L3)	80.2	12	92.2

JI RI GA LANG COAL PROJECT (Continued)

Regent has engaged Minarco MineConsult to conduct a mine design and feasibility study and it is expected that the Company will release a JORC Reserve Statement for the Ji Ri Ga Lang Coal Project in the second quarter of 2008.

The second quarter of 2008 will advance additional pre-production drilling and coal crop trenching at Ji Ri Ga Lang to accurately define in detail the sub-crop extent as well as define the geological structure in the first phase of mining.

The coal quality is typical of Inner-Mongolian lower cretaceous thermal coals (see table below). The Ji Ri Ga Lang Coal Project will produce a medium ash, medium sulphur, medium to high energy coal perfectly suitable for the China domestic market. The coal quality of each seam varies across the project area.

Appropriate mining skills will be deployed to manage the quality and all other mining variables.

Coal Quality of Estimated Resources (JORC Code)

Seam	Moisture % (ad) Average	Ash % (db) Average	Volatile Matter % (db) Average	Total Sulphur % (db) Average	Calorific Value Mj/kg (gsd) Average	Calorific Value Mj/kg (daf) Average
5+(5L1-5L3)	11.5	15.5	36.5	1.7	20.5	27.6

Regent has also engaged SGS (Mineral Services, Tianjin, China), the world's leading inspection, verification, testing and mineral certification company who operate state of the art coal quality testing laboratories in China, which has been accredited ISO 17025 standards. This planned contractual linkage with SGS will give Regent the utmost confidence in the technical analysis of the coal asset that is highly relevant to securing the best off take terms for selling its coal and assisting with its mining and processing activities.

The Ji Ri Ga Lang Coal Project will be an open pit mining operation using shovels and trucks. The mining will be completed by independent contractors under instruction from the mine. Mining will be managed to follow the pit design and ensure minimal coal loss and dilution occurs.

PROJECT X COAL DEPOSIT

Project X is a significant thermal coal project located close to Hohhot, Inner Mongolia, China, of approximately 6 billion tonnes of thermal coal (Chinese resource standards). Regent entered into a letter of agreement in December 2007, with the Inner Mongolian Autonomous Region coal mine geological bureau, to establish a joint venture for developing the deposit. It is anticipated that, subject to the conclusion of a definitive legal agreement between the parties, Regent may acquire up to a direct or indirect 55% equity interest in the Sino-foreign joint venture company (the "**Project X JV**"), to be established for the purpose of the project, by funding the Project X JV into production. Following which, the remaining 45% in the Project X JV will be held by the Inner Mongolian government.

The coal deposit contains a significant resource of lignite or brown coal with an overall Chinese resource estimate of approximately 6 billion tonnes. From a recent geological report the coal to overburden ratios are favourable with a total mineable thickness of approximately 70 metres in areas where the major seams are present. It is understood that coal mined from the project may be suitable for use in local power stations.

Management is optimistic that government support may facilitate marketing to strategically located power stations and that infrastructure support may be provided by the Inner Mongolian government to ensure expeditious development of the project which is potentially world class. It is our intention to complete confirmatory drilling in 2008 to establish an open pittable measured and indicated coal resource of >500 million tonnes with possible production rates of >10 million tonnes per annum, subject to results of the confirmatory drilling, feasibility design work and market demands, amongst others.

JI LIN SOUTH COAL DEPOSIT

The Ji Lin South project is a significant thermal coal project in Inner Mongolia, China, of approximately 2.4 billion tonnes of thermal coal (Chinese resource standards). Regent has entered into a memorandum of understanding in March 2008, with Chuncheng Industry and Trade Group Co. Ltd. ("**CITG**"), to establish a joint venture for evaluating and developing the Ji Lin South coal deposit, a potentially significant coal deposit in Inner Mongolia, on a joint venture basis. It is anticipated that, subject to the conclusion of a definitive legal agreement between the parties, Regent may acquire up to a direct or indirect 49% equity interest in the Sino-foreign joint venture company (the "**Ji Lin South JV**"), to be established for the purpose of the project, by cash contribution to the Ji Lin South JV for completion of a bankable feasibility study report.

CITG is a part owner (26%) of a new railway line that is being built by Shenyang Railway Bureau (owned by the Ministry of Railway) at an estimated cost of RMB 5.8 billion. The new railway line will run approximately 7km from the Ji Lin South coal deposit and connect to the existing railway line leading to Shenyang, Liaoning province. The total distance of the new railway line is estimated at 487km. Construction of the new railway line started in November 2007 and completion is expected in 2010. The estimated coal capacity for the first stage of completion (2010) is 12 million tonnes per annum rising to 35 million tonnes per annum on completion of the second stage.

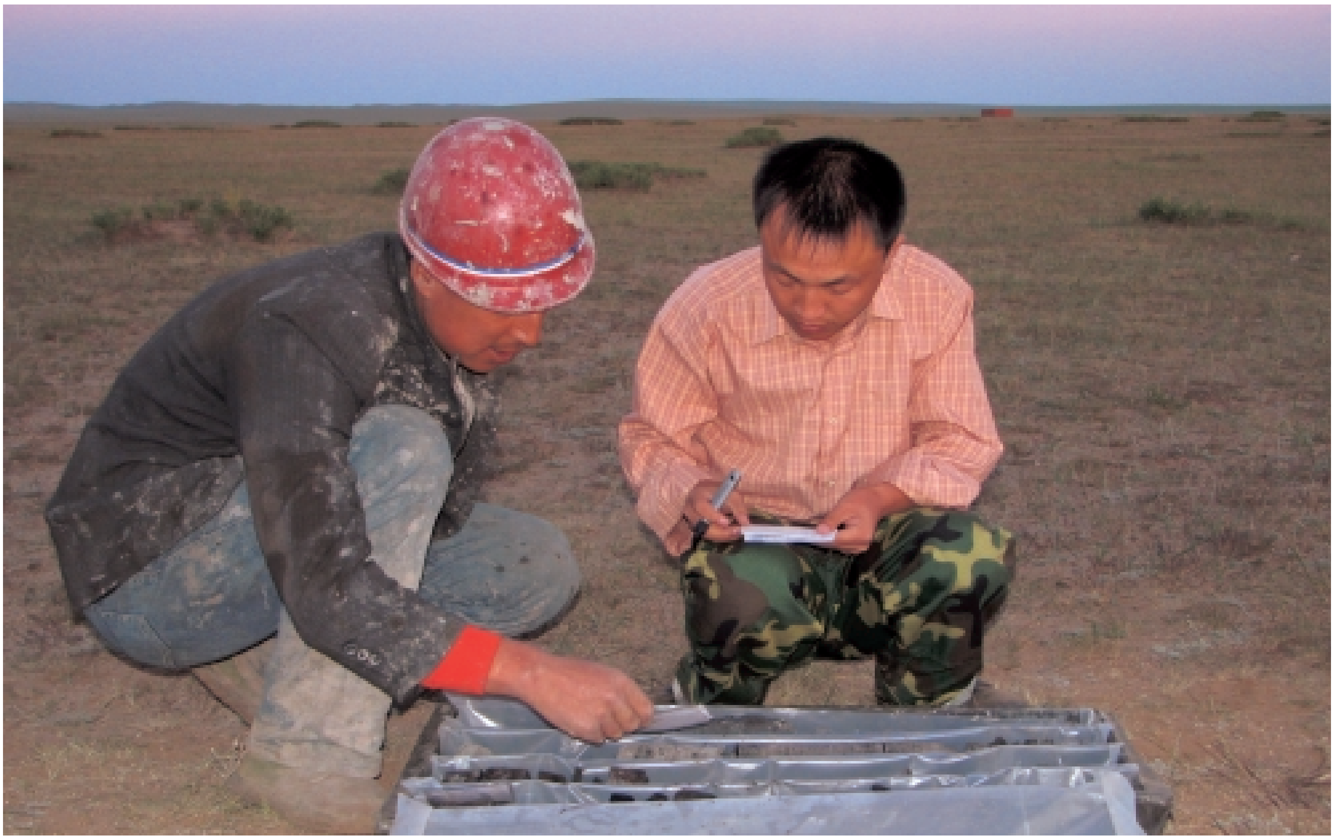
JI LIN SOUTH COAL DEPOSIT (Continued)

We expect that the Ji Lin South JV can enter into favourable off take agreements for its coal with the end user on a delivered basis (C&F) rather than on a mine gate basis (FOT) with guaranteed annual capacity on the new railway line. However, a detailed analysis of the optimum marketing of the coal will be included in the bankable feasibility study.

The Ji Lin South coal deposit is located 100km north-east of the Inner Mongolian city of Xilinhot, China. According to Chinese resource standards the deposit contains a significant lignite coal resource of approximately 2.4 billion tonnes. Preliminary exploration indicates large areas of favourable seam thickness and coal to overburden ratios. Where the major coal seams are present and well developed total coal thickness is up to 80 metres. It is understood that coal mined from the project may be suitable for use in local power stations, and we understand that a power station will be built nearby the Ji Lin South coal deposit with a rated power capacity of 2 x 135 mega watts. We further understand that the power station has been approved by the Development and Reform Commission of Inner Mongolia.

It is Regent's intention to complete resource delineation drilling in 2008 to define open pit mineable resources with the potential to sustain production rates of up to 10 million tonnes per annum, subject to the drilling results, coal quality, feasibility studies and market demands, amongst others.

The exploration licence for the Ji Lin South coal project covers an area of 202.75km^2.



ZHUN DONG COAL PROJECT

The Zhun Dong Coal Project is located in Xinjiang province, China. Regent owns 100% of the Zhun Dong Coal Project that is held through a wholly-owned foreign enterprise. The Zhun Dong Coal Project owns four exploration licences that total 117.98 km^2 that are valid to 28 January 2009.

A preliminary drilling exploration program at the Zhun Dong Coal Project delineated ten coal seams of which at least one has economic potential for extraction using underground mining methods. Based on the current drilling results, a coal resource has been estimated for seam 1 at a total of 653 million tonnes for category 333 (Chinese resource standards). This estimate has not been accredited by MOLAR (Ministry of Land and Resources) and does not meet the requirements of an international standard for reporting coal resources such as the JORC Code.

The conclusions of SRK's report dated 17 October 2007 recommended that, given the potential for the Zhun Dong Coal Project to become an economic underground coal mine, further drilling should be conducted to provide sufficient detail for a comprehensive feasibility study for the project. Further drilling will therefore be required to advance this project. Regent is currently evaluating its options on the best way to realise shareholders value that may include further drilling and/or a realisation event.

COKING COAL CHEMICAL DIVISION

Regent owns 100% of Amerinvest Coal Industry Holding Company Limited that has a 25% equity interest in West China Coking and Gas Company Limited ("**West China Coke**") and has agreed to acquire a 32.98% equity interest in Yunnan Daiwei Ammonia Co., Ltd. ("**Yunnan Daiwei**") for approximately US$58 million, subject to the receipt of necessary China government approvals. In addition, the Group may acquire an additional 8.8% interest in Yunnan Daiwei on the same pricing terms as the 32.98% interest. If Regent is successful in acquiring both interests in Yunnan Daiwei, it will hold a 41.98% equity interest on completion.

West China Coke is a Sino-foreign equity joint venture company registered in Huashan Town, Zhanyi County, Qujing Municipality, Yunnan province, China. It was incorporated in 2001 and acquired its business licence as a Sino-foreign equity joint venture company on 8 December 2004. West China Coke has an annual production capacity of 1,050,000 tonnes of coke, 80,000 tonnes of methanol, 30,000 tonnes of coal tar, 9,000 tonnes of crude benzene, and 8,000 tonnes of ammonium sulfate.

West China Coke has a 13.14% interest in Yunnan Daiwei, a limited liability company established in China. Yunnan Coal Chemical Industry Group Co. Ltd and Yunnan Yunwei Group Co. Ltd own the remaining 86.86% of Yunnan Daiwei. Yunnan Daiwei has been designed for annual production of 500,000 tonnes of synthetic ammonium. It has just completed commissioning and is now ramping up production to name plate capacity in 2008.

Dapingzhang Mine

Dapingzhang Mine Operation A World Class VMS Deposit

DAPINGZHANG MINE OPERATIONS

Mining and Production

In March 2008, Cube Consulting Pty Ltd ("**Cube**") completed the second ore reserves and life of mine, including optimisations, pit designs and mining schedules. The current life of mine ("**LOM**") plan extends to 2015 with ore reserves of 17.82 million tonnes of probable reserve tonnes, at an average copper grade of 1.01% and an average zinc grade of 0.88% net of mining depletion, as at 31 December 2007. The ore reserves were prepared in accordance with JORC Code Guidelines – see table below.

Ore reserves as at 31 December 2007

			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	6.67	1.74	1.88	0.56	21.42	0.21		116	125	119	4,593	14
		Disseminated	10.47	0.57	0.03	0.11	4.00	0.01		60	3	37	1,346	1
Dapingzhang Total			17.14	1.03	0.75	0.28	10.78	0.09		176	128	157	5,939	15
Dawaz	Proven	Massive	0.05	0.98	2.97	0.05	20.36	0.23		0	1	0	33	0
		Disseminated	—	—	—	—	—	—		—	—	—	—	—
Dawaz Total			0.05	0.98	2.97	0.05	20.36	0.23		0	1	0	33	0
Stockpiled	Proven	Massive	0.63	0.44	4.27	0.80	21.00	0.20		3	27	16	426	1
TOTAL RESERVES			17.82	1.01	0.88	0.30	11.16	0.09		179	157	173	6,398	16

The average annual LOM cash cost is US$0.42/lb copper net of by product credits.

Mining and Production (Continued)

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 1.

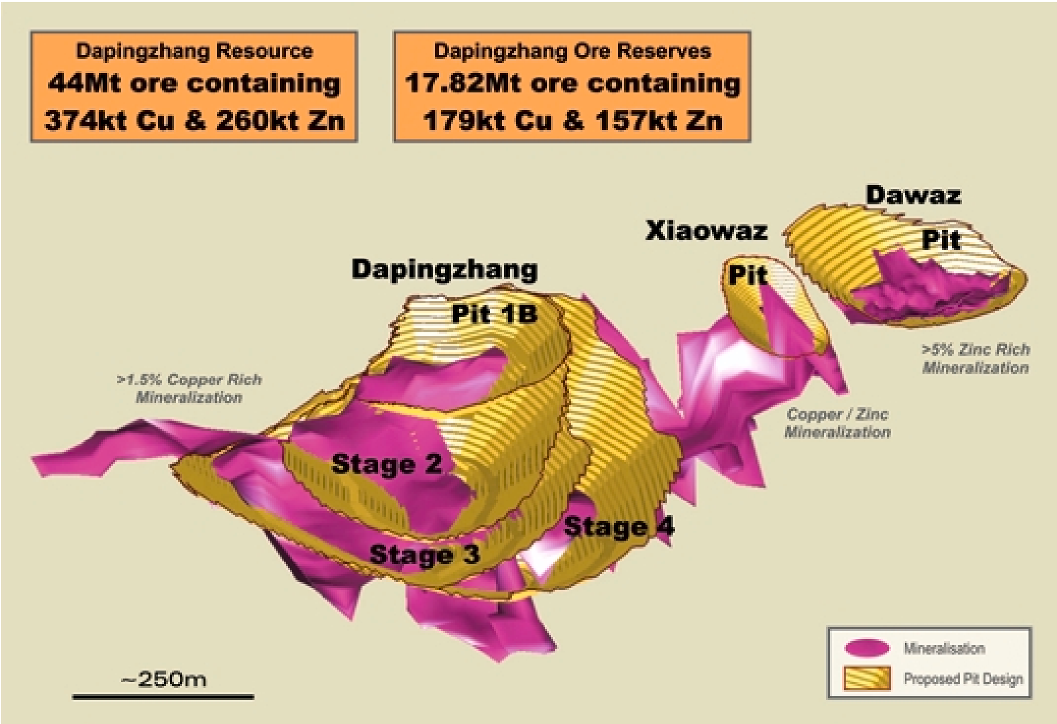


Figure 1 – Dapingzhang Mine

In 2007, a total of 852,523 tonnes of zinc rich massive sulphide ore at an average zinc grade of 4.38% has been mined from the Dawaz open pit. A total of 261,019 tonnes of Dawaz zinc rich ore averaging 7.8% was processed in 2007, producing 16,166 tonnes zinc metal. In addition, 20,941 tonnes was mined from Pit 1B in 2007, with an average copper grade of 2.1% and an average zinc grade of 5.6%. A total of 95,208 tonnes was processed in 2007, producing a bulk copper/zinc concentrate.

From May 2008, the largest mill will produce a separate copper concentrate and zinc concentrate by way of differential flotation based on flow-sheets designed by SGS.

Mining, Production and Costs

The mining, production and costs for the nine months ended 31 December 2007 were:

Table 1

Copper Production Nine months ended Dec 07			Zinc Production Nine months ended Dec 07			Copper - Zinc Production Nine months ended Dec 07		
	Units			Units			Units	
Ore mined	t	—	Ore mined	t	852,523	Ore mined	t	20,941
Grade Cu	%	—	Grade Zn	%	4.38	Grade Zn	%	5.56
						Grade Cu	%	2.10
Ore milled	t	81,244	Ore milled	t	261,019	Ore milled	t	95,208
Cu grade	%	1.39	Zn grade	%	7.81	Zn grade	%	6.24
						Cu grade	%	1.64
Cu recoveries	%	92.30	Zn recoveries	%	88.45	Zn recoveries	%	87.82
						Cu recoveries	%	64.55

Table 2

	Concentrate Production and Sales Nine months ended Dec 07	
Production	Units	
Copper concentrate	t	8,107
Zinc concentrate	t	45,973
Copper – Zinc concentrate	t	5,940
Concentrate Sales		
Copper concentrate	t	9,674
Zinc concentrate	t	32,543
Copper – Zinc concentrate	t	4,941
Contained metal		
Cu	t	2,276
Zn	t	16,166
Au	oz	642
Ag	oz	36,273

Mining, Production and Costs (Continued)

Table 3

Operating Costs for nine months ended 31 Dec 2007 (Copper equivalent)

All in US$'000 (HKFRS adjusted)	Nine months ended Dec 2007
Operating*	19,345
Transportation costs	1,814
By-product credit^	(1,050)
Total Cash Cost	20,109
Depreciation and amortisation#	2,306
Total Production Cost	22,415
Cash Operating Costs US$/lb	0.14

~ where there are payable terms

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

^ Revenue from gold and silver

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

In 2007, total cash costs were US$0.14 per pound, based on production of zinc concentrate and bulk copper-zinc concentrate. Cash operating costs for 2008 are expected to be negative.

