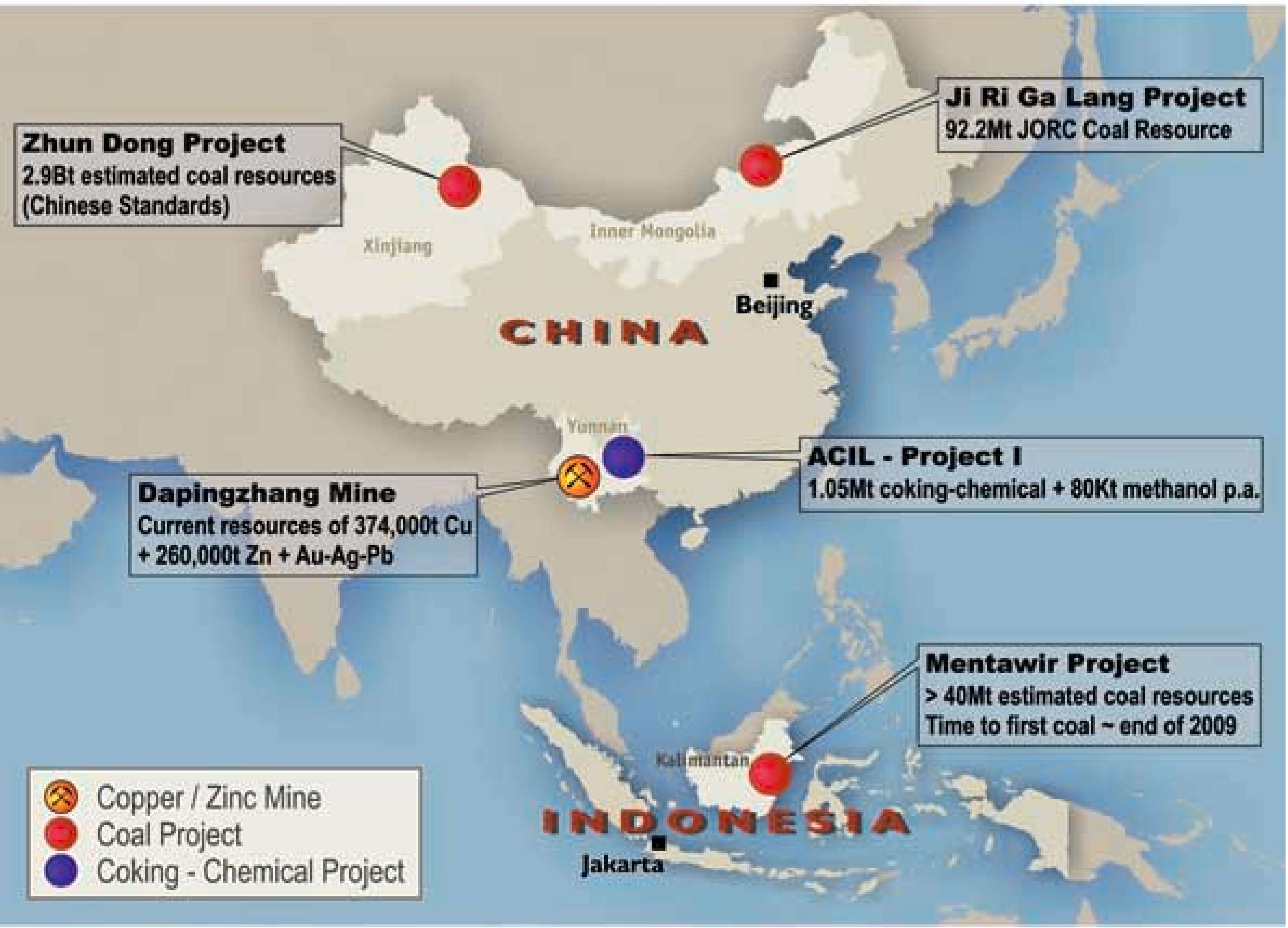
Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

2008 Annual Report

Regent Pacific Group Limited
Quality Assets



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Dapingzhang Mine Site Infrastructure

Cover & inside cover photos are taken on the road heading towards the Ji Ri Ga Lang Project.

Key Highlights

The Road to Ji Ri Ga Lang

FINANCE

- Net operating loss of US$6.99 million, before impairment loss on goodwill, exploration and evaluation assets and available-for-sale financial assets of US$154.70 million (non-cash items)
- Earnings from Dapingzhang and West China Coking & Gas Company Limited ("**West China Coke**") were lower due to significant falls in commodity prices
- Results were impacted by one-off costs associated with the acquisition of Regent Coal (BVI) Limited ("**Regent Coal (BVI)**") (formerly CCEC Ltd) and restructuring costs
- Significant reduction in capital and operating costs for 2009 of more than US$4 million
- Cash, listed securities and cash receivables of US$76.85 million or HK$0.153 (US$0.02) equivalent per share
- Repurchased 665 million shares for US$24 million at average cost of HK$0.28 (US$0.04) per share
- Shareholders' equity of US$213.04 million or net asset value per share of HK$0.39 (US$0.05)

Key Highlights

OPERATIONS

- Dapingzhang produced 7,553 tonnes copper metal and 22,867 tonnes zinc metal
- Dapingzhang is now back to full capacity after reverting to selective mining operations for enhancing margins at then commodity prices
- Record revenue at Dapingzhang of RMB 547.03 million (US$80.12 million) and net profit after tax of RMB 133.80 million (US$19.25 million), adjusted for Hong Kong Financial Reporting Standards ("**HKFRS**") (PRC revenue and profit is higher)
- Dapingzhang had low cash operating cost of US$0.69 / lb copper (or copper equivalent) (US 69 cents)
- Copper and zinc resources of 374,000 tonnes and 260,000 tonnes respectively
- West China Coke produced 954,257 tonnes of coke, 138,956 tonnes methanol and other by-products
- West China Coke's revenue was RMB 1,603.48 million (US$230.71 million) and net loss was RMB 12.62 million (US$1.82 million) (HKFRS adjusted)
- Total coal resources of 3 billion tonnes
- Regent Coal (BVI) recorded a loss of US$137.77 million, including write downs of US$131.47 million

Copper Flotation Plant at Dapingzhang

Chairman's Statement

Dapingzhang Mine Office & Accommodation

Dear Shareholders

2008 was an extraordinary year for the global economy and in particular, for the base metals industry. As a result, this year we report an operating loss of US$6.99 million before asset write downs. This result was impacted by falls in prices across our major commodities, significant impairment of assets (a non-cash item) and restructuring costs. Our share of profit from our 40% stake in Dapingzhang was US$7.70 million.

Unfortunately, mining shares have had a significant de-rating since May of 2008 on the back of economic uncertainty. Our own share price has fallen in line with this de-rating which is disappointing for the management and shareholders of the Company.

While we expect commodity markets to remain volatile in the short-term, we are confident that longer-term market fundamentals should support growth in commodity demand and, therefore, in our earnings. We are becoming more optimistic that China will continue to grow during this period of global recession and that we are well situated geographically.

During the first half of 2008, the copper price on the Shanghai Futures Exchange was extremely robust closing at RMB 63,350 per tonne as at 30 June 2008. Zinc weakened in the first half of the year and closed at RMB 16,200 per tonne.

However, during the second half of the year, the copper price collapsed by over 61% to RMB 24,900 per tonne by 31 December 2008. The zinc price continued to weaken during the second half of 2008 closing at RMB 10,250 per tonne, down over 37% from 30 June 2008. This decline in commodity prices had a major impact on Regent's earnings performance.

Write-downs post tax of US$131.47 million were prudently taken on Regent's coal assets as a result of an assessment of the current market value of assets, with lower thermal coal prices negatively affecting the carrying value of some of our operations. These impairments are all non-cash items and consequently do not impact on the Group's strong cash position.

Asset write-downs of US$154.70 million have been recorded and are comprised of:

– Impairment of US$131.47 million for Zhun Dong and Ji Ri Ga Lang development projects

– Impairment of US$10.41 million for West China Coking & Gas Company Limited

– Impairment of US$2.09 million for Simao Regent Minerals Limited

– Impairment of US$10.73 million for equity investments

Management reacted promptly to the rapid deterioration of market conditions, implementing a restructuring programme by reducing operational expenditure by over US$4 million.

Of particular importance, the Company has approximately US$76.85 million in cash, listed securities and cash receivables, with no external debt or hedging arrangements. This contrasts with many of the mining majors that became highly leveraged at the top of commodities cycle. No doubt this strong cash position with an unleveraged balance sheet will provide Regent with access to quality mining opportunities to profit from.

OUTLOOK

I strongly believe that our operations and projects are in the right part of the world, Asia. Asia is fast becoming increasingly dominant, today accounting for nearly 30% of global domestic product. While China is experiencing a slow down, this slow down is concentrated in export-led sector. The sectors of the economy oriented more towards domestic consumption are still performing well.

The Dapingzhang mine is back to operating at full capacity, with mining having resumed in March 2009. It is pleasing to see the copper price climbing higher; it is now over RMB 37,570 per tonne, up more than 50% from end of December 2008.

On behalf of the Board, I want to thank our senior management team for their efforts this year.

James Mellon
Co-Chairman

8 April 2009

Daluotang Exploration Project Area at Dapingzhang

CEO's Report

Dapingzhang Open Pit

The Company recorded an operating loss of US$6.99 million, before write-downs in 2008 compared with net earnings of US$1.60 million for the nine months ended 31 December 2007. The main items affecting the movement to a loss were:

- US$154.70 million write-down of goodwill, exploration assets and equity investments, mainly due to US$141.88 million write down of goodwill at Zhun Dong, Ji Ri Ga Lang and West China Coking & Gas Company Limited ("**West China Coke**"), combined with a US$2.09 million write-down of goodwill and exploration assets of Simao Regent Minerals Limited and US$10.73 million write-down of equity investments,

- Operating loss of US$6.99 million.