Dapingzhang Mine

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 metal sold and cash costs for 2008:

2008

	Zinc tonnes	Copper tonnes
Metal Sold	32,000	10,000

Cash costs net of by product credits
2008: – US$ (1.00/1b)

Resources and Exploration

Ore is currently being mined from Pit 1B where ore reserves as at 31 December 2007 were 17.82 million tonnes.

Overall resources at Dapingzhang and Dawaz total 44 million tonnes containing 374,000 tonnes copper and 260,000 tonnes zinc – see figure 2.

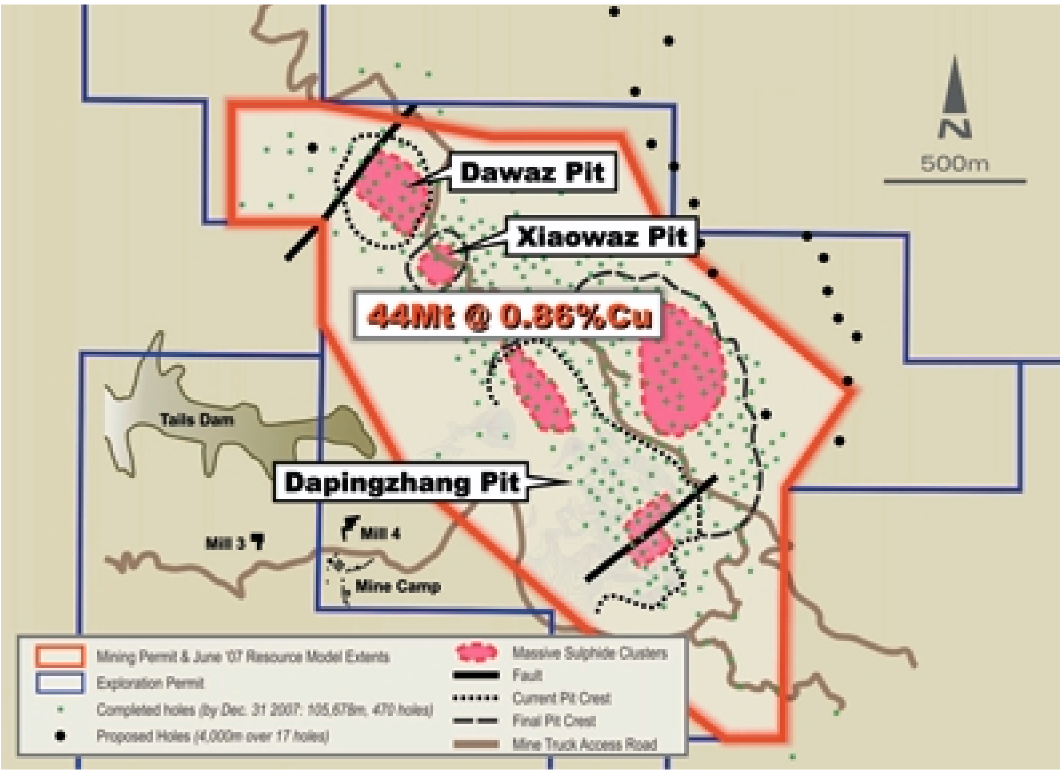
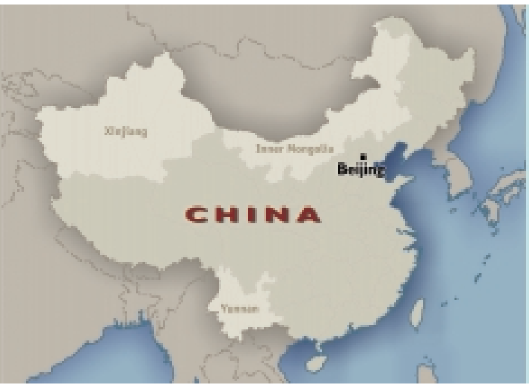


Figure 2 - Dapingzhang Open Pit Mine and Infrastructure Areas

Exploration commenced at our new discovery called Rongfa 1. Rongfa is significant because it means copper-zinc mineralisation is now known over a 'camp-sized' 6km strike length and is open to the north. This 6km long portion of favourable volcanic host rocks lies within a larger belt of volcanic rocks that "crops out" intermittently for approximately 40km. The entire belt has the potential to host additional volcanic massive sulphide ("**VMS**") deposits, a common feature in these types of systems world wide. The initial drilling programme will be 3,000 metres in 20 holes.

Exploration has also commenced at Tian Fang, which is located on an exploration permit at Yinzishan, owned by Simao Regent Minerals Limited, a Sino-foreign joint venture company owned 97.54% by the Company. An initial 1,500 metre drilling programme with one drill rig will test zinc oxide mineralisation that has been uncovered from surface trenching.

Environment, Rehabilitation, Health & Safety



A Sustainable Environment & A Safe, Healthy Workplace

ENVIRONMENT, REHABILITATION, HEALTH & SAFETY

We have implemented the comprehensive mine wide environmental, health and safety plan ("**EHS Plan**") prepared by Environmental Resources Management ("**ERM**"). Our environmental, health and safety remains a significant priority. Our core approach is the health and safety of our employees, including; respect for the individual, for each other, for stakeholders and for the cultures that we operate in.

At Dapingzhang we had no lost time for injuries in the year, a great achievement given the amount of construction and mine traffic.

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 minimize negative impacts on the environment.
- Integrating environmental awareness and responsibility throughout its host communities.
- Being mindful, in the operations of the Group, of all appropriate economic, environmental and social concerns.

Yunman Simao Shanshui Copper Company Limited has completed the implementation of ERM's EHS Plan including a training programme.

There were no reportable environmental incidents during the financial year.

Rehabilitation

Across all our mining projects, 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 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.

The environment that exist at our joint venture projects in Yunnan province and Inner Mongolia, the People's Republic of China, cover two distinct seasons; in Yunnan a wet sub tropics to semi-arid systems representing a wide rainfall spectrum and in Inner Mongolia a cold dry winter to a hot dry summer. 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 has undertaken a base line study to better understand the rehabilitation process and identify key indicators for reclamation success at Dapingzhang. The Company will complete base line studies across all its mining projects with the aim of restoring the land back to a sustainable use wherever possible.

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 nine-month period ended 31 December 2007 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

The Group's results for the nine-month period ended 31 December 2007 are set out in the Consolidated Income Statement on page 74.

The Company did not pay any dividend during the nine-month period ended 31 December 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 period and the last four financial years (extracted from the audited financial statements and reclassified as appropriate) are set out below:

Results:

	For the nine months ended 31 December	For the year ended 31 March			
	2007 US$'000	2007 US$'000	2006 US$'000	2005 US$'000	2004 US$'000
Total income	2,598	3,684	3,722	3,602	2,595
Income less expenses	(4,695)	(2,981)	(5,312)	158	(2,001)
Finance costs – interest on convertible bonds and redeemable convertible preference shares	(1,662)	(2,613)	(8)	—	—
Operating (loss)/profit	(6,357)	(5,594)	(5,320)	158	(2,001)
Share of profits/(losses) of associates	678	1,828	13,001	(42,043)	7,089
Share of profit of a jointly controlled entity	7,067	4,378	—	—	—
Profit/(Loss) before taxation	1,388	612	7,681	(41,885)	5,088
Taxation	—	—	—	(7)	—
Profit/(Loss) for the period/year	1,388	612	7,681	(41,892)	5,088
Minority interests	215	(30)	(5)	(438)	(15)
Profit/(Loss) attributable to equity holders of the Company	1,603	582	7,676	(42,330)	5,073

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	As at 31 December	As at 31 March			
	2007 US$'000	2007 US$'000	2006 US$'000	2005 US$'000	2004 US$'000
Goodwill	190,724	1,876	1,876	—	—
Exploration and evaluation assets	5,729	78	—	—	—
Property, plant and equipment	467	195	34	49	25
Interests in associates	16,572	2,768	1,587	43,023	92,392
Interest in a jointly controlled entity	29,951	25,180	—	—	—
Available-for-sale financial assets	620	620	620	—	—
Non-current investments in securities	—	—	—	6,491	3,922
Amount due from an associate	—	—	—	435	495
Current assets	167,578	12,180	31,784	2,232	1,543
Total assets	411,641	42,897	35,901	52,230	98,377
Current liabilities	12,830	693	3,943	395	1,098
Non-current liabilities	14,118	21,631	18,352	—	—
Total liabilities	26,948	22,324	22,295	395	1,098
Net assets	384,693	20,573	13,606	51,835	97,279

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITY

Particulars of the Company's subsidiaries and the Group's associates and jointly controlled entity are set out in notes 15, 16 and 17 respectively to the Financial Statements.

GOODWILL

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

PROPERTY, PLANT AND EQUIPMENT

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

BORROWINGS

Details of movements in the borrowings of the Group and the Company during the period are set out in note 26 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 30 to the Financial Statements.

At the Company's extraordinary general meeting held on 8 December 2007, the authorised share capital of the Company was increased from US$55,500,062.50 comprising: (i) 5,000,000,000 ordinary shares of US$0.01 each ("**Ordinary Shares**"); (ii) 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**")); and (iii) 6,250 redeemable convertible preference shares of US$0.01 each ("**Redeemable Convertible Preference Shares**") to US$105,500,062.50 comprising: (a) 10,000,000,000 Ordinary Shares; (b) 550,000,000 unclassified shares of US$0.01 each (which may be issued as Ordinary Shares or as Deferred Shares); and (c) 6,250 Redeemable Convertible Preference Shares.

During the nine-month period ended 31 December 2007, an aggregate of 2,794,295,394 new ordinary shares were issued and allotted, details of which are set out as follows:

a. An aggregate of 6,701,000 new ordinary shares were issued and allotted for a total consideration of HK$1,782,466 (approximately US$228,521), being HK$0.266 per share, upon exercise of options under the Company's Share Option Scheme (2002) (as referred to below).

b. An aggregate of 8,480,000 new ordinary shares were issued and allotted for a total consideration of HK$2,544,000 (approximately US$326,153), being HK$0.300 per share, upon exercise of options under the Share Option Scheme (2002).

c. An aggregate of 1,646,000 new ordinary shares were issued and allotted for a total consideration of HK$534,950 (approximately US$68,583), being HK$0.325 per share, upon exercise of options under the Share Option Scheme (2002).

d. An aggregate of 235,383,943 new ordinary shares were issued and allotted upon conversion of Convertible Bonds (as referred to below) with a principal amount of US$7.89 million, being at a conversion price of HK$0.2615 per share.

e. 13,448,276 new ordinary shares were issued and allotted on 12 June 2007 upon conversion of 500 Redeemable Convertible Preference Shares (as referred to below), being at a conversion price of HK$0.290 per share.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

f. 293,339,464 new ordinary shares were issued and allotted on 28 September 2007 at HK$1.200 per share to independent placees upon completion of the placing agreement dated 18 September 2007 (details of which were set out in the announcements issued by the Company on 18 September 2007 and 28 September 2007).

g. An aggregate of 1,450,296,711 new ordinary shares were issued and allotted on 14 December 2007 as consideration shares under the share purchase agreement dated 4 September 2007 (as amended by the amendment agreement dated 14 September 2007) and the offer made on 12 October 2007 in relation to the acquisition of shares in CCEC Ltd. ("**CCEC**") (details of which were set out in the circular and announcement issued by the Company on 22 November 2007 and 17 December 2007 respectively).

h. 75,000,000 new ordinary shares were issued and allotted on 14 December 2007 to Stephen Dattels under the finder's fee agreement dated 5 September 2007 (details of which were set out in the circular and announcement issued by the Company on 22 November 2007 and 17 December 2007 respectively).

i. 710,000,000 new ordinary shares were issued and allotted on 28 December 2007 at HK$1.100 per share to independent placees upon completion of the placing agreement dated 17 December 2007 (details of which were set out in the announcements issued by the Company on 17 December 2007 and 28 December 2007).

Subsequent to the period end date and prior to the date of this report, an aggregate of 268,746,307 new ordinary shares were issued and allotted, details of which are set out as follows:

i. 250,000 new ordinary shares were issued and allotted on 14 January 2008 for a total consideration of HK$75,000 (approximately US$9,615), being HK$0.300 per share, upon exercise of an option under the Share Option Scheme (2002).

ii. An aggregate of 268,496,307 new ordinary shares were issued and allotted upon conversion of Convertible Bonds with a principal amount of US$9 million, being at a conversion price of HK$0.2615 per share.

In addition, an aggregate of 9,470,000 shares were repurchased by the Company on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") (as detailed below).

SHARE CAPITAL AND SHARE OPTIONS (Continued)

1. Convertible Bonds

On 31 March 2006, the Company issued US$20 million 12% guaranteed convertible bonds due 2009 (the "**Convertible Bonds**") pursuant to a purchase agreement dated 30 March 2006. The Convertible Bonds may give rise to the issue, in aggregate, of 596,661,718 ordinary shares on conversion at a conversion price of HK$0.2615 per share.

A summary of the principal terms of the Convertible Bonds is set out in note 30.1 to the Financial Statements.

During the nine-month period ended 31 December 2007, Convertible Bonds with a principal amount of US$7.89 million were converted into, in aggregate, 235,383,943 new ordinary shares. Accordingly, as at 31 December 2007, Convertible Bonds with a principal amount of US$9 million were outstanding, which might be convertible into 268,496,307 new ordinary shares.

Subsequent to the period end date, Convertible Bonds with a principal amount of US$9 million were converted into, in aggregate, 268,496,307 new ordinary shares. Accordingly, as at the date of this report, no Convertible Bonds are outstanding.

2. Redeemable Convertible Preference Shares

On 30 November 2006, the Company issued and allotted 6,250 dividend bearing non-voting redeemable convertible preference shares of US$0.01 each at US$1,000 per share in cash ("**Redeemable Convertible Preference Shares**") pursuant to a subscription agreement dated 11 October 2006. The Redeemable Convertible Preference Shares may give rise to the issue, in aggregate, of 168,103,449 ordinary shares at a conversion price of HK$0.290 per share.

A summary of the principal terms of the Redeemable Convertible Preference Shares is set out in note 30.2 to the Financial Statements.

During the nine-month period ended 31 December 2007, 500 Redeemable Convertible Preference Shares were converted into 13,448,276 new ordinary shares. Accordingly, as at 31 December 2007, there were 5,500 Redeemable Convertible Preference Shares outstanding, which might be convertible into 147,931,035 ordinary shares.

No Redeemable Convertible Preference Shares were converted into shares subsequent to the period end date and prior to the date of this report.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

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.

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

Details of the Share Option Scheme (2002) and particulars of the options held under the scheme by various participants are set out in note 30.3 to the Financial Statements.

As at 1 April 2007, 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 126,751,000 shares at the exercise prices ranging from HK$0.266 to HK$0.325 per share. During the nine-month period ended 31 December 2007:

- New options in respect of an aggregate of 26,000,000 shares at the exercise price of HK$0.780 per share were granted on 15 May 2007;
- New options in respect of an aggregate of 100,038,132 shares at the exercise price of HK$1.152 per share were granted on 2 October 2007;
- Vested options in respect of an aggregate of 6,701,000 shares were exercised at HK$0.266 per share;
- Vested options in respect of an aggregate of 8,480,000 shares were exercised at HK$0.300 per share;
- Vested options in respect of an aggregate of 1,646,000 shares were exercised at HK$0.325 per share;
- An option in respect of 7,000,000 shares at the exercise price of HK$1.152 per share lapsed on 13 December 2007 upon resignation of an eligible participant; and
- No options were cancelled.

Accordingly, as at 31 December 2007, there were outstanding options in respect of 228,962,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

3. **Share Option Scheme (2002)** (Continued)

Subsequent to the period end date:

- A vested option in respect of 250,000 shares was exercised on 14 January 2008 at HK$0.300 per share;
- An option in respect of 340,000 shares at the exercise price of HK$0.300 per share lapsed on 18 January 2008 upon resignation of an eligible participant;
- No new options were granted; and
- No options were cancelled.

Accordingly, as at the date of this report, there are outstanding options in respect of 228,372,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

4. **Long Term Incentive Plan 2007**

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

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

Details of the Long Term Incentive Plan 2007 are set out in note 30.4 to the Financial Statements.

Since the adoption of the plan, no shares were acquired and no units were granted under the plan.

RESERVES

Details of movements in the reserves of the Group and the Company during the period are set out in note 31 to the Financial Statements. The Company considers that only profits and share premium are distributable to shareholders.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

No shares in the Company were purchased or sold by the Company or any of its subsidiaries during the nine-month period ended 31 December 2007, whether on the HK Stock Exchange or otherwise.

Subsequent to the period end date, an aggregate of 9,470,000 shares were repurchased by the Company on the HK Stock Exchange, details of which are set out below:

Date	Number of shares repurchased	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Total amount paid (HK$)
30 January 2008	5,450,000	0.740	0.680	3,891,090
31 January 2008	2,000,000	0.700	0.690	1,397,000
11 February 2008	1,600,000	0.740	0.730	1,183,000
12 February 2008	120,000	0.740	0.740	88,800
15 February 2008	300,000	0.850	0.840	254,500
	9,470,000			6,814,390

The Company has not redeemed any of its securities during the nine-month period ended 31 December 2007 or subsequent to the period end date and prior to the date of this report.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at all times during the nine-month period ended 31 December 2007 and as at the date of this report, the Company has complied with the public float requirement prescribed in the HK Listing Rules for the Company.

DIRECTORS

The Directors of the Company who held office during the nine-month period ended 31 December 2007 and up to the date of this report were:

James Mellon *(Co-Chairman)**	
Stephen Roland Dattels *(Co-Chairman)**	(Appointed on 12 February 2008)
Jamie Alexander Gibson *(Chief Executive Officer)*	
Stephen Bywater*	(Appointed on 12 February 2008)
Cheung Mei Chu, Clara	
Charles David Andrew Comba#	
Julie Oates#	
Stawell Mark Searle#	
John Ian Stalker*	(Appointed on 15 May 2007)
Jayne Allison Sutcliffe*	
Wu Yuan#	(Appointed on 12 February 2008)
Thomas Patrick Reid#	(Resigned on 12 February 2008)
Dr Youzhi Wei*	(Appointed on 15 May 2007 and resigned on 12 February 2008)
Alexander Anderson Whamond*	(Resigned on 12 February 2008)

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

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

In accordance with Article 87, 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.

Accordingly, Stephen Dattels, Stephen Bywater and Wu Yuan will retire pursuant to Article 86(3), while Julie Oates and Mark Searle 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).

DIRECTORS (Continued)

None of the Directors of the Company has any unexpired service contract with the Company or any of its subsidiaries, which was entered into on or before 31 January 2004 and was exempt from the shareholders' approval requirement under Rule 13.68 of the HK Listing Rules but is required to be disclosed in 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 51, 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 (but remained as a non-executive Director). 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, including CCEC, which became a wholly owned subsidiary of the Company on 14 December 2007. 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 Alternative Investment Market (AIM) of the London Stock Exchange.

2. ***Stephen Roland Dattels***, aged 60, Canadian, was appointed as non-executive Co-Chairman of the Board on 12 February 2008. Mr Dattels is an experienced senior mining executive, and was one of the key executives at Barrick Gold Corporation (whose shares are listed on the Toronto Stock Exchange and the New York Stock Exchange) during its formative years before leaving in 1987. He has helped to form and finance a number of mining ventures, including UraMin Inc, which was sold to AREVA NP, the French state owned nuclear company, for approximately US$2.5 billion in cash in August 2007. Mr Dattels has a Bachelor of Arts degree from McGill University, a law degree (cum laude) from the University of Western Ontario and has completed the Program for Management Development at Harvard University. Mr Dattels is also a director of CCEC.

DIRECTORS (Continued)

3. ***Jamie Alexander Gibson***, aged 42, British, joined Regent Pacific Group in April 1996 and was appointed as an executive Director and Chief Operating Officer of the Company in January 2002. In May 2002, he became Chief Executive Officer of the Company. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers & Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also director of (i) a number of subsidiaries of Regent Pacific Group, including CCEC and Amerinvest Coal Industry Holding Company Limited ("**ACIL**"), which became a wholly owned subsidiary of CCEC before 14 December 2007; (ii) Yunnan Simao Shanshui Copper Company Limited 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 97.54% owned subsidiary of the Company.

4. ***Stephen Bywater***, aged 56, British, was appointed as a non-executive Director of the Company on 12 February 2008. Mr Bywater has had a successful career in the resources industry including operating a number of large-scale open pit mining operations. Previously, he was chief operating officer for Rio Tinto Coal Australia, a wholly owned subsidiary of Rio Tinto plc. In this position, Mr Bywater oversaw seven mining operations, producing 60 million tonnes of saleable coal a year. He was previously general manager, operations for Robe River Mining, which subsequently became a subsidiary of Rio Tinto plc in 2000. He was also general manager, mine operations, for Hamersley Iron Limited and general manager at Mount Isa Mines in both mining and metallurgical operations. His position at Robe River Mining included management of both the port and rail facilities. Mr Bywater has a BSc in Engineering Geology and Geotechnics from Portsmouth University and an MSc in Rock Mechanics and Excavation Engineering from Newcastle-upon-Tyne University. Mr Bywater is a fellow of both the AUSIMM (Australasian Institute of Mining and Metallurgy) and the AIM (Australian Institute of Management). Mr Bywater is currently an executive director and Chief Executive Officer of GCM Resources plc, a London-based resource development company listed on the Alternative Investment Market (AIM) of the London Stock Exchange, and a non-executive director of Coal of Africa Limited, which is listed on the Australian Stock Exchange (ASX), the Johannesburg Stock Exchange (JSE) and the AIM. Mr Bywater is also a director of CCEC and ACIL.

5. ***Cheung Mei Chu, Clara,*** aged 34, 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 (including CCEC and ACIL) and Yunnan Simao Shanshui Copper Company Limited.

DIRECTORS (Continued)

6. ***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 TSX-T), Cogitore Resources Inc (formerly Woodruff Capital Management Inc (listed on TSX-V)) and North American Palladium Ltd (listed on TSX-T and AMEX). In the past few years, Mr Comba also served on the boards of Viking Gold Exploration Inc (listed on 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. 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.

7. ***Julie Oates***, aged 46, 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.

DIRECTORS (Continued)

8. ***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).

9. ***John Ian Stalker***, aged 56, British, was appointed as a non-executive Director of the Company on 15 May 2007. Mr Stalker was the Chief Executive Officer of UraMin, a London- and Toronto-listed uranium company from July 2005 until its acquisition by Areva in August 2007 for US$2.5 billion. He has over 30 years of mining experience in Europe, Africa and Australia and has worked his way up from operational roles in base and precious metals companies to senior project development and director positions with some of the largest mining companies in the world. 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 projects 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 also managed projects around the world. 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 Goldfields 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 been employed by Caledonia Mining Corporation (1995 to 1996), AGC Ltd (1987 to 1995) and Zambia Consolidated Copper Mines Ltd (1974 to 1987). Mr Stalker is a Director of Templar Minerals Limited, Niger Uranium Limited and Red Dragon Resources Corporation. He holds a BSc in chemical engineering.

10. ***Jayne Allison Sutcliffe***, aged 44, 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 (listed on AIM of the London Stock Exchange). Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded Regent Pacific Group in 1990 where she established, and was responsible for, the Group's corporate finance activities. She has a Master's degree in Theology from Oxford University. Mrs Sutcliffe is also director of a subsidiary of Regent Pacific Group.

DIRECTORS (Continued)

11. ***Wu Yuan***, aged 62, Chinese, was appointed as an independent non-executive Director of the Company on 12 February 2008. Mr Wu was formerly the President and an Executive Director of China Shenhua Energy Company Ltd ("**Shenhua**"), the state owned coal company focused on the Shenfu Dongsheng Coal field and affiliated projects and infrastructure and whose "H" shares are listed on The Stock Exchange of Hong Kong Limited. Mr Wu was responsible for managing and implementing the successful growth strategy when he was at Shenhua. Mr Wu has a distinguished career history in the coal industry. Before joining Shenhua, Mr Wu served as Vice Chairman and General Manager of China International Engineering Consulting Corporation Beijing Overseas Consulting Co, Ltd, Head of the Jixi Coal Machinery Plant, Deputy Section Chief of the Manufacturing Bureau of the Former Ministry of Coal Industry and Manager in charge of electric technology management at the Xishan Mining Bureau of Shanxi province. Mr Wu has in-depth industry knowledge and extensive management experience in the PRC coal industry. He is a Senior Engineer and Vice President of the China Coal Industry Association. Mr Wu graduated in 1970 from the Electrical Engineering Department of Tsinghua University. Mr Wu currently holds the position of Chairman of Joy China, a private mining equipment supply company. Mr Wu is also a director of CCEC.

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, Mark Searle and Wu Yuan, 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.

James Mellon, Julie Oates and Mark Searle are members of both the audit committee and remuneration committee of the Company, with Julie Oates being the Chairlady of the former and James Mellon being the Chairman of the latter.

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.

DIRECTORS (Continued)

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 December 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	A	Beneficial owner	Long position	47,116,180	1.10%
	A	Beneficiary of a trust	Long position	370,821,131	8.64%
Stephen Dattels	B	—	—	—	—
Jamie Gibson		Beneficial owner	Long position	4,419,138	0.10%
Stephen Bywater	C	—	—	—	—
Clara Cheung		Beneficial owner	Long position	1,200,000	0.03%
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Mark Searle		Beneficial owner	Long position	4,194,444	0.10%
	D	Beneficiary of a trust	Long position	50,000	0.00%
John Stalker		—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	0.40%
	E	Beneficiary of a trust	Long position	27,965,226	0.65%
Wu Yuan	F	—	—	—	—

* 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.

** The total issued ordinary share capital of the Company as at 31 December 2007 consisted of 4,290,221,112 shares. Following (i) the issue and allotment of 250,000 shares upon exercise of an option under the Share Option Scheme (2002); (ii) the repurchase of an aggregate of 9,470,000 shares; and (iii) the issue and allotment of an aggregate of 268,496,307 shares upon conversion of Convertible Bonds with a principal amount of US$9 million, the Company's issued ordinary share capital consists of 4,549,497,419 shares as at the date of this report.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. Securities of the Company (Continued)

b. Redeemable Convertible Preference Shares of US$0.01 each

Please refer to note 30.2 to the Financial Statements as to the details of the Redeemable Convertible Preference Shares.

As at 31 December 2007, there were 5,500 Redeemable Convertible Preference Shares outstanding, which might be convertible into 147,931,035 ordinary shares. 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	50.00%	73,965,517
Stephen Dattels	B	—	—	—	—	—
Jamie Gibson		—	—	—	—	—
Stephen Bywater	C	—	—	—	—	—
Clara Cheung		—	—	—	—	—
David Comba		Beneficial owner	Long position	50	0.91%	1,344,828
Julie Oates		Beneficial owner	Long position	100	1.82%	2,689,655
Mark Searle		Beneficial owner	Long position	100	1.82%	2,689,655
John Stalker		—	—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	250	4.55%	6,724,138
Wu Yuan	F	—	—	—	—	—

No Redeemable Convertible Preference Shares were converted into new ordinary shares subsequent to the period end date and prior to the date of this report.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

I. Securities of the Company (Continued)

c. Options of the Company

Please refer to note 30.3 to the Financial Statements as to the details of the Share Option Scheme (2002).

As at 31 December 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$)	Exercise period#	Number of shares subject to vested options#	Consideration for grant of option (HK$)
James Mellon	2 October 2007##	13,000,000	1.152	2 October 2008 – 1 October 2017	—	10.00
Jamie Gibson	9 September 2004	11,000,000	0.266	9 September 2005 – 8 September 2014	11,000,000	10.00
	4 April 2006	45,600,000	0.300	4 April 2007 – 3 April 2016	15,200,000	10.00
	2 October 2007	13,000,000	1.152	2 October 2008 – 1 October 2017	—	10.00
Clara Cheung	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	2,000,000	10.00
	2 October 2007	7,000,000	1.152	2 October 2008 – 1 October 2017	—	10.00
David Comba	2 October 2007##	5,000,000	1.152	2 October 2008 – 1 October 2017	—	10.00
John Stalker	15 May 2007	12,000,000	0.780	15 May 2008 – 14 May 2017	—	10.00

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

I. Securities of the Company (Continued)

c. Options of the Company (Continued)

\# 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.

\#\# Pursuant to Rule 17.04(1) of the HK Listing Rules and the Rules of the Share Option Scheme (2002), these options were subject to approval by the shareholders of the Company at a general meeting. The options were approved at the extraordinary general meeting held on 8 December 2007 and were deemed to have been granted and to have taken effect on 2 October 2007 (the offer date).

As noted above, options in respect of 50,000,000 shares were granted during the nine-month period ended 31 December 2007 to the Directors of the Company under the Share Option Scheme (2002), excluding the following options granted to Dr Youzhi Wei and Patrick Reid, who resigned as Directors on 12 February 2008:

Name of Director	Date of grant	Total number of shares subject to the option#	Subscription price per share (HK$)	Exercise period#	Number of shares subject to vested options#	Consideration for grant of option (HK$)
Dr Youzhi Wei	15 May 2007	12,000,000	0.780	15 May 2008 – 14 May 2017	—	10.00
Patrick Reid	2 October 2007	2,000,000	1.152	2 October 2008 – 1 October 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.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. Securities of the Company (Continued)

c. Options of the Company (Continued)

None of the outstanding options were cancelled or lapsed during the nine-month period. During the period, Clara Cheung exercised certain rights under her outstanding options and subscribed for an aggregate of 3,500,000 shares in the Company. Details of her options exercised are as follows:

Date of grant	Total number of shares subject to outstanding options as at 1 April 2007#	Date of exercise	Number of shares subscribed	Subscription price per share (HK$)	Date of allotment
9 September 2004	3,500,000	11 April 2007	1,500,000	0.266	11 April 2007
		23 April 2007	800,000	0.266	24 April 2007
		20 September 2007	1,200,000	0.266	21 September 2007

\# 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.

On 4 April 2008, 15,200,000 shares and 2,666,667 shares were vested under the respective options granted to Jamie Gibson and Clara Cheung on 4 April 2006. 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:

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

I. Securities of the Company (Continued)

c. Options of the Company (Continued)

Name of Director	Date of grant	Total number of shares subject to the option#	Subscription price per share (HK$)	Exercise period#	Number of shares subject to vested options#	Consideration for grant of option (HK$)
James Mellon	2 October 2007##	13,000,000	1.152	2 October 2008 – 1 October 2017	—	10.00
Jamie Gibson	9 September 2004	11,000,000	0.266	9 September 2005 – 8 September 2014	11,000,000	10.00
	4 April 2006	45,600,000	0.300	4 April 2007 – 3 April 2016	30,400,000	10.00
	2 October 2007	13,000,000	1.152	2 October 2008 – 1 October 2017	—	10.00
Clara Cheung	4 April 2006	8,000,000	0.300	4 April 2007 – 3 April 2016	5,333,333	10.00
	14 December 2006	6,000,000	0.325	14 December 2007 – 13 December 2016	2,000,000	10.00
	2 October 2007	7,000,000	1.152	2 October 2008 – 1 October 2017	—	10.00
David Comba	2 October 2007##	5,000,000	1.152	2 October 2008 – 1 October 2017	—	10.00
John Stalker	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.

\#\# Pursuant to Rule 17.04(1) of the HK Listing Rules and the Rules of the Share Option Scheme (2002), these options were subject to approval by the shareholders of the Company at a general meeting. The options were approved at the extraordinary general meeting held on 8 December 2007 and were deemed to have been granted and to have taken effect on 2 October 2007 (the offer date).

Save for the above, during the nine-month period ended 31 December 2007 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' INTERESTS IN SECURITIES AND OPTIONS (Continued)

2. Securities of associated corporations

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

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding
James Mellon		—	—	—	—
Stephen Dattels	B	—	—	—	—
Jamie Gibson		Beneficial owner	Long position	225,000	0.80%
Stephen Bywater	C	—	—	—	—
Clara Cheung		—	—	—	—
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Mark Searle		—	—	—	—
John Stalker		—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	150,000	0.54%
Wu Yuan	F	—	—	—	—

b. Ordinary shares of US$0.01 of bigsave Holdings plc (in members' voluntary liquidation) (note H)

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % holding
James Mellon		—	—	—	—
Stephen Dattels	B	—	—	—	—
Jamie Gibson		Beneficial owner	Long position	131,579	0.33%
Stephen Bywater	C	—	—	—	—
Clara Cheung		—	—	—	—
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Mark Searle		—	—	—	—
John Stalker		—	—	—	—
Jayne Sutcliffe	E	Beneficiary of a trust	Long position	350,000	0.88%
Wu Yuan	F	—	—	—	—

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

Notes:

A. James Mellon acquired an aggregate of 4,400,000 shares in January 2008. Accordingly, as at the date of this report, Mr Mellon has personal interests in 51,516,180 shares in the Company.

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. Stephen Dattels was appointed as a Director on 12 February 2008. As at the date of this report, Mr Dattels has (i) personal interests in 96,514,256 shares in the Company; and (ii) corporate interests in 140,643,097 shares in the Company.

C. Stephen Bywater was appointed as a Director on 12 February 2008. As at the date of this report, Mr Bywater has corporate interests in 99,168,698 shares in the Company.

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

F. Wu Yuan was appointed as a Director on 12 February 2008. As at the date of this report, Mr Wu does not have any interests in the shares of the Company.

G. Patrick Reid, Dr Youzhi Wei and Anderson Whamond resigned as Directors on 12 February 2008 and ceased to have disclosure obligations under Part XV of the SFO in respect of their interests in the Company and its associated corporations.

H. AstroEast.com Limited and bigsave Holdings plc (in members' voluntary liquidation) 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' INTERESTS IN SECURITIES AND OPTIONS (Continued)

Save as disclosed herein, as at 31 December 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 nine-month period 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 December 2007 or at any time during the nine-month period ended 31 December 2007, 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) 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.

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

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, who resigned as a Director of the Company on 12 February 2008, 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 December 2007, an amount of GBP1,202,213 (approximately US$2,401,000), inclusive of accrued interest, was outstanding under the facilities agreements. bigsave commenced a members' voluntary liquidation on 3 January 2008, on which date the outstanding amount, inclusive of accrued interest, increased to GBP1,203,201 (approximately US$2,403,000).

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).

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 December 2007 or at any time during the nine-month period ended 31 December 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 December 2007 or any time during the nine-month period ended 31 December 2007, 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.

RELEVANT TRANSACTIONS

As at 31 December 2007 and at any time during the nine-month period ended 31 December 2007, 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 Red Dragon Resources Corporation, a company listed on the TSX Venture Exchange, 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 December 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	290,892,306	6.78%	193,914,049
Millennium Management, LLC	A&B	Ordinary shares	Interest by controlled corporation	Long position	290,892,306	6.78%	193,914,049
Integrated Holding Group, LP	A&B	Ordinary shares	Interest by controlled corporation	Long position	290,892,306	6.78%	193,914,049
Barclays PLC		Ordinary shares	Beneficial owner	Long position	443,000	0.01%	Nil
		Ordinary shares	Person having a security interest in shares	Long position	290,893,499	6.78%	Nil

** The total issued ordinary share capital of the Company as at 31 December 2007 consisted of 4,290,221,112 shares. Following (i) the issue and allotment of 250,000 shares upon exercise of an option under the Share Option Scheme (2002); (ii) the repurchase of an aggregate of 9,470,000 shares; and (iii) the issue and allotment of an aggregate of 268,496,307 shares upon conversion of Convertible Bonds with a principal amount of US$9 million, the Company's issued ordinary share capital consists of 4,549,497,419 shares as at the date of this report.

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

A. On 31 March 2006, the Company issued the Convertible Bonds (as referred to in note 30.1 to the Financial Statements) pursuant to a purchase agreement dated 30 March 2006 entered into with MLP Investments (Caymans), Ltd and three other independent third parties. The Convertible Bonds may give rise to the issue, in aggregate, of 596,661,718 ordinary shares on conversion at a conversion price of HK$0.2615 per share.

   All outstanding Convertible Bonds were converted into ordinary shares on 18 March 2008.

B. These shareholders disclosed the interests held by corporations controlled by the respective named shareholders. The disclosures referred to the same lot of interests, including the shares subject to the outstanding Convertible Bonds held by MLP Investments (Caymans), Ltd which are shown under the "derivative interests" and included in the "total interests".

   Subsequent to the period end date, these shareholders filed notices with the Company with respect to, inter alia, the conversion of all the outstanding Convertible Bonds. 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 a long position in 303,293,306 shares and a short position in 92,000 shares in the Company.

C. Stephen Dattels was appointed as a Director on 12 February 2008. His interests as at the date of this report, as set out in detail under the section headed "Directors' Interests in Securities and Options", constitute a substantial shareholder's interests under Part XV of the SFO.

Save for such interests, the Directors are not aware of any other persons who, as at 31 December 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).