2008 was an unprecedented year for commodities and financial markets as the global credit crisis seized, banks haemorrhaged and capital and jobs disappeared. The speed of the collapse of prices of our commodities was also unprecedented and this led to a devastating impact on our share price. For the past several years, Regent's management team has worked diligently to implement and execute the Group's business plan by expanding production at Dapingzhang and positioning the coal projects for production. The dramatic collapse of commodities prices caused management to respond quickly by curtailing capital expenditure in respect of all its projects, not proceeding with the acquisition of certain projects that it was negotiating and implementing a cost restructuring programme across the Group.

Our medium to long term plan remains to build a major Asian mining house. A successful part of that plan has and will continue to be, merger and acquisition activity and we have the right team in place.

The Company announced in November 2008 that it reverted to selective mining operations at Dapingzhang to reduce capex requirements and operating costs, enhance margins at then commodity prices and reduce headcount by approximately 53%. This was precipitated by the decline in commodity prices and the deterioration of the global economy. We are pleased to report that Dapingzhang has resumed full production, including mining and is now operating at full production capacity of over 3,000 tonnes per day.

Notwithstanding all the bad news in 2008, Dapingzhang production of copper and zinc metal was a record, with an increase of 247% copper metal and a decrease of 2% zinc metal as compared to 2007. This led to record revenue of RMB 547.03 million and net profit after tax of RMB 133.80 million, adjusted for Hong Kong Financial Reporting Standards ("**HKFRS**"). More importantly, Dapingzhang declared a dividend of RMB 110.70 million for the year ended 31 December 2008, from which the Group can receive RMB 44.28 million (equivalent to US$6.49 million).

West China Coke, a 25% associated investment of Regent, produced 954,257 tonnes of coke and 138,956 tonnes of methanol and other by-products. Total revenue was RMB 1,603.48 million and its after tax loss was RMB 12.62 million, and Regent equity accounted a loss of US$0.46 million for the year. The steep drop off in the coke sales price from September 2008 severely impacted West China Coke's profitability throwing the company into an overall loss while for the six months ended 30 June 2008, West China Coke generated earnings of just over US$2 million for Regent.

In difficult times opportunities emerge and with cash and listed securities of US$64.17 million we are actively on the hunt for mining assets. We are witnessing unprecedented times, caused by the financial meltdown in the West. However, our future will lie in the markets of Asia, principally China, and the Chinese GDP will continue to grow, albeit at a slower pace than the double digit growth of the past. We see that there has been an increase in the copper price by over 50% (as at the date I write this report in late March).

Dapingzhang has not sold any of its copper that it has produced from 1 January 2009 to end of March 2009. Current copper metal on stockpile as at 23 March 2009 is 972 tonnes. We expect that Dapingzhang will resume concentrate sales now that metal prices have pushed higher on the Shanghai Futures Exchange.

In 2009, the Company's objectives are to maximise cash flow in this uncertain economic environment and look to mergers and acquisitions as a catalyst for growth. Where necessary and appropriate, the Company will invest in capital projects that will lead to earnings growth.

We wish to thank the Board for their guidance and support, our employees for their hard work and our shareholders for their patience.

REVENUE AND LOSS

The Company recorded an operating loss of US$6.99 million, before write-downs in 2008 compared with net earnings 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$7.70 million and US$0.86 million respectively to the Group.

The main elements of the loss are analysed as follows:

	US$ million
Share of profit from YSSCCL	7.7
Share of profit from Regent Markets	0.86
Share of loss from West China Coke	(0.46)
Corporate investment	(2.23)
Mining	(11.27)
Finance costs	(0.85)
Write-down of goodwill	(143.05)
Write-down of exploration assets	(0.91)
Write-down of available-for-sale financial assets	(10.73)
Total loss attributable to shareholders	(160.94)

CEO's Report

Ji Ri Ga Lang Project Area

BALANCE SHEET

The shareholders' equity decreased by 44.58% to US$213.04 million as at 31 December 2008 from US$384.42 million as at 31 December 2007. The decrease was mainly due to (i) the buy-back of 665 million shares resulting in a total decrease of share capital and share premium of US$24.11 million, (ii) the conversion of US$9 million convertible bonds resulting in a total increase of share capital and share premium of US$9.24 million, (iii) the fair loss of US$10.26 million on listed securities mainly due to marked-to-market decrease in such securities, (iv) the unrealised gain of US$2.31 million on foreign currency translation, and (v) the loss of US$160.94 million for year ended 31 December 2008.

The investments in YSSCCL of US$34.30 million, Regent Markets of US$2.43 million and West China Coke of US$14.93 million accounted for 16.10%, 1.14% and 7.01% of the shareholders' equity respectively. The Group's assets comprise (i) goodwill of US$52.14 million, (ii) exploration and evaluation assets of US$31.39 million, (iii) cash of US$57.40 million, (iv) listed and unlisted investments of US$7.39 million, and (v) other assets and receivables of US$23.70 million.

The Group's liabilities comprised: (i) redeemable convertible preference shares (liability portion) of US$5.22 million and (ii) payables and accruals of US$2.93 million.

FUNDING

As at 31 December 2008, the Group had US$57.40 million cash or 26.94% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$6.77 million. We maintain the ability to fund our current projects through our own balance sheet and the pending increase in cash flow.

On 22 March 2009, YSSCCL declared a dividend of RMB 110.7 million for the year ended 31 December 2008, from which the Group can receive RMB 44.28 million (equivalent to US$6.49 million).

REDUCTION IN GROUP OVERHEAD

The Company has reduced Group overhead by some US$4 million per annum, with the resultant savings to come through from January 2009. We have reduced the number of expatriates mining staff to three from over eighteen. We are looking at further cost savings.

INDONESIAN TRANSACTION

The Company is continuing to work towards completing the Indonesian coal transaction in 2009. Indonesia introduced a new Mining Law in December 2008, known as "Minerba". There remains industry wide uncertainty and confusion surrounding the implications that Minerba, ratified by Indonesia's Parliament on Tuesday, 16 December 2008, may have in respect of new mining projects, and not just this project, and the ability of new venturers at this time to obtain the necessary regulatory permits and approvals to commence exploration and production activities in Indonesia.

The Company has been advised that the uncertainty and confusion will continue in Indonesia until the Implementing Regulations for the Minerba have been approved and ratified by Parliament, which the Company understands is scheduled to take place sometime this year. Following the approval and ratification of these Implementing Regulations, the Company further understands that permits for exploration and mining under the new regime (which shall include Mining Business Licences (or "IUPs"), Special Mining Business Licences (or "IUPKs") and Community Mining Licences or "IPRs")) can be issued in accordance with such regulations.

In light of the uncertainty of the introduction of the Implementing Regulations and the global economic outlook for the short-to-medium term, the Company will continue negotiations with its proposed joint venture partners concerning a significant reduction in the consideration the Company is to pay. Negotiations are proceeding well and the Company expects that a significant portion of the acquisition cost will be payable from free cash flow produced by the Singaporean company that will hold the contractual interest in the mine (i.e. it will take the form of deferred consideration).

Jamie Gibson

8 April 2009

Exploration Drilling Site at Mentawir

COAL DIVISION

The Group has an interest in the following projects:

- Abagaqi Changjiang Mining Company Limited ("**ACMC**" or the "**Ji Ri Ga Lang Coal Project**")
- Xin Jiang Regent Coal Limited ("**XJ Regent**" or the "**Zhun Dong Coal Project**")

JI RI GA LANG COAL PROJECT

Regent Coal (BVI), acting through Abagaqi Changjiang Mining Company Limited ("**ACMC**", the joint venture company), is progressing the conversion of ACMC's existing exploration licence into a mining licence with government agencies in Inner Mongolia. Progress has been made towards the completion of the principal contributory reports to facilitate the conversion process.

The process for converting the existing exploration licence (**EL**) into a mining licence (**ML**) is continuing in a methodical manner; on a day to day basis the multitude of complexities and interrelationships at all levels of government are being duly navigated. The appointed government agencies are making reasonable progress towards the completion of vital contributory reports to facilitate the EL to ML process.

The final form geological report which mirrors the 14.61km^2 EL area allocation has been formally accepted and approved by Mineral Resource/Reserve Appraisal Centre of MOLAR with Ref. No. 'Guo Tu Zi Kuang Ping Zhu Zi'[2008]175. MOLAR also issued a certificate of Mineral Resource/Reserve Appraisal Record/Registration with Ref.No.'Guo Tu Zi Chu Bei Zi'[2008]273. The approved Geological Report is a cornerstone report to the whole EL to ML process and facilitates the completion of the support reports commissioned from the government agencies.

The Coalmine General Plan and Feasibility Study Reports have been submitted to the Development & Reform Committee (**DRC**) for review and approval. In parallel with the DRC system, an application report of the Ji Ri Ga Lang Coalmine Demarcation will shortly be submitted to the DOLAR authority for review and approval. Ten other documents are required to support the Demarcation application; all documents are expected to be available to take the process forward by mid April 2009.

Finally a coal transformation proposal has been submitted to the DRC authority. The approval process lies with the Xilingol Government. As the Governor is quite familiar with the technique, the proposal is very likely to be approved and thus further support the EL to ML process.

Work continues to establish the best value route to market. Production capacity in the area remains high and the rail infrastructure provision is running at or near capacity, thus particular focus is required on the off-take contract and future points of sale.

Major coal customers and transport routes to market have been identified. Analysis has been jointly undertaken by Regent Coal (BVI) and Shanxi Fenwei Energy Consulting Co., Ltd. The strongest markets lie to the south east of the site, some 575 km to point of sale. Further analysis is ongoing to determine the most cost efficient transport route and rail capacity constraints/risks. Under consideration is the possibility of entering into a wider JV deal with a power generator(s) and or coal trader/s and local logistics experts with substantial supply contracts or key point infrastructure e.g. railhead capacity at Xinlinhot City.

JI RI GA LANG COAL PROJECT (Continued)

During September 2008 Regent Coal (BVI) appointed Downer EDI Engineering to undertake a full data set review of all available coal data, with a specific focus to narrow the coal quality range risk without the need for additional drilling. This detailed data review is now complete and enables a more robust position to be adopted with regards to future off-take negotiations. Limited initial box cut and twin hole drilling may be required in the spring of 2009 to further consolidate the information, dependant on customer expectations with regards to the off-take quality criteria.