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 2008 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
Co-Chairman

17 April 2008

REVENUE AND PROFITS

The Group recorded a profit after tax and minority interests of US$1.60 million for the nine months ended 31 December 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$7.07 million and US$0.40 million respectively to the Group for the nine months ended 31 December 2007. YSSCCL recorded a profit of RMB133.96 million (equivalent to US$17.67 million) for the nine months ended 31 December 2007.

On 14 December 2007, the Company completed the acquisition of CCEC Ltd. ("**CCEC**"). A new associate of the Group through CCEC, West China Coking and Gas Limited ("**West China Coke**"), contributed a share of post-acquisition profit of US$0.28 million for the period ended 31 December 2007, representing a half month's contribution.

The fair value loss from investments for the nine months ended 31 December 2007 was US$0.61 million mainly due to the marked-to-market decrease in the shares of Red Dragon Resources Corporation. Of this US$0.61 million fair value loss, US$0.62 million represented realised profit and US$1.23 million was unrealised loss.

The Group continued to monitor its operating costs closely. The finance costs represented the interest expenses of the convertible bonds and redeemable convertible preference shares amounting to US$1.67 million for the nine months ended 31 December 2007.

The main elements of the profit are analysed as follows:

	US$ million
Share of profit from YSSCCL	7.07
Share of profit from Regent Markets	0.40
Share of post-acquisition profit of West China Coke	0.28
Corporate investment	(3.77)
Mining	(0.71)
Finance costs	(1.67)
Total profit attributable to shareholders	1.60

BALANCE SHEET

Shareholders' equity increased significantly by 1,813% to US$384.42 million as at 31 December 2007 from US$20.09 million as at 31 March 2007. The increase was mainly due to (i) the issuance of 1.53 billion new consideration shares for the acquisition of CCEC resulting in a total increase of share capital and share premium of US$215.11 million (including the share-based payment for the finder's fee for the acquisition), (ii) the issuance of 1 billion new shares through the successful completion of two private placements resulting in a total increase of share capital and share premium of US$136.50 million (net of placing commission and expenses), (iii) the conversion of US$7.89 million convertible bonds resulting in a total increase of share capital and share premium of US$7.50 million, (iv) the conversion of US$0.50 million redeemable convertible preference shares resulting in a total increase of share capital and share premium of US$0.46 million, (v) the issuance of 16.83 million shares upon exercise of employee share options resulting in a total increase of share capital and share premium of US$0.82 million, and (vi) profit of US$1.60 million for the nine months ended 31 December 2007.

The investments in YSSCCL of US$29.95 million, Regent Markets of US$2.27 million and West China Coke of US$14.30 million accounted for 7.79%, 0.59% and 3.72% of the shareholders' equity respectively. Upon the acquisition of the CCEC group, goodwill increased to US$190.72 million. The Group's other assets comprised: (i) cash of US$138.08 million, (ii) listed and unlisted investments of US$5.36 million, and (iii) other assets and receivables of US$30.96 million.

The Group's liabilities comprised: (i) convertible bonds (liability portion) of US$8.92 million, (ii) redeemable convertible preference shares (liability portion) of US$5.13 million, and (iii) payables and accruals of US$12.89 million.

FUNDING

As at 31 December 2007, the Group had cash of US$138.08 million or 35.92% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$3.74 million.

On 28 September 2007 and 28 December 2007, the Company completed the fund raisings by placing 293,339,464 shares and 710,000,000 shares at the placing price of HK$1.20 per share and HK$1.10 per share respectively to raise net cash proceeds of approximately HK$1.07 billion (approximately US$136.50 million) after accounting for the placing commission and expenses.

On 3 September 2007, YSSCCL declared a dividend of RMB74.10 million for the period from 1 April 2006 (date of establishment) to 31 December 2006, from which the Group can receive RMB29.64 million (equivalent to US$3.95 million).

FUNDING (Continued)

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 December 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 the Group's own balance sheet and pending increase in cash flow.

MANAGEMENT OF RISK

In 2008, the most significant risk affecting the profitability and viability in respect of the Group is the continued success and revenue derived from 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. There are also risks affecting the Group's profitability and viability in 2008 in respect of the Group's interest in Abagaqi Changjiang Mining Company Limited ("**ACMC**" or the "**Ji Ri Ga Lang Coal Project**") and West China Coke. Risks relating to the Group's interests include:

Price Risk

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

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

MANAGEMENT OF RISK (Continued)

Co-operation of the Joint Venture Partners

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

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

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

The smooth operation of YSSCCL, ACMC and West China Coke is dependent upon the co-operation of all joint venture parties.

Operational Risks

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

Uncertainties Related to Exploration

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

MANAGEMENT OF RISK (Continued)

Licence Period of Exploration and Mining Rights

The Group and/or YSSCCL may obtain mining rights for conducting mining activities in a specific mining area during the licence period. There can be no assurance that the Group and/or YSSCCL will be able to exploit the entire mineral resources of its mine during the initial licence period. If the Group and/or 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 the Group and/or YSSCCL may be adversely affected.

Capital Requirements and Funding Sources

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

Potential Cost Overruns on Expansion

In recent years, there have been cost overruns in mining and oil projects as the cost of raw materials such as steel have spiked unexpectedly. The Group and 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 the mine site while the 110 kilo watt 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 the Group's or YSSCCL's projects.

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 may be significant and could delay the progress of, cause interruptions to, and increase the costs associated with the operations of the Group and YSSCCL.

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 the Company is not in a position to predict whether any change in the political, economic or social conditions may adversely affect the operating results of the Group or 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, as these regulations are relatively new and the availability of public cases as well as the judicial interpretation of them are limited in number, both the implementation and interpretation of these regulations are uncertain in many areas.

Competition for Resources

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

Foreign Exchange Risk

The Company operates using US dollars. As such the Company is exposed to foreign currency fluctuations arising from operations of its subsidiaries, 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 interest in YSSCCL, ACMC and West China Coke. This exposes the Company to increased volatility in earnings as reported in US dollars due to fluctuations in foreign exchange rates. While foreign currencies are generally convertible into US dollars, there is no guarantee that they will continue to be so convertible or that fluctuations in the value of such currencies will not have an adverse effect on the Company.

The Group has not taken any currency hedge against its main investments 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, Yunnan Yimen Jingyi Industry & Trading Limited and Yunnan Yuntong Zinc Company Limited. 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 its subsidiaries and associates, including YSSCCL, and West China Coke. 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., which is currently being purchased by JPMorgan Chase & Co. 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

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

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 has implemented 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 requires the support and "buy in" of the Chinese joint venture partners, management and the operating personnel of YSSCCL.

MANAGEMENT OF RISK (Continued)

Environmental Risk (Continued)

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 is 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.

Accidents and Insufficient Insurance Coverage

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

Ji Ri Ga Lang Coal Project – Conversion of an Exploration Licence into a Mining Licence

The Group completed the acquisition of a 51% equity interest in ACMC on 28 December 2007 and shall acquire the remaining 49% equity interest on the issuance of the mining licence and the completion of certain other conditions precedent. The only major asset of ACMC (besides cash) is an exploration licence for it to explore the coal resources over the permitted area on an exclusive basis. ACMC will require a mining licence to exploit and mine the coal resources and is currently in the process of applying for such mining licence. The Directors understand that an exploration licence can be converted into a mining licence provided that, upon application, all relevant documents are filed with the approving authorities, including but not limited to an approved geological exploration and reserves report together with relevant documents such as their qualifications certificate, proposal for development and use of mineral resources and environmental impact assessment report, among others. Due to the uncertainties in the relevant PRC laws and regulations regarding the procurement of mining rights, there is no assurance that ACMC will be successful in procuring the necessary mining right permit. Failure to procure the mining rights will have a material adverse effect on the Group's business and the results of its operations.

MANAGEMENT OF RISK (Continued)

West China Coke

We understand that West China Coke has not obtained land use rights and building ownership certificates to some of its buildings and facilities. Further, West China Coke has not obtained planning/construction permits for most of such buildings, the absence of which may materially impair the likely success of any subsequent application to be made for building ownership certificates in respect of such buildings. As the land use rights and buildings are West China Coke's main assets and operating facilities, its operating rights and production in connection with such lands or facilities may be adversely impacted due to the above mentioned issues. There can be no assurance that no material difficulties will arise in resolving such issues. If any such issues cannot be resolved, the operating and financial condition of West China Coke could be materially and adversely affected. In addition, there can be no assurance that West China Coke will not become subject to administrative penalties for violation of land administration/planning/construction requirements under the PRC law due to the above mentioned issues.

West China Coke has not completed the requisite environmental impact assessment in respect of one of its three operating coke ovens (built in 2004). Should the relevant local authority view all three of West China Coke's coke ovens as one coke production business, the failure to conduct the environmental impact assessment and obtain the environmental protection authority's confirmation of the results of the assessment may delay the acceptance of the auxiliary environmental protection facilities of all three coke ovens operated by West China Coke. Such delay itself may have adverse knock-on consequences for West China Coke, including delays to: (i) the acceptance of the main body of the construction (i.e. the coke ovens); (ii) the issuance of a pollutant release permit; and (iii) the approval of any application for title certificates for real properties constructed in respect of West China Coke. The Company understands that the environmental protection authority has the right to require West China Coke to suspend its production and to take certain remedial steps.

MANAGEMENT OF RISK (Continued)

Cyclical Nature of Coal Markets and Fluctuations in Coal Prices

The business and results of operations of the Group's coal projects are expected to be substantially dependent on the domestic supply of and demand for coal. Historically, the domestic markets for coal and coal-related products have at times experienced alternating periods of increased demand and excess supply. The fluctuations in supply and demand are caused by numerous factors beyond the Group's and the coal projects' control, which include, but are not limited to:

- domestic economic and political conditions and competition from other energy sources;
- the rate of growth and expansion in industries with high coal demand, such as the power and steel industries; and
- the indirect influence on domestic coal prices by the PRC government through its regulation of on-grid tariffs and the allocation of transportation capacity on the national rail system.

There can be no assurance that the domestic demand for coal and coal-related products will continue to grow, or that the domestic market for coal and coal-related products will not experience excess supply. A significant decline in demand for, or an over-supply of, coal and coal-related products may have a material adverse effect on the Group's and the coal projects' business, results of operations and financial condition.

Maximum Foreign Equity Holding Permitted in Coal Exploration and Mining

The Ministry of Commerce and the State Development and Reform Commission of the PRC have recently updated and re-published the State Catalogue for the Guidance of Foreign Invested Industries (the "**Catalogue**"). All industries, according to the Catalogue, are divided into four categories (i.e. encouraged, permitted, restricted and prohibited) representing the policies of the State toward foreign investment in different industries. According to the Catalogue, the "exploration and development of coal resources" have been removed from the encouraged category. Under the restricted category of the Catalogue, there is a requirement for a Chinese party to hold a majority equity interest in "exploration and mining of special and scarce coals". The existing PRC law offers no clear guidance as to what coals shall be considered as "special and scarce". As advised by the Company's PRC legal adviser, after consultation with several experts in the PRC mining industry and an official of the Ministry of Land and Resources on a no-name basis, the Company understands that the view widely held in the industry is that "special and scarce coals" shall primarily include hard coking coals and high-quality low-ash coals. Based upon this understanding, this restriction on "special and scarce coals" is very unlikely to adversely affect the Ji Ri Ga Lang Coal Project and the Zhun Dong project. However, given the apparent tightening of State policies toward foreign investment in the mining industry as reflected in the Catalogue, there is a possibility that the PRC authorities may adopt a broader interpretation of "special and scarce coals" which may cover the coal resources involved in the Ji Ri Ga Lang Coal Project and the Zhun Dong project. As a consequence, the PRC authorities may require the foreign majority equity interests in ACMC and the foreign invested company incorporated in Xinjiang be reduced to a minority interest.

MANAGEMENT OF RISK (Continued)

Change in Regulations to Exploitation of Resources by the State Investment Catalogue

The Catalogue has also imposed an express ban on foreign investment in the exploration and mining of certain rare or non-renewable mineral resources. Specifically, the exploration and exploitation of tungsten, tin, antimony, molybdenum and fluorite have now been categorised as "prohibited". Shareholders shall note that the exploration of thermal coal and related resources and the exploration of copper, lead and zinc and aluminium are now in the permitted category after being removed from the encouraged category. Further changes in regulations could have a material adverse effect on the ability of the Group to conduct its exploration and mining operations in China.

FINANCIAL INSTRUMENTS

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

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 December 2007, the amount of these margin deposits was US$70,000 (31 March 2007: US$58,000).

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

EMPLOYEES

The Group, including subsidiaries but excluding associates and a jointly controlled entity, employed approximately 40 employees at 31 December 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 period and up to the date of this report, options in respect of an aggregate of 126,038,000 ordinary shares in the Company were granted to eligible participants in which, an option in respect of 7,000,000 ordinary shares lapsed.

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 for ensuring that the Company was 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 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 nine-month period ended 31 December 2007.

BOARD OF DIRECTORS

The Board (the "**Board**") of Directors (the "**Directors**") of the Company currently consists of eleven Directors, three of which were appointed on 12 February 2008. The Directors of the Company who held office during the nine-month period ended 31 December 2007 and up to the date of this report, accompanied by their respective biographical details, are listed in the Directors' Report under the section headed "Directors". It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interests of the Company.

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, Mark Searle and Wu Yuan, 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.

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.

Stephen Dattels, Stephen Bywater and Wu Yuan will retire pursuant to Article 86(3), while Julie Oates and Mark Searle 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.

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.

BOARD OF DIRECTORS (Continued)

During the nine-month period ended 31 December 2007, the Directors held six board meetings. Attendance of the respective Directors at the board meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
James Mellon	6	5	1	83.33%
Stephen Dattels (appointed on 12 February 2008)	Not applicable	Not applicable	Not applicable	Not applicable
Jamie Gibson	6	6	0	100.00%
Stephen Bywater (appointed on 12 February 2008)	Not applicable	Not applicable	Not applicable	Not applicable
Clara Cheung	6	6	0	100.00%
David Comba	6	6	0	100.00%
Julie Oates	6	5	1	83.33%
Patrick Reid (resigned on 12 February 2008)	6	4	2	66.66%
Mark Searle	6	5	1	83.33%
John Stalker (appointed on 15 May 2007)	5	4	1	80.00%
Jayne Sutcliffe	6	0	6	0.00%
Dr Youzhi Wei (appointed on 15 May 2007 and resigned on 12 February 2008)	5	5	0	100.00%
Anderson Whamond (resigned on 12 February 2008)	6	6	0	100.00%
Wu Yuan (appointed on 12 February 2008)	Not applicable	Not applicable	Not applicable	Not applicable

Subsequent to the period end date, the Directors held one board meeting, which was attended by all Directors except that Jayne Sutcliffe and Wu Yuan were absent from the meeting.

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.

BOARD OF DIRECTORS (Continued)

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.

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.

CHAIRMEN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

(b) the Company Secretary is empowered to, with the guidance from the Chief Executive Officer, 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 nine-month period ended 31 December 2007, two non-executive Directors, namely John Stalker and Dr Youzhi Wei, were appointed on 15 May 2007.

Subsequent to the period end date, Stephen Dattels was appointed as Non-Executive Co-Chairman of the Board, and Stephen Bywater and Wu Yuan were appointed as a non-executive Director and an independent non-executive Director respectively, all with effect from 12 February 2008. To make way for these appointments, Patrick Reid, Dr Youzhi Wei and Anderson Whamond resigned as Directors on 12 February 2008.

All the above new Directors were appointed by board resolutions passed by all Directors.

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

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 Co-Chairman of the Board (James Mellon) and two independent non-executive Directors, namely Julie Oates and Mark Searle, and is responsible to review and approve the remuneration packages of the Directors. The committee is chaired by James Mellon.

During the nine-month period ended 31 December 2007, the Remuneration Committee held one meeting with respect to the approval of the new long term incentive plan named "Long Term Incentive Plan 2007", which was approved by the Board on 12 July 2007 and 6 December 2007 and by the shareholders at the extraordinary general meeting held on 8 December 2007. The meeting 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 offers of the options under the Company's Share Option Scheme (2002) which were granted by the Board on 2 October 2007.

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.

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 nine-month period ended 31 December 2007.

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

AUDIT COMMITTEE

The audited financial statements of the Company for the nine-month period ended 31 December 2007 have been reviewed by the audit committee of the Company (the "**Audit Committee**").

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

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

During the nine-month period ended 31 December 2007, the Audit Committee held two meetings with respect to (i) the review and approval of the Company's final financial statements for the year ended 31 March 2007; and (ii) the review and approval of the Company's interim financial statements for the six months ended 30 September 2007 respectively. The meetings were attended by all members of the committee except that James Mellon was absent from both of the meetings.

Subsequent to the period end date, the Audit Committee held one meeting with respect to the review and approval of the Company's final financial statements for the nine-month period ended 31 December 2007, which was attended by all members of the committee.

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 during the nine-month period ended 31 December 2007.

FINANCIAL REPORTING

The financial statements of the Company for the nine-month period ended 31 December 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 nine-month period ended 31 December 2007 is included in this annual report.

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

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

The internal audit function performs regular reviews of the Group's internal controls based on a risk-based three-year internal audit plan approved by the Audit Committee. The annual audit plan was arrived at using a risk-based approach to determine the priorities of the internal audit activity. The Audit Committee has approved the three-year internal audit plan which the internal audit function has been executing accordingly. In addition, special reviews have also been performed on areas of concern identified by management or the Audit Committee during the period.

INTERNAL CONTROL (Continued)

Risk assessment

The Company is committed to conduct a quality and comprehensive review of the effectiveness of the internal control systems. Management has discussed and updated the results of risk assessment with reference to the changes of internal and external environment impacting the Group's operations over the past year. Strategies and plans have been developed to cope with the significant risks associated with the Group's operations.

Annual internal control assessment

During the period ended 31 December 2007, the internal audit function has conducted reviews of the system of internal controls of the Group. Internal control reviews were carried out in accordance with the risk-based internal audit plan 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.

Grant Thornton
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Member of Grant Thornton International Ltd

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 74 to 190, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine months ended 31 December 2007, 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.

Grant Thornton
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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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the nine months from 1 April 2007 to 31 December 2007 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 April 2008

Consolidated Income Statement

For the nine months ended 31 December 2007

	Notes	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Revenue/Turnover:	5		
Corporate investment income		1,787	377
Asset management and corporate finance income		—	123
Other income		1,419	509
		3,206	1,009
Fair value (loss)/gain		(608)	2,675
Total income		2,598	3,684
Expenses:			
Employee benefit expenses	7	(4,046)	(3,156)
Rental and office expenses		(321)	(224)
Information and technology expenses		(200)	(199)
Marketing costs and commissions		(75)	(100)
Professional fees		(1,906)	(2,175)
Investment advisory fee		—	(95)
Finance costs	8	(1,662)	(2,613)
Other operating expenses		(745)	(716)
Operating loss	6	(6,357)	(5,594)
Share of profits of associates		678	1,828
Share of profit of a jointly controlled entity		7,067	4,378
Profit before taxation		1,388	612
Taxation	9	—	—
Profit for the period/year		1,388	612

Consolidated Income Statement

	Notes	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Attributable to:			
Equity holders of the Company	10	1,603	582
Minority interests		(215)	30
Profit for the period/year		1,388	612
Dividend		—	—
Earnings per share (US cent):	11		
– Basic		0.08	0.04
– Diluted		0.08	0.04

Consolidated Balance Sheet

As at 31 December 2007

	Notes	31 December 2007 US$'000	31 March 2007 US$'000
Non-current assets:			
Goodwill	12	190,724	1,876
Exploration and evaluation assets	13	5,729	78
Property, plant and equipment	14	467	195
Interests in associates	16	16,572	2,768
Interest in a jointly controlled entity	17	29,951	25,180
Available-for-sale financial assets	18	620	620
		244,063	30,717
Current assets:			
Cash and bank balances	20	138,081	3,938
Financial assets at fair value through profit and loss	19	4,736	6,290
Trade receivables	21	43	173
Loan receivables	22	15,587	—
Prepayments, deposits and other receivables	23	9,131	1,779
		167,578	12,180
Current liabilities:			
Derivative financial instruments	32	(3)	(17)
Trade payables, accruals and other payables	24	(6,508)	(647)
Amounts due to minority shareholders	25	(6,295)	—
Borrowings	26	(24)	(29)
		(12,830)	(693)
Net current assets		154,748	11,487
Total assets less current liabilities		398,811	42,204
Non-current liabilities:			
Borrowings	26	(14,118)	(21,631)
Net assets		384,693	20,573

Consolidated Balance Sheet

As at 31 December 2007

	Notes	31 December 2007 US$'000	31 March 2007 US$'000
Equity			
Equity attributable to the Company's equity holders			
Share capital	30	42,902	14,959
Reserves	31	341,520	5,127
		384,422	20,086
Minority interests		271	487
Total equity		384,693	20,573

The financial statements on pages 74 to 190 were approved and authorised for issue by the Board of Directors on 17 April 2008.

James Mellon
Co-Chairman

Jamie Gibson
Director

Company Balance Sheet

As at 31 December 2007

	Notes	31 December 2007 US$'000	31 March 2007 US$'000
Non-current assets:			
Property, plant and equipment	14	3	3
Interests in subsidiaries	15	222,803	3,634
Interests in an associate	16	2,000	2,000
Available-for-sale financial assets	18	19	19
		224,825	5,656
Current assets:			
Cash and bank balances	20	132,174	3,230
Amounts due from subsidiaries	25	37,470	29,136
Financial assets at fair value through profit and loss	19	2,889	3,341
Prepayments, deposits and other receivables	23	2,364	953
		174,897	36,660
Current liabilities:			
Trade payables, accruals and other payables	24	(2,256)	(415)
Amounts due to subsidiaries	25	(7,852)	(6,695)
		(10,108)	(7,110)
Net current assets		164,789	29,550
Total assets less current liabilities		389,614	35,206
Non-current liabilities:			
Borrowings	26	(14,056)	(21,556)
Net assets		375,558	13,650

Company Balance Sheet

As at 31 December 2007

	Notes	31 December 2007 US$'000	31 March 2007 US$'000
Equity			
Equity attributable to the Company's equity holders			
Share capital	30	42,902	14,959
Reserves	31	332,656	(1,309)
Total equity		375,558	13,650

The financial statements on pages 74 to 190 were approved and authorised for issue by the Board of Directors on 17 April 2008.

James Mellon
Co-Chairman

Jamie Gibson
Director

Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2007

	Equity attributable to equity holders of the Company											
	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Convertible bonds reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
At 31 March 2007	14,959	(52,331)	53,360	882	47	153	1,204	453	1,359	20,086	487	20,573
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	84	84	(1)	83
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	—	1,434	1,434	—	1,434
Share of reserve of associates	—	—	—	—	—	—	—	—	3	3	—	3
Net income recognised directly in equity	—	—	—	—	—	—	—	—	1,521	1,521	(1)	1,520
Profit for the period	—	1,603	—	—	—	—	—	—	—	1,603	(215)	1,388
Total recognised income and expense for the period	—	1,603	—	—	—	—	—	—	1,521	3,124	(216)	2,908
Exercise of share options	168	—	653	(199)	—	—	—	—	—	622	—	622
Issue of new shares	25,286	—	326,321	—	—	—	—	—	—	351,607	—	351,607
Conversion of convertible bonds	2,354	—	5,141	—	(22)	—	—	—	—	7,473	—	7,473
Conversion of redeemable convertible preference shares	135	—	329	—	—	(13)	—	—	—	451	—	451
Share-based payment	—	—	—	1,026	—	—	—	—	—	1,026	—	1,026
Share of reserve of an associate	—	—	—	33	—	—	—	—	—	33	—	33
At 31 December 2007	42,902	(50,728)	385,804	1,742	25	140	1,204	453	2,880	384,422	271	384,693

Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2007

	Equity attributable to equity holders of the Company											
	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Convertible bonds reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
At 1 April 2006	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
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
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 Cash Flow Statement

	Notes	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Cash flows from operating activities:			
Profit before taxation		1,388	612
Adjustments for:			
Depreciation of property, plant and equipment	14	64	26
Bad debts written off		—	124
Introduction fee settled by issue of new shares		—	1,129
Interest income on bank deposits		(587)	(131)
Dividend income from available-for-sale financial assets		(214)	(246)
Dividend income from financial assets at fair value through profit and loss		(748)	—
Finance costs on convertible bonds	8	1,250	2,443
Finance costs on redeemable convertible preference shares	8	412	170
Share-based payments		1,026	651
Share of profits of associates		(678)	(1,828)
Share of profit of a jointly controlled entity		(7,067)	(4,378)
Change in fair value on derivative financial instruments		3	17
Change in fair value on financial assets at fair value through profit and loss	19	1,231	(1,827)
Loss on disposal of a subsidiary		—	301
Gain on disposal of an associate		—	(39)
Loss on disposal of property, plant and equipment		1	—
Profit on disposal of financial assets at fair value through profit and loss		(651)	(1,179)
Operating loss before working capital changes		(4,570)	(4,155)
Decrease in trade receivables		130	2
(Increase)/Decrease in prepayments, deposits and other receivables		(2,105)	2,992
Increase/(Decrease) in trade payables, accruals and other payables		1,894	(3,269)
Decrease in amounts due to minority shareholders		(740)	—
Cash used in operations		(5,391)	(4,430)
Income tax paid		—	—
Net cash used in operating activities		(5,391)	(4,430)

Consolidated Cash Flow Statement

	Notes	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Cash flows from investing activities:			
Purchase of subsidiaries (net of cash and cash equivalents acquired)	33	102	—
Purchase of exploration and evaluation assets	13	(146)	(78)
Purchase of property, plant and equipment	14	(116)	(84)
Capital injection in a jointly controlled entity		—	(19,931)
Purchase of financial assets at fair value through profit and loss	19	(964)	(1,869)
Proceeds from disposal of financial assets at fair value through profit and loss		1,938	3,852
Proceeds from disposal of an associate		—	90
Interest received on bank deposits		587	131
Dividend received from available-for-sale financial assets		214	246
Dividend received from financial assets at fair value through profit and loss		748	—
Dividend received from a jointly controlled entity		1,345	—
Net cash generated from/(used in) investing activities		3,708	(17,643)
Cash flows from financing activities:			
Proceeds from exercise of share options		622	79
Gross proceeds from issue of new shares		145,415	—
Transaction cost on issue of new shares		(8,817)	—
Gross proceeds from issue of redeemable convertible preference shares		—	6,250
Transaction cost on issue of redeemable convertible preference shares		—	(373)
Repayment of finance lease liabilities		(18)	—
Finance costs on redeemable convertible preference shares paid	28	(488)	—
Finance costs on convertible bonds paid	27	(750)	(2,026)
Net cash generated from financing activities		135,964	3,930
Net increase/(decrease) in cash and cash equivalents		134,281	(18,143)
Cash and cash equivalents at the beginning of the period/year		3,938	22,067
Effects of foreign currency fluctuations		(138)	14
Cash and cash equivalents at the end of the period/year	20	138,081	3,938

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. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") and are also traded on the OTC market (Freiverkehr) of the Frankfurt Stock Exchange.

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

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

The financial statements on pages 74 to 190 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.

Pursuant to a resolution of the Board of the Company passed on 6 December 2007, the Company's financial year end was changed from 31 March to 31 December. The financial statements presented therefore cover a nine-month period from 1 April 2007 to 31 December 2007. The reason for the change of financial year end of the Company is to align the financial year end date of the Group with that of its subsidiaries, associates and jointly controlled entity in the People's Republic of China (the "**PRC**").

2. ADOPTION OF NEW OR REVISED HKFRS

In the current period, the Group has adopted the following new and amended HKFRS which are first effective for the Group's accounting period beginning on 1 April 2007 and are relevant to the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) Interpretation 8	Scope of HKFRS 2
HK(IFRIC) Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC) Interpretation 10	Interim Financial Reporting and Impairment
HK(IFRIC) Interpretation 11	HKFRS 2–Group and Treasury Share Transactions

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

The adoption of these new or amended HKFRS did not result in significant changes to the Group's or the Company's accounting policies but gave rise to additional disclosures. The principal effects of adopting these new and amended HKFRS are as follows:

2.1 Adoption of HKAS 1 (Amendment) – Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 39 to the financial statements.

2.2 Adoption of HKFRS 7 – Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risk arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

2.3 Adoption of HK(IFRIC) Interpretation 8 – Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods and services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. This interpretation has had no effect on these financial statements.

2.4 Adoption of HK(IFRIC) Interpretation 9 – Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with assessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

2.5 Adoption of HK(IFRIC) Interpretation 10 – Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial assets carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2. ADOPTION OF NEW OR REVISED HKFRS (Continued)

2.6 Adoption of HK(IFRIC) Interpretation 11 – HKFRS 2-Group and Treasury Share Transactions

This interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. This interpretation has had no impact to the Group as the Group's accounting policies already comply with the interpretation.

2.7 New or amended HKFRS that have been issued but are not yet effective

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 8	Operating Segments[1]
HK(IFRIC) Interpretation 12	Service Concession Arrangements[2]
HK(IFRIC) Interpretation 13	Customer Loyalty Programmes[3]
HK(IFRIC) Interpretation 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 January 2008
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 July 2009

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 financial periods 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 to the financial statements.

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year (31 March in previous year).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries (Continued)

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.

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 financial period, including any impairment loss on goodwill relating to the investment in associate or jointly controlled entity recognised for the financial period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates and joint ventures (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3.6 Foreign currency translation

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Foreign currency translation (Continued)

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

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

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of associate and joint venture is set out in note 3.4 to the financial statements.

Goodwill represents the payment made by the Group in anticipation of future economic benefits from assets that are not capable of being individually identified or separately recognised and which fair value cannot be measured reliably. It is 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Goodwill (Continued)

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.

3.9 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Lease (Continued)

(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. Regular way purchases and sales of financial assets are recognised on trade date, that is, the date that the Group commits to purchase or sell the asset. 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 are 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 the consolidated income statement. Dividend income from financial assets included in this category is recognised in the consolidated income statement as "corporate investment income" under revenue, when the Group's right to receive payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost

A provision for impairment on loans and receivables carried at amortised cost is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. 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 carrying amount of the loans and receivables is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within "other operating expenses" in the period in which the impairment occurs.

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

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence (in the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator) 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 its current fair value, less any impairment loss on that asset previously recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets (Continued)

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, amounts due to minority shareholders, 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, amounts due to minority shareholders 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities (Continued)

Trade payables, accruals and other payables and amounts due to minority shareholders

Trade payables, accruals and other payables and amounts due to minority shareholders are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.16 Financial guarantees issued

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

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

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

3.17 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Taxation (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Employee benefits (Continued)

(ii) Defined contribution plan (Continued)

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% of its payroll costs to the central pension scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

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

(ii) 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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the Group's financial statements requires management to make judgement, 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:

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10 to the financial statements. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations and scenario analysis. These calculations require the use of estimates of the future cash flows expected to arise from the cash-generating units and the suitable discount rates in order to calculate the present value. Details of the key assumptions and estimates used in the calculation of the present value are disclosed in note 12 to the financial statements.

5. SEGMENTED INFORMATION

Primary Reporting Format – Business Segments

The Group comprises four business segments as follows:

Mining	:	mining and exploration of natural resources
Corporate investment	:	investment in corporate entities, both listed and unlisted
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

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 nine months ended 31 December 2007

	Mining US$'000	Corporate investment US$'000	Asset management US$'000	Corporate finance US$'000	Unallocated US$'000	Total US$'000
Revenue from external customers	—	3,206	—	—	—	3,206
Inter-segment revenue	—	—	—	—	—	—
	—	3,206	—	—	—	3,206
Segment results	(990)	(3,705)	—	—	—	(4,695)
Unallocated operating expenses						—
Finance costs						(1,662)
Operating loss						(6,357)
Share of profits of associates					678	678
Share of profit of a jointly controlled entity	7,067					7,067
Taxation						—
Profit for the period						1,388

5. SEGMENTED INFORMATION (Continued)

Primary Reporting Format – Business Segments (Continued)

As at 31 December 2007

	Mining US$'000	Corporate investment US$'000	Asset management US$'000	Corporate finance US$'000	Unallocated US$'000	Total US$'000
Segment assets	219,687	145,431	—	—	—	365,118
Interests in associates	—	—	—	—	16,572	16,572
Interest in a jointly controlled entity	29,951	—	—	—	—	29,951
Total assets	249,638	145,431	—	—	16,572	411,641
Segment liabilities	24,031	2,917	—	—	—	26,948

	Mining US$'000	Corporate investment US$'000	Asset management US$'000	Corporate finance US$'000	Unallocated US$'000	Total US$'000
Depreciation	—	64	—	—	—	64
Capital expenditure	219,308	111	—	—	8,720	228,139

5. SEGMENTED INFORMATION (Continued)

Primary Reporting Format – Business Segments (Continued)

For the year ended 31 March 2007

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

As at 31 March 2007

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

5. SEGMENTED INFORMATION (Continued)

Primary Reporting Format – Business Segments (Continued)

	Mining US$'000	Corporate investment US$'000	Asset management US$'000	Corporate finance US$'000	Unallocated US$'000	Total US$'000
Depreciation	—	—	26	—	—	26
Capital expenditure	20,009	—	188	—	—	20,197

Secondary Reporting Format – Geographical Segments

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

5. SEGMENTED INFORMATION (Continued)

Secondary Reporting Format - Geographical Segments (Continued)

For the nine months ended 31 December 2007

	Asia Pacific[1] US$'000	North[2] America US$'000	Western[3] Europe US$'000	Unallocated US$'000	Total US$'000
Revenue from external customers	2,592	238	322	54	3,206
Segment assets	361,002	2,887	1,229	—	365,118
Capital expenditure	228,139	—	—	—	228,139

For the year ended 31 March 2007

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

1 Asia Pacific includes the PRC

2 North America includes the United States and Canada

3 Western Europe includes the United Kingdom

6. OPERATING LOSS

	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
– charge for the period/year	276	226
– under provision in prior year	3	36
Bad debts written off	—	124
Depreciation of owned property, plant and equipment	64	26
Operating lease charges on property and equipment^	459	109
Loss on disposal of property, plant and equipment	1	—
Share-based payments#	1,026	1,780
and crediting:		
Interest income on bank deposits*	587	131
Dividend income from financial assets at fair value through profit and loss*	748	—
Dividend income from available-for-sale financial assets*	214	246
Profit on disposal of an associate	—	39

^ Included in operating lease charges on property and equipment were director's accommodation expenses of US$277,000 (year ended 31 March 2007: nil) included in "employee benefit expenses" on the face of the consolidated income statement.

Included in share-based payments were employee share-based payment of US$943,000 (note 30.3) and non-employee share-based payment of US$83,000 (note 30.3) in relation to share options granted to directors and employees, and a consulting firm respectively.

* Included in revenue

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Wages and salaries and benefits in kind	2,619	1,862
Discretionary bonuses	471	628
Pension costs – defined contribution plans (note 34)	13	15
Share options granted to directors and employees	943	651
	4,046	3,156

a) Directors' and senior management's emoluments

The remuneration of every Director for the nine months ended 31 December 2007 is set out below:

Name of director	Fees US$'000	Salaries and benefits in kind US$'000	Discretionary bonuses US$'000	Contribution to defined contribution plans US$'000	Share options US$'000	Total US$'000
Executive Directors						
Jamie Gibson	—	811	150	2	210	1,173
Clara Cheung	—	148	100	2	73	323
Non-Executive Directors						
James Mellon	15	76	51	—	63	205
Jayne Sutcliffe	15	—	—	—	—	15
Anderson Whamond	22	—	—	—	—	22
Independent Non-Executive Directors						
David Comba	15	—	—	—	24	39
Julie Oates	15	—	—	—	—	15
Patrick Reid	15	—	—	—	10	25
Mark Searle	15	—	—	—	—	15
John Stalker	13	—	—	—	111	124
Dr Youzhi Wei	13	—	—	—	111	124
Total	138	1,035	301	4	602	2,080

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 2007 is set out below:

Name of director	Fees US$'000	Salaries and benefits in kind US$'000	Discretionary bonuses US$'000	Contribution to defined contribution plans US$'000	Share options US$'000	Total US$'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

No Directors waived or agreed to waive any emoluments in respect of the nine months ended 31 December 2007 and 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 (year ended 31 March 2007: 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:–

	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Basic salaries and other emoluments	310	269
Discretionary bonuses	55	110
Contribution to defined contribution plans	—	2
Share options granted to employees	108	128
	473	509

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

	Number of employees	
	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
HK$1,000,001– HK$1,500,000 (US$128,172 – US$192,258)	—	1
HK$1,500,001– HK$2,000,000 (US$192,259 – US$256,344)	1	—
HK$2,000,001– HK$2,500,000 (US$256,345 – US$320,430)	1	—
HK$2,500,001– HK$3,000,000 (US$320,431 – US$384,517)	—	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 in respect of the nine months ended 31 December 2007 and the year ended 31 March 2007.