A detailed dewatering borehole design has been formulated for the initial box cut and a preferred contractor with significant local experience identified. Detailed costs have been negotiated and are held pending a decision to commence this pre-mining activity.

MinarcoMineConsult are continuing to work closely with the Regent Coal (BVI) team to optimise the mine design and run sensitivities on the preferred method of working.

SRK consulting services have also completed a competent persons report to NI43101 reporting standard.
The forward focus will be on:

- the EL and ML conversion process and the ancillary processes and consultation obligations to achieve this important goal
- Identifying the best value route to market, taking into specific account the coal quality, location, distance to market and the least risk/cost routes to market.

ZHUN DONG COAL PROJECT

Over the period from August 2008 to 16th November 2008, significant exploration activity has been undertaken at Zhun Dong, which is required for renewing the four exploration licences currently held by XJ Regent (an indirect, wholly owned subsidiary of the Company and Regent Coal (BVI)), all of which are set to expire in January 2009. In this respect, XJ Regent appointed the Shangdong Design Institute to carry out a US$2.5 million exploration programme.

A total of 24 boreholes (variable depths 816m to 100m), together with geophysics and seismic work have been drilled and completed over a 117.98 km^2 area. The drill programme focused not only on the exploration of a significant deep mine resource at varying depths (200m to 800m), but also to identify the opportunity for open cut coal extraction within the northerly exploration licences.

Winter Drilling at Zhun Dong

ZHUN DONG COAL PROJECT (Continued)

The drilling programme has been delivered on time and ahead of budget. Drilling ceased on site on 16 November 2008 and a fully competent data set will be available for detailed analysis and advanced modelling in late November 2008.

The activity in the period included:

Action	Activity
Seismic Survey	8784 physical points over the 117.98 km^2 EL area
Deep hole drilling	2704.76m of cored drilling - 5 holes
Shallow drilling	1552.73m of drilling (mixed) - 17 holes
Shallow Trenching	19 trenches completed to a max depth of 4m, 3143m in total
Magnetic Survey	Completed over approximately 50% of the EL area (55.165 km^2)

The emphasis of the work being carried out was on the submissions of the requisite technical reports in respect of the renewal of the four exploration licences. All the work was completed to a competent and acceptable standard and submitted in line with the requisite timetable.

The Department of Land and Agriculture resources approved a 3 year extension to all 4 licences on the 26 March 2009.

The forward focus will determine the appropriateness of further exploratory work in 2009 in the context of the terms set by the EL renewal process.

PROJECT X

On 25 August 2008 a 180 day extension to the Letter of Agreement (the "**LOA**") was signed with the Inner Mongolian Autonomous Region Coal Geological Bureau. The LOA contains a road map to secure a joint venture agreement, which, in turn, would establish a joint venture company to hold and control the relevant exploration licence. Project X has a significant coal resource of approximately 3 billion tonnes of coal. The resource is in close proximity to power plants 1, 2 and 3 of Xilinhot City and is close to rail connections linked to large scale power plants 200km south of Xilinhot.

However, the capital commitment required for: (i) earning a 55% interest in the joint venture company, and (ii) the development of the resource, is substantial and not currently in the contemplation of the Regent Coal (BVI) or the Company. Accordingly, Regent Coal (BVI) will seek and obtain a highly competent partner to co-develop the asset and progress the project or, failing which, it will not proceed with negotiations.

JI LIN SOUTH

Regent Coal (BVI) has decided not to proceed with this project and will not pursue negotiations further.

REGENT COAL (BVI) TEAM

During November 2008 to January 2009, the Regent Coal (BVI) team has been downsized. However, core skills to manage the current asset base and review other emerging opportunities have been retained and refocussed.

The team is currently reviewing a suit of forward opportunities in the PRC focussed in particular on low ratio thermal coal in north eastern and north western China.

DAPINGZHANG MINE OPERATION – A WORLD CLASS VMS DEPOSIT

Mining, Production and Costs

In 2008, a total of 7.38 million cubic metres and 1.1 million tonnes of waste and ore were mined respectively. A total of 809,708 tonnes of ore was processed in 2008 at an average head grade of 1.25% copper and 3.35% zinc.

The mining, production and costs for year ended 31 December 2008 were:

Table 1

Copper Production Year ended 31 Dec 08	Units		Zinc Production Year ended 31 Dec 08	Units		Copper - Zinc Production Year ended 31 Dec 08	Units	
Ore mined	t	531,654	Ore mined	t	101,020	Ore mined	t	573,121
Grade Cu	%	0.73	Grade Zn	%	5.02	Grade Zn	%	4.18
						Grade Cu	%	1.33
Ore milled	t	160,270	Ore milled	t	220,284	Ore milled	t	429,154
Cu grade	%	0.89	Zn grade	%	5.73	Zn grade	%	3.38
						Cu grade	%	1.76
Cu recoveries	%	87.04	Zn recoveries	%	88.64	Zn recoveries	%	80.44
						Cu recoveries	%	78.07

Dapingzhang Mine

Dapingzhang Mine

Mining, Production and Costs (Continued)

Table 2

Concentrate Production and Sales Year ended 31 Dec 08	Units	
Production		
Copper concentrate	t	26,585
Zinc concentrate	t	38,822
Copper - Zinc concentrate	t	21,687
Concentrate Sales		
Copper concentrate	t	25,567
Zinc concentrate	t	51,771
Copper - Zinc concentrate	t	22,645
Contained metal		
Cu	t	8,604
Zn	t	30,791
Au	oz	1,787
Ag	oz	337,605

Table 3

Operating Costs for year ended 31 Dec 08
(Copper equivalent)

All in US$'000 (HKFRS adjusted)	Year ended 31 Dec 08
Operating*	44,733
Transportation costs	4,474
By-product credit^	(2,789)
Total Cash Cost	46,418
Depreciation and amortization#	3,271
Total Production Cost	49,689
Cash Operating Costs US$/lb	0.69

~ 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 2008, total cash costs were US$0.69 per pound.

Marketing

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

Outlook

The current LOM forecast production, metal sold and cash costs for 2009:

2009

	Zinc tonnes	**Copper** tonnes
Production		
Metal Sold	8,770	6,500

Resources and Exploration

Ore is currently being mined from Pit 1B where ore reserves as at 31 December 2007 were 17 million tonnes. As at 31 December 2008, depleted resources total 40.5 million tonnes containing 356,000 tonnes copper and 205,000 tonnes zinc, and depleted reserves total 163,000 tonnes copper and 85,000 tonnes zinc.

Our regional search for new volcanic massive sulphide ("**VMS**") deposits commenced successfully at Rongfa I and Shanghuwan. The new discoveries called Rongfa I and Shanghuwan are significant because it means copper-zinc mineralisation is now known over a 'camp-sized' 40km strike length and is open both to the north and south.

A total of 730.96 meters in 5 holes was drilled at Rongfa I, resulting in the discovery of high grade zinc mineralisation and low grade stringer zone copper mineralisation.

A total 3,865.39 meters in 17 holes was drilled within Yinzishan property, our 97.54% joint venture, which has resulted in the discovery of Shanghuwan copper, gold and silver mineralisation and the extension of the Yinzishan mine resource. The 2009 exploration program will be aimed at extending the resource along strike and downdip extension of Shanghuwan copper, gold and silver mineralisation and Rongfa I zinc and copper mineralisation.

Both Rongfa I and Shanghuwan are a VMS type deposit the same as that mined at Dapingzhang. This style of mineralisation tends to form clusters of similar deposits and thus both Rongfa and Shanghuwan are areas considered highly prospective.

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

Dapingzhang Mills & Infrastructure

Environment, Rehabilitation, Health & Safety

Revegetation of Tailings Dam Wall at Dapingzhang

ENVIRONMENT, 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.

HEALTHY AND SAFETY

Regent 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.

Environment, Rehabilitation, Health & Safety

ENVIRONMENT

Regent 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 Company, of all appropriate economic, environmental and social concerns.

YSSCCL 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, 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.

Regent has undertaken a base line study to better understand the rehabilitation process and identify key indicators for reclamation success at Dapingzhang. Regent will complete base line studies across all its mining projects with the aim of restoring the land back to its original state wherever possible.

Working Within the Community

Directors' Report

The Directors of the Company have pleasure in submitting their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2008 are set out in the Consolidated Income Statement on page 69.

The Company did not pay any dividend during the year ended 31 December 2008.

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 year and the last four financial period/years (extracted from the audited financial statements and reclassified as appropriate) are set out below:

Results:

	For the year ended 31 December	For the nine months ended 31 December	For the year ended 31 March		
	2008	2007	2007	2006	2005
	US$'000	US$'000	US$'000	US$'000	US$'000
Total income	6,142	2,598	3,684	3,722	3,602
Income less expenses	(13,912)	(4,695)	(2,981)	(5,312)	158
Impairment losses	(154,696)	—	—	—	—
Finance costs - interest on redeemable convertible preference shares and hire purchase	(854)	(1,662)	(2,613)	(8)	—
Operating (loss)/profit	(169,462)	(6,357)	(5,594)	(5,320)	158
Share of profits/(losses) of associates	403	678	1,828	13,001	(42,043)
Share of profit of a jointly controlled entity	7,701	7,067	4,378	—	—
(Loss)/Profit before taxation	(161,358)	1,388	612	7,681	(41,885)
Taxation	(324)	—	—	—	(7)
(Loss)/Profit for the year/period	(161,682)	1,388	612	7,681	(41,892)
Minority interests	739	215	(30)	(5)	(438)
(Loss)/Profit attributable to equity holders of the Company	(160,943)	1,603	582	7,676	(42,330)

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	As at 31 December		As at 31 March		
	2008	2007	2007	2006	2005
	US$'000	US$'000	US$'000	US$'000	US$'000
Goodwill	52,137	190,724	1,876	1,876	—
Exploration and evaluation assets	31,391	5,729	78	—	—
Property, plant and equipment	1,195	467	195	34	49
Interests in associates	17,363	16,572	2,768	1,587	43,023
Interest in a jointly controlled entity	34,295	29,951	25,180	—	—
Available-for-sale financial assets	7,386	620	620	620	—
Non-current investments in securities	—	—	—	—	6,491
Current assets	79,907	167,578	12,180	31,784	2,667
Total assets	223,674	411,641	42,897	35,901	52,230
Current liabilities	2,897	12,830	693	3,943	395
Non-current liabilities	5,257	14,118	21,631	18,352	—
Total liabilities	8,154	26,948	22,324	22,295	395
Net assets	215,520	384,693	20,573	13,606	51,835

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 year are set out in note 12 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

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

BORROWINGS

Details of movements in the borrowings of the Group and the Company during the year 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.