8. FINANCE COSTS

	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Interest on convertible bonds (note 27)	1,250	2,443
Interest on redeemable convertible preference shares (note 28)	412	170
	1,662	2,613

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 nine months ended 31 December 2007.

Share of associates' and a jointly controlled entity's taxation for the nine months ended 31 December 2007 of US$25,000 (year ended 31 March 2007: US$18,000) and US$767,000 (year ended 31 March 2007: nil) are included in the consolidated income statement as share of profits of associates and share of profit of a jointly controlled entity respectively.

9. TAXATION (Continued)

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:

	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Profit before taxation	1,388	612
Less:		
Share of profits of associates	(678)	(1,828)
Share of profit of a jointly controlled entity	(7,067)	(4,378)
Loss before share of profits of associates and a jointly controlled entity and taxation	(6,357)	(5,594)
Calculated at a taxation rate of 17.5% – 33%	(1,139)	(985)
Income not subject to taxation	(386)	(462)
Expenses not deductible for taxation purposes	1,285	1,338
Tax effect of tax losses not recognised	240	109
Taxation charge	—	—

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$6,784,000 (31 March 2007: US$5,406,000) 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$724,000 (year ended 31 March 2007: US$1,882,000).

11. EARNINGS PER SHARE

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

Earnings	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Profit attributable to equity holders of the Company, used to determine basic earnings per share and diluted earnings per share	1,603	582

Number of shares	31 December 2007	31 March 2007
Weighted average number of ordinary shares, used to determine basic earnings per share	1,901,529,052	1,457,071,749
Effect of dilutive potential ordinary shares:		
Share options	77,148,562	21,215,348
Weighted average number of ordinary shares, used to determine diluted earnings per share	1,978,677,614	1,478,287,097

a) The convertible bonds and the redeemable convertible preference shares outstanding during the nine months ended 31 December 2007 and the year ended 31 March 2007 had an anti-dilutive effect on the earnings per share and were ignored in the calculation of diluted earnings per share.

b) On 24 January 2008, subject to market conditions and the Directors' absolute discretion, the Company decided to utilise HK$78 million (approximately US$10 million) for undertaking an on-market share repurchase plan pursuant to the exercise of the repurchase mandate which was granted to the Directors to repurchase up to 194,669,495 ordinary shares of the Company, details of which are set out in note 30.

c) All outstanding convertible bonds were converted into ordinary shares on 18 March 2008.

d) Subsequent to the period end date and prior to the date of this report, new ordinary shares were issued and allotted, details of which are set out in note 30.

12 GOODWILL

Group

	31 December 2007 US$'000	31 March 2007 US$'000
At 1 April		
Gross carrying amount	1,876	1,876
Accumulated impairment	—	—
Net carrying amount	1,876	1,876
Carrying amount at 1 April	1,876	1,876
Acquisition of subsidiaries	188,848	—
Net carrying amount at 31 December/31 March	190,724	1,876
At 31 December/31 March		
Gross carrying amount	190,724	1,876
Accumulated impairment	—	—
Net carrying amount	190,724	1,876

Goodwill arising from the acquisition of subsidiaries has been allocated to the following cash-generating units ("**CGU**") for impairment testing:

– Copper and zinc products CGU (US$1,876,000);

– Coal product CGU (US$173,577,000); and

– Coking coal product CGU (US$15,271,000).

12 GOODWILL (Continued)

Copper and zinc products CGU

The recoverable amount for the copper and zinc products 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 and zinc 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%.

Coal product CGU

The recoverable amount of the coal product CGU is determined from value-in-use calculations. The key assumptions and estimations used in the calculation of the value-in-use include obtaining the mining licence by the third quarter of Year 2008 and the commencement of production in the fourth quarter of Year 2008. The unit selling price and unit cost of production are assumed to remain constant throughout the forecasted period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on coal production growth forecasts. Changes in the coal prices are based on expectations of the future changes in the market. Economic life of the coal mine is based on the estimated coal reserve over the estimated annual mining production. Annual mining production rate of coal is expected to be 3 million tonnes of coal per year commencing from Year 2009.

During the period, the Group performed an impairment review for goodwill with reference to the scenario analysis carried out by Jones Lang LaSalle Sallmanns Limited, independent qualified professional valuers not connected with the Group. The scenario analysis is based on cash flow forecasts derived from the extrapolated cash flows for 20 years. The rate used to discount the forecast cash flow is 11.29%.

12 GOODWILL (Continued)

Coking coal product CGU

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

During the period, the Group performed an impairment review for goodwill with reference to the valuation carried out by Jones Lang LaSalle Sallmanns Limited, independent qualified professional valuers not connected with the Group. The valuation is based on cash flow forecasts derived from the latest financial information and extrapolated cash flows for the following 10 years at nil growth rate. The rate used to discount the forecast cash flow is 11.29%.

Company

The Company has no goodwill.

13 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 1 April 2007	78
Cost	—
Accumulated amortisation	—
Net book amount	78
Nine months ended 31 December 2007	
Opening net book amount	78
Addition	146
Acquisition of a subsidiary	5,505
Amortisation charge for the period	—
Closing net book amount	5,729
At 31 December 2007	
Cost	5,729
Accumulated amortisation	—
Net book amount	5,729

13 EXPLORATION AND EVALUATION ASSETS (Continued)

During the nine months ended 31 December 2007, the Group further invested in a subsidiary, Simao Regent Minerals Limited ("**SRM**"), to conduct exploration, mining and processing of copper and other multi-metal minerals in the PRC. During the period, the Group also acquired a new subsidiary, Abagaqi Changjiang Mining Co., Ltd. ("**ACMC**"), which is mainly engaged in exploration activities and the sale of calcium carbonate products in the PRC. The exploration and evaluation assets related to the mines which were not yet operative as at 31 December 2007. These assets are not subject to amortisation until they are placed in use and are not subject to impairment as neither facts nor circumstances suggest that the carrying amount exceed the recoverable amount.

Company

The Company has no exploration and evaluation assets.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor* Vehicle US$'000	Furniture and fixtures US$'000	Computer and other equipment US$'000	Total US$'000
At 1 April 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

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Motor* Vehicle US$'000	Furniture and fixtures US$'000	Computer and other equipment US$'000	Total US$'000
Nine months ended 31 December 2007				
Opening net book amount	112	45	38	195
Exchange differences	1	—	1	2
Additions	—	57	59	116
Disposals	—	(3)	(1)	(4)
Acquisition of subsidiaries	23	91	105	219
Depreciation charge for the period	(29)	(14)	(21)	(64)
Depreciation written back on disposals	—	3	—	3
Closing net book amount	107	179	181	467
At 31 December 2007				
Cost	146	257	352	755
Accumulated depreciation	(39)	(78)	(171)	(288)
Net book amount	107	179	181	467

* The net book value of the Group's property, plant and equipment included an amount for a motor vehicle held under a finance lease that amounted to US$83,000 as at 31 December 2007 (31 March 2007: US$112,000) (see note 29).

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Computer and other equipment US$'000
At 1 April 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
Nine months ended 31 December 2007	
Opening net book amount	3
Depreciation charge for the period	—
Closing net book amount	3
At 31 December 2007	
Cost	4
Accumulated depreciation	(1)
Net book amount	3

15. INTERESTS IN SUBSIDIARIES

Company

	31 December 2007 US$'000	31 March 2007 US$'000
Investments – unlisted shares, at cost	283,018	52,316
Less: Provision for impairment	(60,215)	(48,682)
	222,803	3,634

The movements in provision for impairment of certain unlisted investments in subsidiaries are as follows:

	31 December 2007 US$'000	31 March 2007 US$'000
At 1 April 2007/1 April 2006	(48,682)	(60,007)
Impairment losses (recognised)/reversed	(11,533)	11,325
At 31 December 2007/31 March 2007	(60,215)	(48,682)

An impairment loss was recognised for certain unlisted investments in subsidiaries because the recoverable amount is less than its investment cost.

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 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
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

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2007 are as follows: (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 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*	PRC	Injected capital of US$2,200,000	—	97.54%	Mining and exploration of natural resources
CCEC Ltd. ("**CCEC**")*#	British Virgin Islands	Ordinary shares of US$64,963,323	100%	—	Investment holding
Amerinvest Coal Industry Holding Company Limited ("**ACIL**")*#	British Virgin Islands	Ordinary shares of US$10,000	—	100%	Investment holding
Abagaqi Changjiang Mining Co., Ltd.*#	PRC	Injected capital of RMB4,000,000	—	51%	Exploration activities and sale of calcium carbonate products

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

* The statutory financial statements of these subsidiaries for the nine months ended 31 December 2007 were not audited by Grant Thornton.

\# These subsidiaries were newly acquired by the Group during the nine months period ended 31 December 2007.

16. INTERESTS IN ASSOCIATES

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
Investments – unlisted shares, at cost less impairment	—	—	2,000	918
Add: Reversal of impairment loss	—	—	—	1,082
	—	—	2,000	2,000
Share of net assets – unlisted	16,572	2,768	—	—
	16,572	2,768	2,000	2,000

There is no provision for impairment loss of associates as of 31 December 2007, as the recoverable amounts in associates are greater than their investment costs. Provision for impairment loss was reversed at 31 March 2007 as the recoverable amounts were higher than previously expected as at 31 March 2007.

Share of associates' taxation for the nine months ended 31 December 2007 of US$25,000 (year ended 31 March 2007: US$18,000) is included in the consolidated income statement as share of profits of associates.

16. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates as at 31 December 2007 are as follows:

Name of associate	Country of incorporation	Issued and fully paid share capital held in associate	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
Regent Markets Holdings Limited	British Virgin Islands	Ordinary shares of US$9,980	49.9%	—	Online betting
West China Coking & Gas Company Limited	PRC	Injected capital of RMB52,160,000	—	25%	Production, processing and sale of coal, coke, gas and coal chemicals

The statutory audited financial statements of the associates were not audited by Grant Thornton.

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

	31 December 2007 US$'000	31 March 2007 US$'000
Assets	192,856	12,598
Liabilities	135,405	6,683

	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Revenue	214,883	98,628
Profit after taxation	17,462	3,783

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
Investments – unlisted shares, at cost	—	—	—	—
Share of net assets – unlisted	29,951	25,180	—	—
	29,951	25,180	—	—

Share of a jointly controlled entity's taxation for the nine months ended 31 December 2007 of US$767,000 (year ended 31 March 2007: nil) is included in the consolidated income statement as share of profit of a jointly controlled entity.

Particulars of the jointly controlled entity as at 31 December 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 ("**YSSCCL**")	PRC	Injected Capital of RMB160,000,000	—	40%	Exploration and mining of copper concentrate, zinc concentrate and other base and precious metals

The statutory audited financial statements of the jointly controlled entity were not audited by Grant Thornton.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

The following table illustrates the summarised financial information of the Group's interest in a jointly controlled entity.

Share of the jointly controlled entity's assets and liabilities	31 December 2007 US$'000	31 March 2007 US$'000
Non-current assets	38,026	28,893
Current assets	14,054	5,976
Current liabilities	22,129	9,687
Net assets	29,951	25,182

Share of the jointly controlled entity's results	Nine months ended 31 December 2007 US$'000	Year ended 31 March 2007 US$'000
Income	17,445	9,733
Expenses	10,378	5,355
Profit after tax	7,067	4,378

Share of the jointly controlled entity's capital commitment	31 December 2007 US$'000	31 March 2007 US$'000
Capital commitment		
Contracted but not provided for:		
Conducting certain construction projects	3,130	—

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
At 1 April, 31 March and 31 December	620	620	19	19

Available-for-sale financial assets include the following:

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
Unlisted securities				
club debenture, at cost	19	19	19	19
equity security	601	601	—	—
	620	620	19	19

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

The unlisted equity investments are stated at cost less any impairment losses because there are no quoted market prices for such equity investments. In addition, the availability in the range of reasonable fair value estimates is significant and the probabilities of the value estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value cannot be made.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
At 1 April	6,290	5,267	3,341	1,082
Additions	964	1,869	964	1,199
Disposals	(1,287)	(2,673)	(1,287)	(697)
Changes in fair value – unrealised portion	(1,231)	1,827	(129)	1,757
At 31 December/31 March	4,736	6,290	2,889	3,341

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

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
Listed securities, at market value				
equity security – overseas	3,744	5,572	2,392	3,144
Unlisted securities				
equity security – overseas*	992	718	497	197
	4,736	6,290	2,889	3,341

The fair values of listed equity investments are based on quoted market prices. The unlisted equity investments, except for the close-ended fund which is stated at fair market value, are stated at cost less any impairment losses because there are no quoted market prices for such equity investments. In addition, the availability in the range of reasonable fair value estimates is significant and the probabilities of the value estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value cannot be made.

The entire US$4,736,000 (31 March 2007: US$6,290,000) 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$495,000 (31 March 2007: US$521,000) managed by RFM (Asia), a wholly owned subsidiary of the Company.

20 CASH AND BANK BALANCES

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
Cash and balances with banks	101,138	680	95,419	54
Money at call and short notice	2,943	258	2,755	176
	104,081	938	98,174	230
Fixed deposits – two weeks/one month	34,000	3,000	34,000	3,000
	138,081	3,938	132,174	3,230

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

21. TRADE RECEIVABLES

As at 31 December 2007 and 31 March 2007, the ageing analysis of trade receivables was as follows:

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
1 to 3 months old	43	31	—	—
More than 3 months old but less than 12 months old	—	142	—	—
	43	173	—	—

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.

22. LOAN RECEIVABLES

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
Loan receivables	15,359	—	—	—
Interest receivables	228	—	—	—
	15,587	—	—	—

22. LOAN RECEIVABLES (Continued)

a) On 24 August 2007, a loan agreement was concluded and signed between CCEC, a subsidiary of the Company, and Nuenco Ltd. ("**Nuenco**"), an independent third party, on which CCEC has agreed to provide Nuenco with a loan totalling US$2,650,000 for the purpose of paying a deposit in respect of Nuenco's proposed acquisition of an interest or interests in one or more of the companies owning the coal mine, associated wash/coke plant, coke production and magnesium smelter in the Wuxiang County, Shanxi, the PRC (the "**Wuxiang Acquisition**").

Interest on loan is charged at six-month LIBOR plus 2.5%, or at 10% in the event of default. The loan and interest is payable on demand or otherwise in instalments within 12 months from being drawn down. Security for the loan is to be provided if requested by CCEC. As at 31 December 2007 and at the date of this report, no security has been requested by the Group. Apart from standard events of default, in the event that Nuenco receives back any portion of the deposit either as a result of the Wuxiang Acquisition not proceeding or for any other reason whatsoever, the loan becomes immediately due and payable.

The loan interest accrued up to 31 December 2007 was US$69,000.

As at 31 December 2007, Nuenco had repaid the loan of US$2,650,000 in full.

b) On 24 August 2007, a loan agreement was concluded and signed between CCEC and Yuke Coal Limited ("**Yuke Coal**"), a then independent third party, but which became a subsidiary of the Group in March 2008, on which CCEC has agreed to provide Yuke Coal with a loan totalling US$5,000,000 for the purpose of paying a portion of the total transfer price for the acquisition of four exploration licences.

Interest on loan is charged at six-month LIBOR plus 3%, or at 10% in the event of default. The loan and interest is payable on demand or otherwise in instalments within 12 months from being drawn down. Security for the loan is to be provided if requested by CCEC. As at 31 December 2007 and at the date of this report, no security has been requested by the Group. Apart from standard events of default, in the event that Yuke Coal receives back any portion of the transfer price as a result of the acquisition of these exploration licences not proceeding or for any other reason whatsoever, the loan becomes immediately payable.

The loan interest accrued up to 31 December 2007 was US$147,000.

As at 31 December 2007, Yuke Coal has drawn down US$4,620,000 of the loan.

22. LOAN RECEIVABLES (Continued)

c) On 14 September 2007, a loan agreement was concluded and signed between CCEC and Yuke Exploration Limited ("**Yuke Exploration**"), a target company independent from the Group for which the Group intended to acquire in 2008, on which CCEC has agreed to provide Yuke Exploration with a loan totalling US$2,000,000, provided in instalments, for the purpose of financing the costs involved in seeking investment opportunities in the mining sector in the PRC.

Interest on loan is charged at six-month LIBOR plus 3%, or at 10% in the event of default. The loan and interest is payable on demand or otherwise in instalments within 12 months from being drawn down. Security for the loan is to be provided if requested by CCEC. As at 31 December 2007 and at the date of this report, no security has been requested by the Group. For the standard events of default, the loan becomes immediately payable.

The loan interest accrued up to 31 December 2007 was US$12,000.

As at 31 December 2007, Yuke Exploration has drawn down US$1,239,000 of the loan.

d) On 14 December 2007, the second loan agreement was concluded and signed between CCEC and Yuke Coal, on which CCEC has agreed to provide Yuke Coal with a loan totalling US$9,500,000 for the purpose of financing costs incurred by a wholly-owned foreign enterprise, which is to be wholly owned by Yuke Coal, associated with meeting capital verification requirements relevant to the acquisition of the coal exploration licences.

Interest on loan is charged at six-month LIBOR plus 3%, or at 10% in the event of default. The loan and interest is payable on demand or otherwise in instalments within 12 months from being drawn down. Security for the loan is to be provided if requested by CCEC. As at 31 December 2007 and at the date of this report, no security has been requested by the Group. Apart from standard events of default, in the event that Yuke Coal receives back any portion of the transfer price as a result of the acquisition of these exploration licences not proceeding or for any other reason whatsoever, the loan becomes immediately payable.

As at 31 December 2007, no loan interest was accrued.

As at 31 December 2007, Yuke Coal has drawn down US$9,500,000 of the loan.

The fair value of the loan receivables and interest receivables of (a) to (d) above were the same as illustrated above.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
Prepayments, deposits and other receivables	4,764	545	2,364	147
Amount due from an associate*	934	698	—	698
Amount due from a jointly controlled entity*^	3,433	536	—	108
	9,131	1,779	2,364	953

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

^ The Group has undertaken not to demand repayment of US$3,433,000 due to the Group from the jointly controlled entity until such time when any repayment to the Group will not affect the jointly controlled entity's ability to repay other creditors in the normal course of business.

The Directors of the Company are of the opinion that the amounts due from the jointly controlled entity will be settled within twelve months, such amount is therefore classified as a current asset.