As at 1 January 2008, the total issued ordinary share capital of the Company consisted of 4,290,221,112 shares. During the year ended 31 December 2008:

a. An aggregate of 836,000 new ordinary shares were issued and allotted for a total consideration of HK$250,800 (approximately US$32,154), being HK$0.300 per share, upon exercise of options under the Company's Share Option Scheme (2002) (as referred to below).

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

c. An aggregate of 664,656,000 shares were repurchased by the Company on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") a total consideration of HK$185,091,790 (approximately US$23,729,717).

Accordingly, as at 31 December 2008, the total issued ordinary share capital of the Company consisted of 3,894,897,419 shares.

Subsequent to the year end date, an aggregate of 53,793,104 new ordinary shares were issued and allotted upon conversion of 2,000 Redeemable Convertible Preference Shares (as referred to below), being at a conversion price of HK$0.290 per share. Accordingly, as at the date of this report, the total issued ordinary share capital of the Company consists of 3,948,690,523 shares.

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, as detailed in note 30.1 to the Financial Statements.

As at 1 January 2008, Convertible Bonds with a principal amount of US$9 million were outstanding, which might be converted into 268,496,307 ordinary shares. During the year ended 31 December 2008, all outstanding Convertible Bonds were converted into ordinary shares. Accordingly, as at 31 December 2008, no Convertible Bonds were outstanding.

SHARE CAPITAL AND SHARE OPTIONS (Continued)

2. Redeemable Convertible Preference Shares

On 30 November 2006, the Company issued and allotted 6,250 8.5% 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.

As at 1 January 2008, there were 5,500 Redeemable Convertible Preference Shares outstanding, which might be convertible into 147,931,035 ordinary shares. During the year ended 31 December 2008, no Redeemable Convertible Preference Shares were converted into shares.

Subsequent to the year end date, 2,000 Redeemable Convertible Preference Shares were converted into 53,793,104 new ordinary shares. Accordingly, as at the date of this report, there are 3,500 Redeemable Convertible Preference Shares outstanding, which may be convertible into 94,137,931 ordinary shares.

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 approved by shareholders 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 January 2008, 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 228,962,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share. During the year ended 31 December 2008:

- No new options were granted;
- Vested options in respect of an aggregate of 836,000 shares were exercised at HK$0.300 per share;
- Options in respect of 340,000 shares, 2,000,000 shares and 4,000,000 shares at the exercise price of HK$0.300 per share, HK$0.780 per share and HK$0.325 per share respectively lapsed upon resignation of eligible participants;
- An option in respect of 670,000 shares and options in respect of an aggregate of 10,500,000 shares at the exercise price of HK$0.300 per share and HK$1.152 per share respectively lapsed upon termination of the employment of eligible participants; and
- No options were cancelled.

Accordingly, as at 31 December 2008, there were outstanding options in respect of 210,616,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

Subsequent to the year end date, an option in respect of 4,000,000 shares and an option in respect of 12,000,000 shares at the exercise price of HK$0.325 per share and HK$0.780 per share respectively lapsed upon resignation of eligible participants. Accordingly, as at the date of this report, there are outstanding options in respect of 194,616,132 shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

SHARE CAPITAL AND SHARE OPTIONS (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**"), that was approved by shareholders at the Company's extraordinary general meeting held on 8 December 2007. The scheme shall continue in force until the tenth anniversary of its adoption date, which will be 8 December 2017.

The establishment and operation of the Long Term Incentive Plan 2007 are not subject to Chapter 17 of The 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 and during the year ended 31 December 2008, no shares were acquired and no units were granted under the plan.

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

During the period from 29 February 2009 to 5 March 2009, the trustee appointed by the Company for the plan acquired from the market an aggregate of 29,625,000 shares at a total consideration of HK3,525,984 (approximately US$452,049), which are to be vested to the respective eligible participants in accordance with the aforesaid vesting schedule.

RESERVES

Details of movements in the reserves of the Group and the Company during the year 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

During the year ended 31 December 2008, an aggregate of 664,656,000 shares were repurchased by the Company on the HK Stock Exchange at a total consideration of HK$185,091,790 (approximately US$23,729,717).

Save for the above, the Company did not purchase, sell or redeem any of its listed securities during the year ended 31 December 2008 or subsequent to the year end date and prior to the date of this report.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at all times during the year ended 31 December 2008 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 year ended 31 December 2008 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)*	
Cheung Mei Chu, Clara	
Charles David Andrew Comba#	
Julie Oates#	
Stawell Mark Searle#	
Jayne Allison Sutcliffe*	
Stephen Bywater *	(Appointed on 12 February 2008 and resigned on 8 April 2009)
Thomas Patrick Reid#	(Resigned on 12 February 2008)
John Stalker *	(Resigned on 8 April 2009)
Dr Youzhi Wei*	(Resigned on 12 February 2008)
Alexander Anderson Whamond*	(Resigned on 12 February 2008)
Wu Yuan #	(Appointed on 12 February 2008 and resigned on 11 June 2008)

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

DIRECTORS (Continued)

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 of the Company's Articles of Association, 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.

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company, and James Mellon, Jamie Gibson and David Comba will retire by rotation pursuant to Article 87 at the forthcoming annual general meeting of the Company. All of them, being eligible, offer themselves for re-election. Details of the Directors proposed to be re-elected, as required under Rule 13.51(2) of the HK Listing Rules, are set out in the accompanying circular to shareholders.

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

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

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

1. ***James Mellon***, aged 52, British, was appointed as an executive Director of the Company in July 1991, and was re-designated as a non-executive Director in May 2002, and is currently Non-Executive Co-Chairman of the Board of Directors. He holds a Master's degree in Politics, Philosophy and Economics from Oxford University and, since graduating in 1978, his whole career has been spent in asset management. Mr Mellon worked for GT Management Plc from 1978 to 1984. In July 1984, he joined the Thornton Group where he was Managing Director of the Asian operation. From 1988 to 1990, he was an executive director of Tyndall Holdings Plc responsible for business expansion and corporate development. In 1990, Mr Mellon co-founded and became Chief Executive of Regent Pacific Group. In 1994, he became Chairman of Regent Pacific Group. Mr Mellon has over 20 years' investment experience in Asia. He specialises in the development and restructuring of international investment vehicles, and travels extensively across the region on company visits and fact-finding missions. He is also director of certain subsidiaries of Regent Pacific Group, including Regent Coal (BVI) Limited ("**Regent Coal (BVI)**", formerly CCEC Ltd) which became a wholly owned subsidiary of the Company on 14 December 2007. Mr Mellon is also: (i) a non-executive director of Charlemagne Capital Limited and non-executive co-chairman of the board of Emerging Metals Limited, both of which are listed on the Alternative Investment Market (AIM) of the London Stock Exchange; and (ii) a director of Red Dragon Resources Corporation, which is listed on TSX-V of the Toronto Stock Exchange.

DIRECTORS (Continued)

2. ***Stephen Roland Dattels***, aged 61, 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 Regent Coal (BVI). He is also: (i) a non-executive director of Caledon Resources plc; (ii) non-executive co-chairman of the board of Emerging Metals Limited; and (iii) the executive chairman of the board of Polo Resources Limited, all of which are listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

3. ***Jamie Alexander Gibson***, aged 43, 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 Regent Coal (BVI) and Amerinvest Coal Industry Holding Company Limited ("**ACIL**"), which became a wholly owned subsidiary of Regent Coal (BVI) before 14 December 2007; (ii) Yunnan Simao Shanshui Copper Company Limited which is the Sino-foreign equity joint venture enterprise established for the Dapingzhang 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. ***Cheung Mei Chu, Clara***, aged 35, 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 Regent Coal (BVI) and ACIL), Yunnan Simao Shanshui Copper Company Limited and West China Coking & Gas Company Limited (a 25% owned associated company of the Company).

DIRECTORS (Continued)

5. ***Charles David Andrew Comba***, aged 65, 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: (i) First Nickel Inc (listed on TSX-T); (ii) Cogitore Resources Inc (formerly Woodruff Capital Management Inc (listed on TSX-V)); and (iii) 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 has expertise in the discovery and mining of volcanogenic massive sulphide deposits, similar to Dapingzhang, gold and magmatic sulphide deposits.

6. ***Julie Oates***, aged 47, 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)

7. ***Stawell Mark Searle***, aged 65, 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).

8. ***Jayne Allison Sutcliffe***, aged 45, British, was appointed as the Group Corporate Finance Director in August 1991 and was re-designated as a non-executive Director in June 2000. Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded Regent Pacific Group in 1990 where she established, and was responsible for, the Group's corporate finance activities. She has a Master's degree in Theology from Oxford University. Mrs Sutcliffe is also director of a subsidiary of Regent Pacific Group. She is also the Group Chief Executive of Charlemagne Capital Limited, which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

DIRECTORS (Continued)

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

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

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.