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

24. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
Trade payables	32	31	—	—
Accruals and other payables	6,476	616	2,256	415
	6,508	647	2,256	415

24. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (Continued)

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

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
Due within 1 month or on demand	—	2	—	—
More than 6 months	32	29	—	—
	32	31	—	—

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

25. AMOUNTS DUE FROM/(TO) SUBSIDIARIES, MINORITY SHAREHOLDERS

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

26. BORROWINGS

	Group		Company	
	31 December 2007 US$'000	31 March 2007 US$'000	31 December 2007 US$'000	31 March 2007 US$'000
Non-current				
Convertible bonds (note 27)	8,924	15,897	8,924	15,897
Redeemable convertible preference shares (note 28)	5,132	5,659	5,132	5,659
Obligation under finance lease (note 29)	62	75	—	—
	14,118	21,631	14,056	21,556
Current				
Obligation under finance lease (note 29)	24	29	—	—
Total borrowings	14,142	21,660	14,056	21,556

26. BORROWINGS (Continued)

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.

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

27. CONVERTIBLE BONDS

On 31 March 2006, the Company issued US$20 million 12% guaranteed convertible bonds to finance one of the Group's investment projects 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 31).

27. CONVERTIBLE BONDS (Continued)

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

Group and Company	31 December 2007 US$'000	31 March 2007 US$'000
Fair value of convertible bonds	15,897	18,352
Equity component	—	—
Liability component on initial recognition	15,897	18,352
Conversion of convertible bonds to ordinary shares	(7,473)	(2,872)
Interest expense (note 8)	1,250	2,443
Interest paid	(750)	(2,026)
Liability component at 31 December/31 March	8,924	15,897

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.

28. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

On 30 November 2006, the Company issued US$6.25 million 8.5% redeemable convertible preference shares to finance the subsidiary, SRM, of which principal activities are the exploration and mining 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 31).

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

Group and Company	31 December 2007 US$'000	31 March 2007 US$'000
Fair value of redeemable convertible preference shares	5,659	5,877
Equity component	—	(159)
Liability component on initial recognition	5,659	5,718
Conversion	(451)	(229)
Interest expense (note 8)	412	170
Interest paid	(488)	—
Liability component at 31 December/31 March	5,132	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.

29. OBLIGATION UNDER FINANCE LEASE

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

	31 December 2007 US$'000	31 March 2007 US$'000
Total minimum lease payments		
Within one year	30	30
In the second year	30	30
In the third to fifth years	36	59
	96	119
Less: total future interest expenses	(10)	(15)
Present value of finance lease liability	86	104
Present value of finance lease liability:		
Within one year	24	29
In the second year	26	27
In the third to fifth years	36	48
	86	104
Less: portion due within one year included under current liabilities	(24)	(29)
	62	75

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

30. SHARE CAPITAL

Authorised:	Number of ordinary shares of US$0.01 each	US$'000	Number of unclassified shares*	US$'000	Total number of shares	Total US$'000
At 31 March 2007	5,000,000,000	50,000	550,000,000	5,500	5,550,000,000	55,500
Increase on 8 December 2007	5,000,000,000	50,000	0	0	5,000,000,000	50,000
At 31 December 2007	10,000,000,000	100,000	550,000,000	5,500	10,550,000,000	105,500

Issued and fully paid:	Total number of shares	Total US$'000
At 1 April 2006	1,372,599,856	13,726
Conversion of convertible bonds	92,781,468	928
Employee share option scheme – exercise of share options	2,306,000	23
Conversion of redeemable convertible preference shares	6,724,138	67
Issue of new shares	21,514,256	215
At 31 March 2007	1,495,925,718	14,959
Employee share option scheme – exercise of share options	16,827,000	168
Issue of new shares	2,528,636,175	25,286
Conversion of convertible bonds	235,383,943	2,354
Conversion of redeemable convertible preference shares	13,448,276	135
At 31 December 2007	4,290,221,112	42,902

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

As noted above, at the Company's extraordinary general meeting held on 8 December 2007, the authorised share capital of the Company was increased by the creation of 5,000,000,000 ordinary shares of US$0.01 each.

During the nine-month period ended 31 December 2007, an aggregate of 2,794,295,394 new ordinary shares were issued and allotted, details of which are set out as follows:

30. SHARE CAPITAL (Continued)

a. An aggregate of 6,701,000 new ordinary shares were issued and allotted for a total consideration of HK$1,782,466 (approximately US$228,521), being HK$0.266 per share, upon exercise of options under the Company's Share Option Scheme (2002) (as referred to in note 30.3).

b. An aggregate of 8,480,000 new ordinary shares were issued and allotted for a total consideration of HK$2,544,000 (approximately US$326,153), being HK$0.300 per share, upon exercise of options under the Share Option Scheme (2002).

c. An aggregate of 1,646,000 new ordinary shares were issued and allotted for a total consideration of HK$534,950 (approximately US$68,583), being HK$0.325 per share, upon exercise of options under the Share Option Scheme (2002).

d. An aggregate of 235,383,943 new ordinary shares were issued and allotted upon conversion of Convertible Bonds (as referred to in note 30.1) with a principal amount of US$7.89 million, being at a conversion price of HK$0.2615 per share.

e. 13,448,276 new ordinary shares were issued and allotted on 12 June 2007 upon conversion of 500 Redeemable Convertible Preference Shares (as referred to in note 30.2), being at a conversion price of HK$0.290 per share.

f. 293,339,464 new ordinary shares were issued and allotted on 28 September 2007 at HK$1.200 per share to independent placees upon completion of the placing agreement dated 18 September 2007 (details of which were set out in the announcements issued by the Company on 18 September 2007 and 28 September 2007).

g. An aggregate of 1,450,296,711 new ordinary shares were issued and allotted on 14 December 2007 as consideration shares under the share purchase agreement dated 4 September 2007 (as amended by the amendment agreement dated 14 September 2007) and the offer made on 12 October 2007 in relation to the acquisition of shares in CCEC (details of which were set out in the circular and announcement issued by the Company on 22 November 2007 and 17 December 2007 respectively).

h. 75,000,000 new ordinary shares were issued and allotted on 14 December 2007 to Stephen Dattels under the finder's fee agreement dated 5 September 2007 (details of which were set out in the circular and announcement issued by the Company on 22 November 2007 and 17 December 2007 respectively).

i. 710,000,000 new ordinary shares were issued and allotted on 28 December 2007 at HK$1.100 per share to independent placees upon completion of the placing agreement dated 17 December 2007 (details of which were set out in the announcements issued by the Company on 17 December 2007 and 28 December 2007).

30. SHARE CAPITAL (Continued)

Subsequent to the period end date and prior to the date of this report, an aggregate of 268,746,307 new ordinary shares were issued and allotted, details of which are set out as follows:

i. 250,000 new ordinary shares were issued and allotted on 14 January 2008 for a total consideration of HK$75,000 (approximately US$9,615), being HK$0.300 per share, upon exercise of an option under the Share Option Scheme (2002).

ii. An aggregate of 268,496,307 new ordinary shares were issued and allotted upon conversion of Convertible Bonds with a principal amount of US$9 million, being at a conversion price of HK$0.2615 per share.

In addition, an aggregate of 9,470,000 shares were repurchased by the Company on the HK Stock Exchange at an average cost of HK$0.72 per share for the period from January to February 2008.

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 Master 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 on conversion at a conversion price of HK$0.2615 per share.

During the nine-month period ended 31 December 2007, Convertible Bonds with a principal amount of US$7.89 million were converted into, in aggregate, 235,383,943 new ordinary shares. Accordingly, as at 31 December 2007, Convertible Bonds with a principal amount of US$9 million were outstanding , which might be convertible into 268,496,307 new ordinary shares.

Subsequent to the period end date, Convertible Bonds with a principal amount of US$9 million were converted into, in aggregate, 268,496,307 new ordinary shares. Accordingly, as at the date of this report, no Convertible Bonds are outstanding.

30. SHARE CAPITAL (Continued)

1. Convertible Bonds (Continued)

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.

30. 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.

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).

30. SHARE CAPITAL (Continued)

I. Convertible Bonds (Continued)

c. Conversion (Continued)

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.

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 jointly controlled entity 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.

30. SHARE CAPITAL (Continued)

I. Convertible Bonds (Continued)

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.

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).

30. SHARE CAPITAL (Continued)

1. **Convertible Bonds** (Continued)

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.

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 "**RCPS Placing**"). The Redeemable Convertible Preference Shares may give rise to the issue, in aggregate, of 168,103,449 ordinary shares on conversion at a conversion price of HK$0.290 per share. The RCPS 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.

30. SHARE CAPITAL (Continued)

2. Redeemable Convertible Preference Shares (Continued)

The RCPS 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

During the nine-month period ended 31 December 2007, 500 Redeemable Convertible Preference Shares were converted into 13,448,276 new ordinary shares. Accordingly, as at 31 December 2007, there were 5,500 Redeemable Convertible Preference Shares outstanding, which might be convertible into 147,931,035 ordinary shares.

No Redeemable Convertible Preference Shares were converted into shares subsequent to the period end date and prior to the date of this report.

30. SHARE CAPITAL (Continued)

2. Redeemable Convertible Preference Shares (Continued)

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

a. *Maturity date*

30 November 2011

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%, later increased to 97.54%, 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.

30. 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.

30. 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.

30. 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).

30. 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.

30. SHARE CAPITAL (Continued)

2. Redeemable Convertible Preference Shares (Continued)

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.

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.

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.

Upon adoption of the Long Term Incentive Plan 2007 (as referred to in note 30.4) on 8 December 2007, no further options under the Share Option Scheme (2002) will be granted.

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

30. 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 228,372,132 shares or 5.02% 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.

30. 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 2007, 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 126,751,000 (1 April 2006: 20,274,000) ordinary shares at the exercise prices ranging from HK$0.266 to HK$0.325 per share, representing 8.47% (1 April 2006: 1.48%) of the Company's then issued ordinary share capital and 7.81% (1 April 2006: 1.46%) of the enlarged ordinary share capital. Amongst the outstanding options, options in respect of an aggregate of 11,100,999 shares or 8.76% were vested (1 April 2006: options in respect of an aggregate of 6,540,663 shares or 32.26%).

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

During the nine-month period ended 31 December 2007:

- New options were granted in respect of an aggregate of 26,000,000 shares at the exercise price of HK$0.780 per share on 15 May 2007 and in respect of an aggregate of 100,038,132 shares at the exercise price of HK$1.152 per share on 2 October 2007 (year ended 31 March 2007: new options in respect of an aggregate of 109,700,000 shares);
- Vested options were exercised in respect of an aggregate of 6,701,000 shares at HK$0.266 per share, in respect of an aggregate of 8,480,000 shares at HK$0.300 per share and in respect of an aggregate of 1,646,000 shares at HK$0.325 per share (year ended 31 March 2007: vested options exercised in respect of an aggregate of 2,306,000 shares);
- An option in respect of 7,000,000 shares at the exercise price of HK$1.152 per share lapsed on 13 December 2007 upon resignation of an eligible participant (year ended 31 March 2007: options in respect of an aggregate of 917,000 shares); and
- No options were cancelled (year ended 31 March 2007: nil).

Accordingly, as at 31 December 2007, there were outstanding options entitling the holders to subscribe, in stages, for an aggregate of 228,962,132 (31 March 2007: 126,751,000) ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 5.34% (31 March 2007: 8.47%) of the Company's then issued ordinary share capital and 5.07% (31 March 2007: 7.81%) of the enlarged ordinary share capital. Amongst the outstanding options, options in respect of an aggregate of 37,290,660 shares or 16.29% were vested (31 March 2007: options in respect of an aggregate of 11,100,999 shares or 8.76%). Exercise in full of the outstanding options would result in the issue of 228,962,132 additional ordinary shares for aggregate proceeds, before expenses, of HK$160,531,078 (approximately US$20,580,907).

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

Subsequent to the period end date:

- A vested option in respect of 250,000 shares was exercised on 14 January 2008 at HK$0.300 per share;
- An option in respect of 340,000 shares at the exercise price of HK$0.300 per share lapsed on 18 January 2008 upon resignation of an eligible participant;
- No new options were granted; and
- No options were cancelled.

Accordingly, as at the date of this report, there are outstanding options entitling the holders to subscribe, in stages, for an aggregate of 228,372,132 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 5.02% of the Company's existing issued ordinary share capital and 4.78% of the enlarged ordinary share capital. Amongst the outstanding options, options in respect of an aggregate of 66,350,659 shares or 29.05% are vested. Exercise in full of the outstanding options would result in the issue of 228,372,132 additional ordinary shares for aggregate proceeds, before expenses, of HK$160,354,078 (approximately US$20,558,215).

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 2007, outstanding options in respect of an aggregate of 74,100,000 shares were held by the Chief Executive Officer (also an executive Director) and an executive Director, details of which are set out below:

1. Options, which were granted on 9 September 2004, entitling the Chief Executive Officer and the 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;
2. Options, which were granted on 4 April 2006, entitling the Chief Executive Officer and the executive Director to subscribe, in stages, for an aggregate of 53,600,000 ordinary shares at the exercise price of HK$0.300 per share; and
3. An option, which was granted on 14 December 2006, entitling the executive Director to subscribe, in stages, for 6,000,000 ordinary shares at the exercise price of HK$0.325 per share.

30. SHARE CAPITAL (Continued)

3. **Share Option Scheme (2002)** (Continued)

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

During the nine-month period ended 31 December 2007:

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.

c. Options were granted on 15 May 2007 entitling two non-executive Directors to subscribe, in stages, for an aggregate of 24,000,000 ordinary shares 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.

d. A vested option in respect of 1,200,000 shares was exercised on 20 September 2007 at HK$0.266 per share, which were issued and allotted on 21 September 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$1.170.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

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

e. Options were granted on 2 October 2007 entitling the Non-Executive Chairman of the Board, the Chief Executive Officer, the aforesaid executive Director and two independent non-executive Directors to subscribe, in stages, for an aggregate of 40,000,000 ordinary shares at the exercise price of HK$1.152 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$1.130.

f. No options lapsed or were cancelled.

Accordingly, as at 31 December 2007, there were outstanding options entitling the Directors of the Company to subscribe, in stages, for an aggregate of 134,600,000 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

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

- A non-executive Director, who held an outstanding option in respect of 12,000,000 shares at the exercise price of HK$0.780 per share (granted on 15 May 2007), resigned as Director and was appointed as a consultant on 12 February 2008. His outstanding option is therefore included in sub-paragraph (iv) headed "Suppliers of goods and services" below.
- An independent non-executive Director, who held an outstanding option in respect of 2,000,000 shares at the exercise price of HK$1.152 per share (granted on 2 October 2007), resigned as Director and was appointed as a consultant on 12 February 2008. His outstanding option is therefore included in sub-paragraph (iv) headed "Suppliers of goods and services" below.
- No new options were granted.
- No vested options were exercised.
- No options lapsed or were cancelled.

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 120,600,000 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

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

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 the Directors' Report. No options were granted to or held by any associates of the Directors or the Chief Executive Officer of the Company at any time during the nine-month period ended 31 December 2007 or prior to the date of this report.

No options were granted to or held by any substantial shareholder of the Company (save for James Mellon, who is also the Non-Executive Chairman of the Board), as referred to in the section headed "Substantial Shareholders" in the Directors' Report, or their respective associates, at any time during the nine-month period ended 31 December 2007 or prior to the date of this report.

ii. Full-time employees

As at 1 April 2007, outstanding options in respect of an aggregate of 52,651,000 shares were held by the full-time employees of the Group (excluding the Directors of the Company), details of which are set out below:

1. options, which were granted on 9 September 2004, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 3,301,000 ordinary shares at the exercise price of HK$0.266 per share;

2. options, which were granted on 4 April 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 34,850,000 ordinary shares at the exercise price of HK$0.300 per share; and

3. options, which were granted on 14 December 2006, entitling the full-time employees of the Group to subscribe, in stages, for 14,500,000 ordinary shares at the exercise price of HK$0.325 per share.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

ii. Full-time employees (Continued)

During the nine-month period ended 31 December 2007:

a. 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.

b. On 11 April 2007, a vested option in respect of 1,000,000 shares was 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.

c. 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.

d. 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.

e. 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.

f. 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.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

ii. Full-time employees (Continued)

g. 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 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.

h. 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.

i. Vested options in respect of an aggregate of 1,500,000 shares were exercised on 20 September 2007 at HK$0.266 per share, which were issued and allotted on 21 September 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$1.170.

j. A vested option in respect of 167,000 shares was exercised on 21 September 2007 at HK$0.266 per share, which were issued and allotted on 21 September 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$1.160.

k. Options were granted on 2 October 2007 entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 43,538,132 ordinary shares at the exercise price of HK$1.152 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$1.130.

l. A vested option in respect of 167,000 shares was exercised on 10 October 2007 at HK$0.266 per share, which were issued and allotted on 10 October 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$1.010.

m. A vested option in respect of 2,000,000 shares was exercised on 18 October 2007 at HK$0.300 per share, which were issued and allotted on 18 October 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$1.650.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

ii. Full-time employees (Continued)

n. An option in respect of 7,000,000 shares at the exercise price of HK$1.152 per share lapsed on 13 December 2007 upon resignation of an eligible participant.

o. Vested options in respect of an aggregate of 1,646,000 shares were exercised on 20 December 2007 at HK$0.325 per share, which were issued and allotted on 20 December 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$1.050.

p. No options were cancelled.

Accordingly, as at 31 December 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 77,862,132 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

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

- A vested option in respect of 250,000 shares was exercised on 14 January 2008 at HK$0.300 per share, which were issued and allotted on 14 January 2008. 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$0.880.
- An option in respect of 340,000 shares at the exercise price of HK$0.300 per share lapsed on 18 January 2008 upon resignation of an eligible participant.
- No new options were granted.
- No options were cancelled.

Accordingly, as at the date of this report, there are outstanding options entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 77,272,132 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

iii. Participants in excess of individual limit

Rule 17.04(1) of the HK Listing Rules and Clause 3(A) of the rules of the Share Option Scheme (2002) provide that each grant of options to any of the Directors, Chief Executive or substantial shareholders of the Company, or any of their respective associates, 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 such grant:

a. representing in aggregate over 0.1% of the shares in issue; and

b. 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 approved by shareholders of the Company, with all connected persons of the Company abstaining from voting in favour of the relevant resolution at such general meeting.

Options granted on 2 October 2007 to James Mellon (the Non-Executive Chairman of the Board and a substantial shareholder of the Company) and David Comba (an independent non-executive Director of the Company) in respect of 13,000,000 shares and 5,000,000 shares respectively are subject to shareholders' approval at a general meeting. The options were approved at the extraordinary general meeting held on 8 December 2007 and were deemed to have been granted and to have taken effect on 2 October 2007 (the offer date).

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 the HK Listing Rules.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

iv. *Suppliers of goods and services*

As at 1 April 2007, no outstanding options were held by any suppliers of goods and services of the Company.

During the nine-month period ended 31 December 2007, an option was granted on 2 October 2007 entitling a service provider to subscribe, in stages, for an aggregate of 16,500,000 ordinary shares at the exercise price of HK$1.152 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$1.130.

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

- A non-executive Director, who held an outstanding option in respect of 12,000,000 shares at the exercise price of HK$0.780 per share (granted on 15 May 2007), resigned as Director and was appointed as a consultant on 12 February 2008. His outstanding option is therefore excluded in sub-paragraph (i) headed "Directors, Chief Executive and substantial shareholders" above.
- An independent non-executive Director, who held an outstanding option in respect of 2,000,000 shares at the exercise price of HK$1.152 per share (granted on 2 October 2007), resigned as Director and was appointed as a consultant on 12 February 2008. His outstanding option is therefore excluded in sub-paragraph (i) headed "Directors, Chief Executive and substantial shareholders" above.

Accordingly, as at the date of this report, there are outstanding options entitling service providers to subscribe, in stages, for an aggregate of 30,500,000 ordinary shares at the exercise prices ranging from HK$0.780 to HK$1.152 per share.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

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 nine-month period ended 31 December 2007 or prior to the date of this report.

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

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

	31 December 2007		31 March 2007	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
Outstanding at 1 April	126,751,000	0.299	20,274,000	0.266
Granted	26,000,000	0.780	89,200,000	0.300
Granted	100,038,132	1.152	20,500,000	0.325
Forfeited	(7,000,000)	1.152	(917,000)	0.294
Exercised	(6,701,000)	0.266	(2,306,000)	0.266
Exercised	(8,480,000)	0.300	—	—
Exercised	(1,646,000)	0.325	—	—
Outstanding at 31 December/31 March	228,962,132	0.701	126,751,000	0.299

The weighted average market price of the shares at the date of exercise of options for the nine-month period ended 31 December 2007 was HK$0.920 (year ended 31 March 2007: HK$0.359). All remaining share options as at 31 December 2007 have been accounted for under HKFRS 2. The Group has granted the following outstanding share options and exercise prices:

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

	31 December 2007		31 March 2007	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
– 31 March 2007	—	—	11,100,999	0.266
– 31 December 2007	37,290,660	0.293	43,016,660	0.299
– 31 December 2008	75,996,034	0.705	36,316,666	0.305
– 31 December 2009	75,996,053	0.705	36,316,675	0.305
– 31 December 2010	39,679,385	1.071	—	—
Outstanding at 31 December/31 March	228,962,132	0.701	126,751,000	0.299

The weighted average remaining contractual life of the outstanding options as of 31 December 2007 is 8.98 years (31 March 2007: 8.91 years).

The fair value of share options granted during the period ended 31 December 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$0.78 and HKD$1.14 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 69% respectively, based on the Company's expected share price. A risk-free interest rate of 4.14% and 4.34% 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$943,000 (year ended 31 March 2007: US$651,000) of employee share-based payment and US$83,000 (year ended 31 March 2007: US$1,129,000) of non-employee share-based payment have been included in the consolidated income statement for the nine months ended 31 December 2007. No liabilities were recognised due to share-based payment transactions.

30. SHARE CAPITAL (Continued)

4. Long Term Incentive Plan 2007

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

The establishment and operation of the Long Term Incentive Plan 2007 are not subject to Chapter 17 of the HK Listing Rules. Upon adoption of the Long Term Incentive Plan 2007 on 8 December 2007, no further options under the Share Option Scheme (2002) (as referred to in note 30.3) will be granted.

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

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

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

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

Since the adoption of the plan, no shares were acquired and no units were granted under the plan.

31. RESERVES

	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Convertible bonds reserve US$'000	Preference shares reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group									
At 1 April 2006	(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
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
Foreign currency translation adjustment	—	—	—	—	—	—	—	84	84
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	1,434	1,434
Share of reserve of associates	—	—	33	—	—	—	—	3	36
Exercise of share options	—	653	(199)	—	—	—	—	—	454
Issue of new shares	—	326,321	—	—	—	—	—	—	326,321
Conversion of convertible bonds	—	5,141	—	(22)	—	—	—	—	5,119
Conversion of redeemable convertible preference shares	—	329	—	—	(13)	—	—	—	316
Share-based payment	—	—	1,026	—	—	—	—	—	1,026
Profit for the period	1,603	—	—	—	—	—	—	—	1,603
At 31 December 2007	(50,728)	385,804	1,742	25	140	1,204	453	2,880	341,520

31. RESERVES (Continued)

	Accumulated losses US$'000	Share premium US$'000	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 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
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)
Foreign currency translation adjustment	—	—	—	—	—	—	5	5
Exercise of share options	—	653	(199)	—	—	—	—	454
Issue of new shares	—	326,321	—	—	—	—	—	326,321
Conversion of convertible bonds	—	5,141	—	(22)	—	—	—	5,119
Conversion of redeemable convertible preference shares	—	329	—	—	(13)	—	—	316
Share-based payment	—	—	1,026	—	—	—	—	1,026
Profit for the period	724	—	—	—	—	—	—	724
At 31 December 2007	(58,443)	388,069	1,658	25	140	1,204	3	332,656

32. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2007, there were outstanding futures contracts amounting to approximately US$576,000 (31 March 2007: US$537,000) undertaken by the Group in the equity market.

In the course of the Group's normal trading in derivatives, margin deposits of varying currencies of cash are held by the Group's brokers. As at 31 December 2007, the amount of these margin deposits was US$70,000 (31 March 2007: US$58,000).

33. BUSINESS COMBINATION

On 14 December 2007, the Company acquired the entire equity interest in CCEC, an investment holding company engaged in seeking investment opportunities in businesses that are engaged in the full life-cycle of exploration, extraction and sale of thermal coal and coking coal and in addition the operation of coke and chemical works in the PRC, at a consideration of US$215,106,000 by issuance of 1,525,296,711 ordinary shares with par value of US$0.01 each.

The acquired business contributed revenues of US$315,000 and net profit of US$36,000 to the Group for the period from 14 December 2007 to 31 December 2007. If the acquisition had occurred on 1 April 2007, Group revenue would have been US$11,417,000 and loss for the period before allocations would have been US$5,527,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had been applied from 1 April 2007.

On 28 December 2007, the Group acquired a 51% equity interest in ACMC, a company mainly engaged in exploration activities and the sale of calcium carbonate products. ACMC owns the exploration licence of the Ji Ri Ga Lang coal mine in Abagaqi, Inner Mongolia, the PRC, at a cash consideration of US$8,720,000.

The acquired business has not contributed either revenue or net profit to the Group for the period from 28 December 2007 to 31 December 2007. If the acquisition had occurred on 1 April 2007, Group revenue would have been US$10,343,000 and profit for the period before allocations would have been US$1,237,000. These amounts have been calculated using the Group's accounting policies.

33. BUSINESS COMBINATION (Continued)

Details of net assets acquired and goodwill are as follows:

	Acquisition of ACMC US$'000	Acquisition of CCEC US$'000	Total US$'000
Net assets acquired			
Goodwill	—	15,271	15,271
Exploration and evaluation assets	5,505	—	5,505
Property, plant and equipment	24	195	219
Interest in an associate	—	14,024	14,024
Cash and bank balances	528	12,298	12,826
Loan receivables	—	15,587	15,587
Prepayment, deposits and other receivables	—	1,726	1,726
Trade payables, accruals and other payables	—	(3,677)	(3,677)
Amounts due to minority shareholders	(7,035)	—	(7,035)
Fair value of net assets acquired	(978)	55,424	54,446
Goodwill arising on acquisition	9,698	163,879	173,577
Minority Interest (ACMC: 49%, CCEC: nil)	—	—	—
Total purchase consideration	8,720	219,303	228,023
Purchase consideration satisfied by:			
Cash paid	8,720	—	8,720
Direct costs relating to the acquisitions	—	4,197	4,197
Fair value of shares issued	—	215,106	215,106
Total purchase consideration	8,720	219,303	228,023
Net cash inflow arising on acquisition:			
Purchase consideration settled in cash	(8,720)	—	(8,720)
Direct cost relating to the acquisitions	—	(4,004)	(4,004)
Cash and cash equivalents acquired	528	12,298	12,826
	(8,192)	8,294	102

33. BUSINESS COMBINATION (Continued)

The goodwill is attributable to the coal product CGU and the coking coal product CGU (note 12).

The fair value of shares issued was based on the published share price on 14 December 2007.

There is no material difference between the book value and fair value of the net assets acquired as at acquisition date.

There were no acquisitions for the year ended 31 March 2007.

34. 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 nine months ended 31 December 2007, there were no forfeited contributions (year ended 31 March 2007: nil) and the Group's contribution was US$13,000 (year ended 31 March 2007: US$15,000).

35. OPERATING LEASE COMMITMENTS

Group

	31 December 2007 US$'000	31 March 2007 US$'000
At 31 December 2007 and 31 March 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
– within 1 year	787	608
– in the 2nd to 5th year, inclusive	442	821
	1,229	1,429
Equipment		
– within 1 year	5	5
– in the 2nd to 5th year, inclusive	11	12
	16	17
	1,245	1,446

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

Company

The Company has no lease commitments.

36. CAPITAL COMMITMENTS

Group

	31 December 2007 US$'000	31 March 2007 US$'000
Contracted but not provided for:		
Purchasing of property, plant and equipment	—	1,969
Purchasing of the remaining share of a subsidiary- ACMC	10,844	—

Company

The Company has no capital commitments.

37. CONTINGENT LIABILITIES

Save for the matter disclosed in note 23 to the financial statement, the Group and the Company have no material contingent liabilities as at 31 December 2007.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's management is coordinated in close cooperation with the Board of Directors, and focuses on minimising the exposure to financial markets.

The 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 material financial liabilities denominated in foreign currencies other than US$.

The Group operates using US$. As such the Group is exposed to foreign currency fluctuations arising from operations of its subsidiaries, associates and jointly controlled entity in the PRC. During the period under review, the Group did not issue any financial instruments for hedging purposes.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The RMB has appreciated during the period. However, as the Group's net profit is reported in US$, there will be a translation gain as a result of the RMB appreciation. The majority of our operating assets are located in the PRC and denominated in RMB.

Foreign currency denominated financial assets and liabilities, translated into US$ at the closing rate, are as follows:

31 December 2007

	Group		Company	
	US$'000 RMB	US$'000 GBP	US$'000 RMB	US$'000 GBP
Cash and bank balances	779	699	23	—
Prepayments, deposits and other receivables	2,691	—	—	—
Current financial assets and current net exposures	3,470	699	23	—

31 March 2007

	Group		Company	
	US$'000 RMB	US$'000 GBP	US$'000 RMB	US$'000 GBP
Cash and bank balances	25	197	25	—
Current financial assets and current net exposures	25	197	25	—

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange, with all other variables held constant, of the Group's net profit (due to changes in the fair value of monetary assets and liabilities).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	Group		Company	
	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in net profit US$'000	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in net profit US$'000
As at 31 December 2007				
If US$ weaken against RMB	5	170	5	1
If US$ strengthen against RMB	(5)	(170)	(5)	(1)
As at 31 March 2007				
If US$ weaken against RMB	5	10	5	1
If US$ strengthen against RMB	(5)	(10)	(5)	(1)

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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group and the Company can be required to pay:

31 December 2007	Group					Company				
	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	within 6 months US$'000	6 to 12 months US$'000	1 to 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	within 6 months US$'000	6 to 12 months US$'000	1 to 5 years US$'000
Convertible bonds	8,924	10,620	540	540	9,540	8,924	10,620	540	540	9,540
Redeemable convertible preference shares	5,132	7,370	233	234	6,903	5,132	7,370	233	234	6,903
Finance lease obligations	86	97	15	15	67	—	—	—	—	—
Trade payables	32	32	32	—	—	—	—	—	—	—
Accruals and other payables	6,476	6,476	6,476	—	—	2,256	2,256	2,256	—	—
Amount due to minority shareholders	6,295	6,295	6,295	—	—	—	—	—	—	—
Others	3	3	3	—	—	—	—	—	—	—
Amounts due to subsidiaries	—	—	—	—	—	7,852	7,852	7,852	—	—
	26,948	30,893	13,594	789	16,510	24,164	28,098	10,881	774	16,443

31 March 2007	Group					Company				
	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	within 6 months US$'000	6 to 12 months US$'000	1 to 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	within 6 months US$'000	6 to 12 months US$'000	1 to 5 years US$'000
Convertible bonds	15,897	20,943	1,013	1,013	18,917	15,897	20,943	1,013	1,013	18,917
Redeemable convertible preference shares	5,659	8,550	255	255	8,040	5,659	8,550	255	255	8,040
Finance lease obligations	86	119	15	15	89	—	—	—	—	—
Trade payables	31	31	31	—	—	—	—	—	—	—
Accruals and other payables	616	616	616	—	—	415	415	415	—	—
Others	17	17	17	—	—	—	—	—	—	—
Amounts due to subsidiaries	—	—	—	—	—	6,695	6,695	6,695	—	—
	22,306	30,276	1,947	1,283	27,046	28,666	36,603	8,378	1,268	26,957

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The Group enjoyed a strong financial position at the end of 2007, with cash and cash equivalents amounting to US$138 million as at 31 December 2007, a significant increase from US$4 million as at 31 March 2007.

The Group financed its operations and investment activities with internally generated cash flow, balanced with proceeds from the issue of new shares, convertible bonds and redeemable convertible preference shares.

The Group's policy is to monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long term.

Commodity price risk

The Group's exposure to commodity price risk relates principally to the market price fluctuation in copper, zinc and coal which can affect the Group's share of profit from its associate and jointly controlled entity.

Interest rate risk

The Group's interest rate risk arises only from loan receivables (note 22) which granted at variable rate expose the group to cash flow interest rate risk and fair value interest rate risk respectively. The management would currently monitor the change of interest rate.

i) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits by approximately US$156,000 (31 March 2007: nil). Other components of consolidated equity would increase/decrease by approximately US$156,000 (31 March 2007: nil) in response to the general increase/decrease in interest rate.

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. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categoriesd as follows.

(i) **Financial assets**

	31 December 2007 US$'000	31 March 2007 US$'000
Non-current assets		
Available-for-sale financial assets	620	620
Current assets		
Cash and bank balances	138,081	3,938
Financial assets at fair value through profit and loss	4,736	6,290
Trade receivables	43	173
Loan receivables	15,587	—
Prepayments, deposits and other receivables	9,131	1,779
	168,198	12,800

(ii) **Financial liabilities**

	31 December 2007 US$'000	31 March 2007 US$'000
Current liabilities		
Derivative financial instruments	3	17
Trade payables, accruals and other payables	6,508	647
Amounts due to minority shareholders	6,295	—
Finance lease obligation	24	29
	12,830	693
Non-current liabilities		
Convertible bonds	8,924	15,897
Redeemable convertible preference shares	5,132	5,659
Finance lease obligation	62	75
	26,948	22,324

39. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern;
- to provide an adequate return to shareholders;
- to support the Group's sustainable growth; and
- to provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The net debt-to-adjusted capital ratio at the balance sheet date was as follows:

	31 December 2007 US$'000	31 March 2007 US$'000
Trade payables, accruals and other payables	6,508	647
Amounts due to minority shareholders	6,295	—
Finance lease obligation	86	104
Derivative financial instruments	3	17
Less:		
Cash and bank balances	(138,081)	(3,938)
Net debt	(125,189)	(3,170)
Convertible bonds	8,924	15,897
Redeemable convertible preference shares	5,132	5,659
Equity attributable to equity holders	384,422	20,086
Total equity	398,478	41,642
Total equity and net debt	273,289	38,472
Gearing ratio	N/A	N/A

For the purpose of gearing ratio calculation, both convertible bonds and redeemable convertible preference shares are considered as equity, because all outstanding convertible bonds have been converted into ordinary shares in March 2008 and the Directors are of the opinion that the redeemable convertible preference shares will be converted into ordinary shares as the conversion price is considerably lower than the market price of the Company's shares.

40. MATERIAL RELATED PARTY TRANSACTIONS

The following is a summary of material related party contracts or transactions of the Group during the period. 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;

(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$1,244,000 was received and receivable for the nine months ended 31 December 2007 (year ended 31 March 2007: US$415,000).

41. POST BALANCE SHEET EVENTS

(i) On 24 January 2008, subject to market conditions and the Directors' absolute discretion, the Company decided to utilise HK$78 million (approximately US$10 million) for undertaking an on-market share repurchase plan pursuant to the exercise of the repurchase manade which was granted to the Directors to repurchase up to 194,669,495 ordinary shares of the Company. Up to the date of this report, an aggregate of 9,470,000 shares were repurchased by the Company on the HK Stock Exchange at a total cost of HK$6,814,000 (approximately US$873,000).

(ii) On 27 February 2008, CCEC entered into a third loan agreement with Yuke Coal pursuant to which CCEC has agreed to provide Yuke Coal with a loan totaling US$8,000,000 in cash, for the purpose of financing costs to be incurred by Yuke Coal associated with the acquisition of the coal exploration licences. In February 2008, Yuke Coal has drawn down the loan in full.

(iii) On 13 March 2008, CCEC exercised the option to acquire the entire share capital of Yuke Coal at a consideration of the US$ equivalent of RMB20,000,000, payable one month after completion or discharge of all of the financial obligations under the option agreement.

On 17 March 2008, RMB158,000,000 has been paid for the acquisition of the four exploration licences and related preliminary technical work. Xinjiang Regent Coal Limited, a wholly-owned subsidiary of Yuke Coal, is the legal owner of the four exploration licences.

The exercise of the Yuke Coal option was completed on 26 March 2008.

(iv) On 14 March 2008, CCEC contributed RMB30,000,000 to ACMC by way of a capital increase. Such funds will be partly used to discharge the first instalment of the account payable from ACMC to its minority shareholders and partly used to finance the costs involved in the application for converting the exploration licence into the mining licence of the Ji Ri Ga Lang coal mine. The relevant capital increase formalities were approved by the relevant PRC authorities on 20 March 2008.

(v) On 14 March 2008, CCEC signed a memorandum of understanding with Chungcheng Industry and Trade Group Co, Ltd. for the purpose of evaluating and developing the Ji Lin South coal deposit in Inner Mongolia, on a joint venture basis. Subject to the conclusion of a definitive legal agreement between the parties, CCEC may acquire up to a direct or indirect 49% equity interest in the Sino-foreign joint venture company to be established for the purpose of the project.

(vi) On 18 March 2008, the bondholders have converted their remaining holdings of the Convertible Bonds, details of which are set out in note 30 to the financial statements.

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