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

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

James Mellon has informed the Board that he categorically denies these allegations and has retained leading Korean counsel to act on his behalf in disproving the Korean prosecutor's claims. James Mellon has also informed the Board that on 28 March 2001, he also submitted, via his Korean counsel, a comprehensive sworn affidavit disproving the alleged manipulation. The Board was informed by James Mellon on 15 July 2004 that the arrest warrant was re-issued on 14 January 2004 and will remain valid and effective until 12 March 2010 or other 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 2008, 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:

I. Securities of the Company

a. *Ordinary shares of US$0.01 each*

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares*	Approximate % holding**
James Mellon		Beneficial owner	Long position	56,516,180	1.45%
	A	Beneficiary of a trust	Long position	375,821,131	9.65%
Stephen Dattels		Beneficial owner	Long position	21,514,256	0.55%
	B	Corporate interests	Long position	242,543,097	6.23%
Jamie Gibson		Beneficial owner	Long position	4,419,138	0.11%
Stephen Bywater	C	Corporate interests	Long position	99,168,698	2.55%
Clara Cheung		Beneficial owner	Long position	1,200,000	0.03%
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Mark Searle		Beneficial owner	Long position	4,194,444	0.11%
	D	Beneficiary of a trust	Long position	50,000	0.00%
John Stalker	E	—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	0.44%
	F	Beneficiary of a trust	Long position	27,965,226	0.72%

* These numbers do not include the number of the shares to be issued upon 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 2008 consisted of 3,894,897,419 shares. Following the issue and allotment of an aggregate of 53,793,104 shares upon conversion of 2,000 Redeemable Convertible Preference Shares, the Company's issued ordinary share capital consists of 3,948,690,523 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 2008, 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		—	—	—	—	—
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	E	—	—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	250	4.55%	6,724,138

Subsequent to the year end date, 2,000 Redeemable Convertible Preference Shares were converted into 53,793,104 new ordinary shares. Accordingly, as at the date of this report, there are 3,500 Redeemable Convertible Preference Shares outstanding, which may be convertible into 94,137,931 ordinary shares.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. Securities of the Company (Continued)

c. *Share Option Scheme (2002)*

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

As at 31 December 2008, 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	4,333,333	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	4,333,333	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	4,000,000	10.00
	2 October 2007	7,000,000	1.152	2 October 2008 - 1 October 2017	2,333,333	10.00
David Comba	2 October 2007	5,000,000	1.152	2 October 2008 - 1 October 2017	1,666,666	10.00
John Stalker	15 May 2007	12,000,000	0.780	15 May 2008 - 14 May 2017	4,000,000	10.00

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

During the year ended 31 December 2008 or prior to the date of this report, no new options were granted to the Directors of the Company under the Share Option Scheme (2002) and none of the outstanding options were exercised or cancelled.

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

1. Securities of the Company (Continued)

c. Share Option Scheme (2002) (Continued)

On 4 April 2009, 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. John Stalker's outstanding option in respect of 12,000,000 shares at the exercise price of HK$0.780 per share lapsed upon his resignation on 8 April 2009. Accordingly, as at the date of this report, the following Directors of the Company had personal interests in options granted under the Share Option Scheme (2002), entitling them to subscribe for ordinary shares of US$0.01 each in the capital of the Company in accordance with, and subject to, the terms of the scheme:

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

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

Save for the above, during the year ended 31 December 2008 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)

1. Securities of the Company (Continued)

d. *Long Term Incentive Plan 2007*

Please refer to note 30.4 to the Financial Statements as to the details of the Long Term Incentive Plan 2007.

Since the adoption of the plan and during the year ended 31 December 2008, no units were granted to the Directors of the Company under the plan.

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

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

2. Securities of associated corporations

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

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

b. *Ordinary shares of US$0.01 of bigsave Holdings plc (subsequently dissolved on 30 March 2009) (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		—	—	—	—
Jamie Gibson		Beneficial owner	Long position	131,579	0.33%
Stephen Bywater	C	—	—	—	—
Clara Cheung		—	—	—	—
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Mark Searle		—	—	—	—
John Stalker	E	—	—	—	—
Jayne Sutcliffe	F	Beneficiary of a trust	Long position	350,000	0.88%

DIRECTORS' INTERESTS IN SECURITIES AND OPTIONS (Continued)

Notes:

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

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

B. The 242,543,097 ordinary shares in the Company are held by companies owned by Stephen Dattels.

C. The 99,168,698 ordinary shares in the Company are held by a company owned by Stephen Bywater.

Stephen Bywater resigned as a Director of the Company on 8 April 2009 and ceased to have a disclosure obligation under the SFO.

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

E. John Stalker resigned as a Director of the Company on 8 April 2009 and ceased to have a disclosure obligation under the SFO.

F. The 27,965,226 ordinary shares in the Company and the 350,000 ordinary shares in bigsave Holdings plc (subsequently dissolved on 30 March 2009) are held by the trustee of a discretionary trust, under which Jayne Sutcliffe and members of her family may become beneficiaries.

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

H. bigsave Holdings plc was an indirect 64.26% owned subsidiary of the Company. 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.

bigsave Holdings plc commenced members' voluntary liquidation on 3 January 2008and was dissolved on 30 March 2009, being three months after the date of filing of the liquidator's final return.

Save as disclosed herein, as at 31 December 2008 none of the Directors (or their associates) had any beneficial interests or short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or of any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept by the Company under Section 352 of the SFO or which would have to be otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

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

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS

The following is a summary of connected transactions (as defined in Chapter 14A of the HK Listing Rules) of the Company and significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules), which subsisted at 31 December 2008 or at any time during the year, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company is/are or was/were materially interested, either directly or indirectly.

(1) 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$114,000), GBP300,000 (approximately US$427,500), GBP75,000 (approximately US$106,875), GBP25,000 (approximately US$35,625), GBP75,000 (approximately US$106,875) and GBP150,000 (approximately US$213,750) respectively to bigsave.

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

Burnbrae Limited is a private company wholly-owned by a trust, of which James Mellon is a beneficiary. At the time of the facilities agreements, David McMahon, who resigned as a Director of the Company on 31 March 2003, and Anderson Whamond, 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.

bigsave commenced a members' voluntary liquidation on 3 January 2008. Before the commencement of the liquidation, a transfer agreement dated 14 November 2007 was entered into between bigsave and Burnbrae, pursuant to which the outstanding amount, inclusive of accrued interest, of GBP1,231,850 (approximately US$2,544,091) was extinguished at the consideration of the transfer and assignment of certain domain names by bigsave to Burnbrae.

The liquidator held bigsave's final meeting on 29 December 2008 and bigsave was formally dissolved on 30 March 2009, being three months after the date of filing of the liquidator's final return.

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

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS (Continued)

(2) On 5 September 2007, the Company entered into a finder's fee agreement (the "**Finder's Fee Agreement**") with Stephen Dattels (who was appointed as Director of the Company on 12 February 2008), pursuant to which the Company agreed to issue and allot 75,000,000 shares in the Company (the "**Finder's Fee Shares**") to Stephen Dattels by way of consideration for introducing to the Company the transaction involving the acquisition by the Company of the entire issued share capital of Regent Coal (BVI) (the "**CCEC Acquisition**") upon completion of the CCEC Acquisition. The CCEC Acquisition was completed, and the Finder's Fee Shares were issued and allotted to Stephen Dattels, on 14 December 2007. The Finder's Fee Shares are subject to a lock-up of 12 months from the date of issue. In addition, Stephen Dattels undertook with the Company that he will not dispose of or agree to dispose of the Finder's Fee Shares (or any interest therein) for an additional 12-month period from the date of expiry of the first lock-up without the prior consent of the Board.

(3) On 12 October 2007, as part of the CCEC Acquisition, the Company made an offer (the "**CCEC Offer**") to, inter alia, Chiropo Company S.A. ("**Chiropo**", a company controlled by Stephen Dattels) to purchase all 19,400 shares held by Chiropo in Regent Coal (BVI), in consideration for the issue and allotment of 106,881,819 shares in the Company (the "**Consideration Shares**") by the Company to Chiropo upon completion of the CCEC Acquisition. The CCEC Offer closed on 27 November 2007 and upon completion of the CCEC Acquisition, the Consideration Shares were issued and allotted to Chiropo on 14 December 2007. The Consideration Shares are subject to a lock-up of 12 months from the date of issue. In addition, Chiropo undertook with the Company that it will not dispose of or agree to dispose of the Consideration Shares (or any interest therein) for an additional 12-month period from the date of expiry of the first lock-up without the prior consent of the Board.

(4) On 14 December 2007, the Company entered into an escrow agreement (the "**Escrow Agreement**") with, inter alia, Stephen Dattels, Chiropo and Law Debenture Trust (Asia) Limited in relation to the deposit of the Finder's Fee Shares and the Consideration Shares (together with the consideration shares issued to certain other sellers and offerees under the CCEC Acquisition) with Law Debenture Trust (Asia) Limited during the lock-up period referred to in the Finder's Fee Agreement and the CCEC Offer. An amendment to the Escrow Agreement was entered into on 9 April 2008 in relation to the transfer of the legal and beneficial ownership of the Finder's Fee Shares from Stephen Dattels to Chiropo.

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 2008 or at any time during the year ended 31 December 2008.

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 2008 or any time during the year ended 31 December 2008, 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 2008 and at any time during the year ended 31 December 2008, 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 (or their respective associates) are not interested in any business apart from the Company's business, which competes or is likely to complete, either directly or indirectly, with the Company's business save that the following companies may pursue investment opportunities that may compete against the Company:

(1) Caledon Resources plc

Caledon Resources plc ("**Caledon Resources**") is dually listed on the Alternative Investment Market ("**AIM**") of the London Stock Exchange and the Australian Securities Exchange. It is a coking coal producer and explorer in the Bowen Basin of Queensland, Australia.

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

- Each of the Company and James Mellon holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s); and
- Polo Resources Limited (see below) holds approximately 26% of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(2) Emerging Metals Limited

Emerging Metals Limited ("**Emerging Metals**") focuses on minor metals and rare earth elements by investing in projects with exposure to these metals and by trading physical quantities of these commodities. The company has purchased the Tsumeb Option from Ongopolo Mining Limited, a subsidiary of Weatherly International plc, to acquire two smelter slag stockpiles that contain an indicated resource of germanium and zinc. The Tsumeb Slag Stockpiles are located in proximity to the Tsumeb Smelter complex in the Oshikoto region of Namibia. The company plans to produce the rare metal germanium, as well as gallium and zinc, from the slag stockpiles.

Shares of Emerging Metals are listed on AIM.

James Mellon and Stephen Dattels are non-executive co-chairmen of the board of directors of Emerging Metals, and as at the date of this report:

- The Company holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s);
- James Mellon (through his associate) holds approximately 8.50% of its total issued share capital; and
- Stephen Dattels holds indirectly approximately 6% of its total issued share capital.

(3) GCM Resources plc

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

As at the date of this report:

- The Company does not hold any interests in its total issued share capital; and
- Polo Resources Limited (see below) holds approximately 29.83% of its total issued share capital.

As at the date of this report, GCM Resources holds approximately 1.74% of the total issued share capital of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(4) Kalahari Minerals plc

Kalahari Minerals plc is a dynamic emerging exploration company with a portfolio of copper, base metals and uranium interests in Namibia. The company's shares are quoted on AIM.

As at the date of this report:

- The Company holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s);
- Emerging Metals Limited (see above) holds approximately 8.84% of its total issued share capital; and
- Niger Uranium Limited (see below) holds approximately 15.47% of its total issued share capital.

(5) Niger Uranium Limited

Niger Uranium Limited seeks out uranium mining opportunities around the world (including the State of Niger, Africa and South America) as an active investor and project developer, whose shares are listed on AIM.

As at the date of this report, each of the Company and James Mellon holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s).

(6) Polo Resources Limited

Polo Resources Limited ("**Polo Resources**") is listed on AIM. It focuses on acquiring and developing interests in projects that are strategically located to serve the increasing global demand for coal, in particular to feed through to the Asian markets. It holds a diversified portfolio of coal and uranium licences in Mongolia. It has specifically targeted areas of significant known coal resources that are near the necessary infrastructure to export coal into the energy markets of adjacent China and Russia.

Stephen Dattels is the executive chairman of the board of directors of Polo Resources, and as at the date of this report:

- The Company holds approximately 3.43% of its total issued share capital;
- James Mellon (and his associate) holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s);
- Stephen Dattels holds approximately 3.66% of its total issued share capital; and
- GCM Resources plc (see above) holds approximately 3.60% of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

(7) Red Dragon Resources Limited

Red Dragon Resources Limited ("**RDRC**") is an exploration company listed on the TSX Venture Exchange, a Canadian stock exchange, and based in Vancouver, British Columbia. The company has exploration projects in China and Canada for a number of commodities, but is focused on exploring zinc in the "Three Rivers Base Metal Belt" in southwest China.

James Mellon is an executive director of RDRC, and as at the date of this report:

- The Company (and its subsidiaries) holds approximately 5.74% of its total issued share capital;
- James Mellon (himself and through his associate) and Stephen Dattels (through his associates) hold approximately 6.80% and approximately 10% of its total issued share capital respectively; and
- Jamie Gibson holds approximately 0.30% of its total issued share capital.

(8) Templar Minerals Limited

Templar Minerals Limited is a gold and base metal exploration, mining and investment company with gold and base metals projects in Fiji and Georgia, whose shares are traded on AIM.

As at the date of this report:

- The Company holds less than 3% of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s); and
- Stephen Dattels holds indirectly approximately 14.70% of its total issued share capital.

(9) Vakukoula Gold Mines plc

Vatukoula Gold Mines plc is a UK based mining and exploration company with gold projects in Fiji and Brazil and an exploratory diamond project in Sierra Leone, whose shares are traded on AIM.

As at the date of this report:

- The Company does not hold any interests in its total issued share capital; and
- Templar Minerals Limited (see above) holds approximately 15% of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

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

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the following persons (other than James Mellon and Stephen Dattels, whose interests are set out in detail under the section headed "Directors' Interests in Securities and Options") had the following beneficial interests in the shares of the Company, which were recorded in the Register of Interests and Short Positions of Substantial Shareholders required to be kept by the Company under Section 336 of the SFO or which were otherwise notified to the Company and the HK Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including those interests which they were deemed or taken to have under such provisions of the SFO):

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	Ordinary shares	Interest by controlled corporation	Long position	291,325,306	7.48%	Nil
Integrated Holding Group, LP	A	Ordinary shares	Interest by controlled corporation	Long position	291,325,306	7.48%	Nil
Millennium Management, LLC	A	Ordinary shares	Interest by controlled corporation	Long position	291,325,306	7.48%	Nil
Barclays PLC	B	Ordinary shares	Person having a security interest in shares	Long position	241,934,000	6.21%	Nil

** The total issued ordinary share capital of the Company as at 31 December 2008 consisted of 3,894,897,419 shares. Following the issue and allotment of an aggregate of 53,793,104 shares upon conversion of 2,000 Redeemable Convertible Preference Shares, the Company's issued ordinary share capital consists of 3,948,690,523 shares as at the date of this report.

Notes:

A. These shareholders disclosed the interests held by corporations controlled by the respective named shareholders. The disclosures referred to the same lot of interests.

Subsequent to the year end date, these shareholders filed notices with the Company with respect to the decreases in their interests and ceased to have any discloseable substantial shareholder's interests on 3 February 2009.

B. Subsequent to the year end date, Barclays PLC filed notices with the Company with respect to the decreases in its interests and ceased to have any discloseable substantial shareholder's interests on 3 February 2009.

Save for such interests, the Directors are not aware of any other persons who, as at 31 December 2008, 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 were 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 2009 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

8 April 2009

REVENUE AND PROFITS

The Group recorded a loss after tax and minority interests of US$160.94 million for the year ended 31 December 2008. Of the US$160.94 million loss, US$154.70 million represented an impairment loss on goodwill, exploration and evaluation assets and available-for-sale financial assets,.

The jointly controlled entity and associates of the Group, Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**"), Regent Markets Holdings Limited ("**Regent Markets**") and West China Coking & Gas Company Limited ("**West China Coke**") contributed a share of profit of US$7.70 million, a profit of US$0.86 million and a loss of US$0.46 million respectively to the Group for the year ended 31 December 2008. YSSCCL recorded a net profit of RMB 133.80 million (equivalent to US$19.25 million) for the year ended 31 December 2008.

On 29 October 2008, the Board resolved to reclassify the financial assets from "held for trading" to "available for sale" upon the amendment of the HKAS39, where the fair value adjustment of the "available of sale financial assets" would be recorded in "investment revaluation reserve" instead of "income statement" with effect from 1 July 2008.

The fair value loss from investments in the income statement for the year ended 31 December 2008 was US$0.28 million mainly due to the marked-to-market decrease in the shares of the Group's securities portfolio for the first six months of the year before the reclassification of the investments. Of this US$0.28 million fair value loss, US$1.23 million represented realised profit and US$1.51 million was an unrealised loss.

The Group continued to monitor its operating costs closely. The finance cost represented the interest expense of the redeemable convertible preference shares, convertible bonds and hire purchase which amounting to US$0.85 million for the year ended 31 December 2008.

The main elements of the loss are analysed as follows:

	US$ million
Share of profit from YSSCCL	7.70
Share of profit from Regent Markets	0.86
Share of loss from West China Coke	(0.46)
Coal mining and coking coal	(5.78)
Metals mining	(5.49)
Corporate investment	(2.23)
Impairment of goodwill	(143.05)
Impairment of exploration and evaluation assets	(0.91)
Impairment of available-for-sale financial assets	(10.73)
Finance costs	(0.85)
Total loss attributable to shareholders	(160.94)

IMPAIRMENT LOSSES

The value of some of the Group's assets have been impaired in the financial statements due to falls in commodity prices resulting in a decline in the carrying value of these assets. In addition, there was impairment to Company's equity investments due to a decline in share prices. These impairments are all non-cash items and consequently do not impact on the Group's cash position.

BALANCE SHEET

The shareholders' equity decreased by 44.58% to US$213.04 million as at 31 December 2008 from US$384.42 million as at 31 December 2007. The decrease was mainly due to (i) the buy-back of 665 million shares resulting in a total decrease of share capital and share premium of US$24.11 million, (ii) the conversion of US$9 million convertible bonds resulting in a total increase of share capital and share premium of US$9.24 million, (iii) the unrealised gain of US$2.31 million on foreign currency translation, and (iv) the loss of US$160.94 million for the year ended 31 December 2008.

The investments in YSSCCL of US$34.30 million, Regent Markets of US$2.43 million and West China Coke of US$14.93 million accounted for 16.10%, 1.14% and 7.01% of the shareholders' equity respectively. The Group's assets comprised: (i) goodwill of US$52.14 million, (ii) exploration and evaluation assets of US$31.39 million, (iii) cash of US$57.40 million, (iv) listed and unlisted investments of US$7.39 million, and (v) other assets and receivables of US$23.70 million.

The Group's liabilities comprised: (i) redeemable convertible preference shares (liability portion) of US$5.22 million and (ii) payables, accruals and others of US$2.93 million.

FUNDING

As at 31 December 2008, the Group had US$57.40 million cash or 26.94% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$6.77 million.

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

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 Limited ("**ACMC**" or the "**Ji Ri Ga Lang Coal Project**"), Xin Jiang Regent Coal Limited ("**XJ Regent**" or the "**Zhun Dong Coal Project**") and West China Coke. Risks relating to the Group's interests include:

MANAGEMENT OF RISK (Continued)

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 (the "**PRC**" or "**China**") are highly influenced by fluctuations in international commodity prices, which is beyond the control of both the Group and YSSCCL.

Co-operation of the Joint Venture Partners

Certain of the Group's mining operations, including YSSCCL, ACMC and West China Coke, together with other assets in which the Group may become interested in 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.

MANAGEMENT OF RISK (Continued)

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.

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 their 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. 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.

MANAGEMENT OF RISK (Continued)

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.

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, XJ Regent 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. 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 Saxo Bank 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.

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.

MANAGEMENT OF RISK (Continued)

Environmental Risk (Continued)

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 and Zhun Dong Coal Project - Conversion of Exploration Licences into Mining Licences

The Group, acting through Regent Coal (BVI), completed the acquisition of a 51% equity interest in ACMC in 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 Group, acting through Regent Coal (BVI), completed the acquisition of XJ Regent in March 2008. XJ Regent, in turn, holds four exploration licences for it to explore the coal resources over the permitted area on an exclusive basis in respect of the Zhun Dong Coal Project. These exploration licences are the only major assets of XJ Regent.

The only major assets of ACMC and XJ Regent (besides cash) are the above referenced exploration licences for ACMC and XJ Regent to explore the coal resources over the permitted area on an exclusive basis. Both ACMC and XJ Regent will require a mining licence or licences to exploit and mine the coal resources and both are 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 either ACMC or XJ Regent will be successful in procuring the necessary mining right permits. 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.

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.

MANAGEMENT OF RISK (Continued)

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.

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 2008, the amount of these margin deposits was US$49,000 (31 December 2007: US$70,000).

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 2008. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below Board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the remuneration committee of the Board. In all cases, grants of share rewards will be agreed by the remuneration committee of the Board. During the year and up to the date of this report, 150,125,000 share awards were granted to eligible participants.

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 Board (the "**Board**") of Directors (the "**Directors**") for ensuring that the Company was in compliance of all code provisions in the Code on CG Practices.

The Company is committed to high standards of corporate governance, for which the Directors are accountable to the Company, and 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 Board with the full support of the Company's secretary and its executive management.

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

Save for the following, as far as the Directors are aware, the Company has complied with the code provisions set out in the Code on CG Practices during the year ended 31 December 2008:

(a) Code Provision A.1.1 requires that the Directors meet regularly and board meetings be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2008, the Board held three meetings (with the attendance of the respective Directors detailed below), as issues could be sufficiently resolved by way of written resolutions circulated to and signed by all Directors. However, no matters in which a substantial shareholder or a Director had a conflict of interest, which the Board had determined to be material, were 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).

(b) Code Provision E.1.2 requires that the Chairman of the Board attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. Due to personal commitments, the Co-Chairmen of the Board (James Mellon and Stephen Dattels), the chairman of the audit committee (Julie Oates) and the chairman of the remuneration committee (James Mellon) did not attend the Company's annual general meeting held on 12 June 2008. However, the Chief Executive Officer (Jamie Gibson) and the Finance Director (Clara Cheung) were duly appointed to answer questions at the meeting.

Corporate Governance Report

BOARD OF DIRECTORS

The Board currently consists of eight Directors. During the year ended 31 December 2008, three new Directors, namely Stephen Dattels, Stephen Bywater and Wu Yuan, were appointed on 12 February 2008 to replace Patrick Reid, Dr Youzhi Wei and Anderson Whamond. Mr Wu resigned on 11 June 2008. Subsequently, Stephen Bywater and John Stalker resigned on 8 April 2009. The Directors who held office during the year ended 31 December 2008 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 three independent non-executive Directors, namely David Comba, Julie Oates and Mark Searle. Pursuant to paragraph 12B of Appendix 16 to the HK Listing Rules, each of the independent non-executive Directors has confirmed by an annual confirmation: (i) that he/she complies with each of the independence criteria referred to in Rule 3.13(1) to (8); (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any connected person (as such term is defined in the HK Listing Rules) of the Company; and (iii) that there are no other factors that may affect his/her independence at the same time as the submission of his/her declaration and undertaking in Form B of Appendix 5 to the HK Listing Rules. The Directors consider that all three independent non-executive Directors are independent under these independence criteria and are capable to efficiently exercise independent judgement. Among them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). Julie Oates and Mark Searle serve in the audit committee, connected transactions committee and remuneration committee of the Company, while Julie Oates is the Chairlady of the first two committees.

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

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.

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company, and James Mellon, Jamie Gibson and David Comba 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.

BOARD OF DIRECTORS (Continued)

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.

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

During the year ended 31 December 2008, the Directors held three 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	3	3	0	100.00%
Stephen Dattels (appointed on 12 February 2008)	3	3	0	100.00%
Jamie Gibson	3	3	0	100.00%
Stephen Bywater (appointed on 12 February 2008 and resigned on 8 April 2009)	3	3	0	100.00%
Clara Cheung	3	3	0	100.00%
David Comba	3	3	0	100.00%
Julie Oates	3	3	0	100.00%
Mark Searle	3	3	0	100.00%
John Stalker (resigned on 8 April 2009)	3	1	2	33.33%
Jayne Sutcliffe	3	0	3	0.00%
Wu Yuan (appointed on 12 February 2008 and resigned on 11 June 2008)	1	0	1	0.00%

Subsequent to the year end date, the Directors held one board meeting with respect to the review and approval of the Company's final financial statements for the year ended 31 December 2008, which was attended by all Directors except Jayne Sutcliffe.

BOARD OF DIRECTORS (Continued)

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

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. Further, the Company established a connected transactions committee on 20 October 2008 (as detailed below).

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

(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

BOARD OF DIRECTORS (Continued)

(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.

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

CONNECTED TRANSACTIONS COMMITTEE

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

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

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

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 year ended 31 December 2008, Stephen Dattels was appointed as Non-Executive Co-Chairman of the Board, and Stephen Bywater and Wu Yuan were appointed as non-executive Director and 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.

REMUNERATION COMMITTEE (Continued)

During the year ended 31 December 2008, the Remuneration Committee approved, by way of written resolutions: (i) the service agreement and payment in lieu of share options for Jamie Gibson; (ii) the grant of awards under the Company's "Long Term Incentive Plan 2007" (as detailed in note 30.4 to the Financial Statements); and (iii) the payment of bonuses for interim period ended 30 June 2008 under the Group's Performance Bonus Plan.

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.

In any event, sufficient notices are given to all committee members so as to ensure each of them has an opportunity to attend the meetings, and an agenda and accompanying board papers are given to all committee members in a timely manner before the appointed date of the committee meetings. Adequate information is 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.

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

THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

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

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

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

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

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

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2008 have been reviewed by the audit committee of the Company (the "**Audit Committee**").

AUDIT COMMITTEE (Continued)

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 year ended 31 December 2008, the Audit Committee held three meetings with respect to: (i) the internal control review and the review and approval of the Company's final financial statements for the nine-month period ended 31 December 2007; (ii) the evaluation of external and internal auditors of the Company; and (iii) the internal review and the review and approval of the Company's interim financial statements for the six months ended 30 June 2008 respectively. The meetings were attended by all members of the committee, with the presence of the external and internal auditors for the relevant resolutions.

Subsequent to the year end date, the Audit Committee held one meeting with respect to the review and approval of the Company's final financial statements for the year ended 31 December 2008, 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 were 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 at the Company's website: www.regentpac.com.

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 interests of the Company. Apart from audit service, the Group's auditors, Grant Thornton, did not provide any other services during the year ended 31 December 2008.

FINANCIAL REPORTING

The financial statements of the Company for the year ended 31 December 2008 have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

A report of the independent auditors with respect to the Company's financial statements for the year ended 31 December 2008 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 year.

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

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 year.

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.

INTERNAL CONTROL (Continued)

Annual internal control assessment

During the year ended 31 December 2008, 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, its website and Directors' participation at the Company's general meetings.

Grant Thornton
均富

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 69 to 184, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

Grant Thornton
均富

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 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

8 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 US$'000	Nine months ended 31 December 2007 US$'000
Revenue/Turnover:	5		
Corporate investment income		4,953	1,787
Other income		1,470	1,419
		6,423	3,206
Fair value loss		(281)	(608)
Total income		6,142	2,598
Expenses:			
Employee benefit expenses	7	(9,829)	(4,046)
Rental and office expenses		(692)	(321)
Information and technology expenses		(425)	(200)
Marketing costs and commissions		(37)	(75)
Professional and consulting fees		(5,392)	(1,906)
Finance costs	8	(854)	(1,662)
Write off of loan receivables		(1,346)	—
Other operating expenses		(2,333)	(745)
Operating loss before impairment loss		(14,766)	(6,357)
Impairment loss on goodwill	12	(143,054)	—
Impairment loss on exploration and evaluation assets	13	(912)	—
Impairment loss on available-for-sale financial assets	18	(10,730)	—
Operating loss	6	(169,462)	(6,357)
Share of profits of associates		403	678
Share of profit of a jointly controlled entity		7,701	7,067
(Loss)/Profit before taxation		(161,358)	1,388
Taxation	9	(324)	—
(Loss)/Profit for the year/period		(161,682)	1,388
Attributable to:			
Equity holders of the Company	10	(160,943)	1,603
Minority interests		(739)	(215)
(Loss)/Profit for the year/period		(161,682)	1,388
Dividend		—	—
(Loss)/Earnings per share (US cents):	11		
-Basic		(3.72)	0.08
-Diluted		N/A	0.08

Consolidated Balance Sheet

As at 31 December 2008

	Notes	31 December 2008 US$'000	31 December 2007 US$'000
Non-current assets:			
Goodwill	12	52,137	190,724
Exploration and evaluation assets	13	31,391	5,729
Property, plant and equipment	14	1,195	467
Interests in associates	16	17,363	16,572
Interest in a jointly controlled entity	17	34,295	29,951
Available-for-sale financial assets	18	7,386	620
		143,767	244,063
Current assets:			
Cash and bank balances	20	57,399	138,081
Financial assets at fair value through profit and loss	19	—	4,736
Trade receivables	21	51	43
Loan receivables	22	2,888	15,587
Prepayments, deposits and other receivables	23	19,569	9,131
		79,907	167,578
Current liabilities:			
Derivative financial instruments	32	—	(3)
Trade payables, accruals and other payables	24	(2,508)	(6,508)
Amounts due to minority shareholders	25	(38)	(6,295)
Deferred tax liability	34	(324)	—
Borrowings	26	(27)	(24)
		(2,897)	(12,830)
Net current assets		77,010	154,748
Total assets less current liabilities		220,777	398,811
Non-current liabilities:			
Borrowings	26	(5,257)	(14,118)
Net assets		215,520	384,693

Consolidated Balance Sheet

As at 31 December 2008

	Notes	31 December 2008 US$'000	31 December 2007 US$'000
Equity			
Equity attributable to the Company's equity holders			
Share capital	30	38,948	42,902
Reserves	31	174,096	341,520
		213,044	384,422
Minority interests		2,476	271
Total equity		215,520	384,693

The financial statements on pages 69 to 184 were approved and authorised for issue by the Board of Directors on 8 April 2009.

James Mellon
Co-Chairman

Jamie Gibson
Director

Company Balance Sheet

As at 31 December 2008

	Notes	31 December 2008 US$'000	31 December 2007 US$'000
Non-current assets:			
Property, plant and equipment	14	2	3
Interests in subsidiaries	15	80,289	222,803
Interest in an associate	16	2,000	2,000
Available-for-sale financial assets	18	6,475	19
		88,766	224,825
Current assets:			
Cash and bank balances	20	53,277	132,174
Amounts due from subsidiaries	25	75,805	37,470
Financial assets at fair value through profit and loss	19	—	2,889
Trade receivables	21	8	—
Prepayments, deposits and other receivables	23	7,062	2,364
		136,152	174,897
Current liabilities:			
Trade payables, accruals and other payables	24	(1,220)	(2,256)
Amounts due to subsidiaries	25	(7,703)	(7,852)
		(8,923)	(10,108)
Net current assets		127,229	164,789
Total assets less current liabilities		215,995	389,614
Non-current liabilities:			
Borrowings	26	(5,222)	(14,056)
Net assets		210,773	375,558
Equity			
Share capital	30	38,948	42,902
Reserves	31	171,825	332,656
Total equity		210,773	375,558

The financial statements on pages 69 to 184 were approved and authorised for issue by the Board of Directors on 8 April 2009.

James Mellon
Co-Chairman

Jamie Gibson
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	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	Statutory* reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Minority interests US$'000	Total equity US$'000
	Equity attributable to equity holders of the Company												
At 1 January 2008	42,902	(50,728)	385,804	1,742	25	140	1,204	453	—	2,880	384,422	271	384,693
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(226)	(226)	(56)	(282)
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	—	—	1,638	1,638	—	1,638
Share of reserve of associates	—	—	—	—	—	—	—	—	—	897	897	—	897
Unrealised loss in available-for-sale financial assets	—	—	—	—	—	—	—	(10,730)	—	—	(10,730)	—	(10,730)
Impairment loss	—	—	—	—	—	—	—	10,730	—	—	10,730	—	10,730
Net income recognised directly in equity	—	—	—	—	—	—	—	—	—	2,309	2,309	(56)	2,253
Loss for the year	—	(160,943)	—	—	—	—	—	—		—	(160,943)	(739)	(161,682)
Total recognised income and expense for the year	—	(160,943)	—	—	—	—	—	—	—	2,309	(158,634)	(795)	(159,429)
Exercise of share options	8	—	31	(8)	—	—	—	—	—	—	31	—	31
Capital injection from minority interests	—	—	—	—	—	—	—	—	—	—	—	3,000	3,000
Share repurchase	(6,647)	—	(17,458)	—	—	—	—	—	—	—	(24,105)	—	(24,105)
Transfer in respect of share repurchase	—	(6,647)	—	—	—	—	6,647	—	—	—	—	—	—
Conversion of convertible bonds	2,685	—	6,556	—	(25)	—	—	—	—	—	9,216	—	9,216
Share-based payment	—	—	—	1,924	—	—	—	—	—	—	1,924	—	1,924
Share of reserves of an associate	—	—	—	13	—	—	—	—	177	—	190	—	190
At 31 December 2008	38,948	(218,318)	374,933	3,671	—	140	7,851	453	177	5,189	213,044	2,476	215,520

- The PRC Government required all companies which are engaged in highly dangerous industries to set up a reserve for the protection of the company, its staff and others due to any potential accidents.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	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 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 Cash Flow Statement

For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 US$'000	Nine months ended 31 December 2007 US$'000
Cash flows from operating activities:			
(Loss)/Profit before taxation		(161,358)	1,388
Adjustments for :			
Depreciation of property, plant and equipment	14	273	64
Bad debts written off		1,346	—
Interest income on bank deposits and loan receivables		(2,498)	(587)
Dividend income from available-for-sale financial assets		(354)	(214)
Dividend income from financial assets at fair value through profit and loss		—	(748)
Finance costs on hire purchase	8	5	—
Finance costs on convertible bonds	8	292	1,250
Finance costs on redeemable convertible preference shares	8	557	412
Share-based payments		1,924	1,026
Share of profits of associates		(403)	(678)
Share of profit of a jointly controlled entity		(7,701)	(7,067)
Change in fair value on derivative financial instruments		(3)	3
Change in fair value on financial assets at fair value through profit and loss	19	1,513	1,231
Loss on disposal of property, plant and equipment		13	1
Impairment loss on goodwill		143,054	—
Impairment loss on exploration and evaluation assets		912	—
Impairment loss on available-for-sale financial assets		10,730	—
Profit on disposal of available-for-sale financial assets		(1)	—
Profit on disposal of financial assets at fair value through profit and loss		(615)	(651)
Operating loss before working capital changes		(12,314)	(4,570)
(Increase)/Decrease in trade receivables		(8)	130
Increase in loan receivables		(2,776)	—
Increase in prepayments, deposits and other Receivables		(6,985)	(2,105)
(Decrease)/Increase in trade payables, accruals and other payables		(12,755)	1,894
Decrease in amounts due to minority shareholders		(6,257)	(740)
Cash used in operations		(41,095)	(5,391)
Income tax paid		—	—
Net cash used in operating activities		(41,095)	(5,391)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	Year ended 31 December 2008 US$'000	Nine months ended 31 December 2007 US$'000
Cash flows from investing activities:			
Purchase of subsidiaries (net of cash and cash equivalents acquired)	33	(2,556)	102
Purchase of exploration and evaluation assets	13	(4,124)	(146)
Purchase of property, plant and equipment	14	(200)	(116)
Purchase of financial assets at fair value through profit and loss	19	(12,933)	(964)
Purchase of available-for-sale financial assets	18	(4,976)	—
Proceeds from disposal of financial assets at fair value through profit and loss		4,245	1,938
Proceeds from disposal of available-for-sale financial assets		7	—
Proceeds from disposal of property, plant and equipments		4	—
Interest received on bank deposits		2,360	587
Dividend received from available-for-sale financial assets		354	214
Dividend received from financial assets at fair value through profit and loss		—	748
Dividend received from associates		699	—
Dividend received from a jointly controlled entity		—	1,345
Net cash (used in)/generated from investing activities		(17,120)	3,708
Cash flows from financing activities:			
Capital injected from a subsidiary's minority shareholders		3,000	—
Proceeds from exercise of share options		31	622
Gross proceeds from issue of new shares		—	145,415
Transaction cost on issue of new shares		—	(8,817)
Share repurchase		(24,105)	—
Repayment of finance lease liabilities		(24)	(18)
Finance costs on hire purchase paid		(5)	—
Finance costs on redeemable convertible preference shares paid	28	(467)	(488)
Finance costs on convertible bonds paid	27	—	(750)
Net cash (used in)/generated from financing activities		(21,570)	135,964
Net (decrease)/increase in cash and cash equivalents		(79,785)	134,281
Cash and cash equivalents at the beginning of the year/period		138,081	3,938
Effects of foreign currency fluctuations		(897)	(138)
Cash and cash equivalents at the end of the year/period	20	57,399	138,081

1. GENERAL INFORMATION

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

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

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

In the current year, the Group has applied for the first time Hong Kong Accounting Standards ("**HKAS**") 39 and HKFRS 7 (Amendments) *Reclassification of Financial Assets* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2008.

The amendments to HKAS 39 and HKFRS 7 permit reclassification of non-derivative securities (other than those designated at fair value through profit or loss upon initial recognition) out of the trading category in rare circumstances. The amendments also permit reclassification of non-derivative securities (other than those designated as fair value through profit or loss upon initial recognition) which would have met the definition of loans and receivables out of the trading category (i.e. out of the fair value through profit or loss category) if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity. The reclassified assets would be carried at their fair value on the date of reclassification, which will become their new costs or amortised costs, as applicable. The amendments also permit reclassification of financial assets from the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity. The amendments to HKAS 39 and HKFRS 7 are effective from 1 July 2008 and they can only be applied prospectively from that date.

The impact to the Group's balance sheet and income statement as a result of the adoption of the aforesaid amendments is detailed in note 18 to the financial statements.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (Continued)

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

The Group has not early adopted the following new or revised HKFRS that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32, HKAS 39 and HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) Interpretation 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives[2]
HK(IFRIC) Interpretation 13	Customer Loyalty Programmes[4]
HK(IFRIC) Interpretation 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) Interpretation 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) Interpretation 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) Interpretation 18	Transfers of Assets from Customers[6]
Various	Annual Improvements to HKFRS 2008[7]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods ending on or after 30 June 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008
[6] Effective for transfers of assets from customers received on or after 1 July 2009
[7] Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

2. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (Continued)

New or revised HKFRS that have been issued but are not yet effective (Continued)

Among these new standards and interpretations, HKAS 1(Revised) *Presentation of Financial Statements* is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 *Operating Segments* may result in new or amended disclosures. The Directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The Directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 69 to 184 have been prepared in accordance with HKFRS which collective term includes all applicable individual HKFRS, HKAS and Interpretations ("**HK (IFRIC) Interpretation**") issued by the HKICPA. 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.

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.

Pursuant to a resolution of the Board of the Company passed on 6 December 2007, the Company's financial year end has changed from 31 March to 31 December. The financial statements presented for 2007 therefore covered a nine-month period from 1 April 2007 to 31 December 2007. The reason for the change of the 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**" or "**China**")

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

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 incorporate the financial statements of the Company and its subsidiaries (see note 3.3) made up to 31 December each 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 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 estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries (Continued)

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 and other expenses that cannot be allocated on a reasonable basis to the reportable segments. 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Foreign currency translation (Continued)

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

When a foreign operation is sold, such exchange differences are recognised in the 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 impairment losses.

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

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

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

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 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 income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary and a mining operation. Accounting for goodwill arising on acquisition of associate and jointly controlled entity 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).

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 profit or loss.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of non-financial 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.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Leases

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.

(iii) *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the 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 income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

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

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 is 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 income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss do not include any dividend or interest earned on these financial assets. Dividend income and interest income from financial assets included in this category is recognised in the income statement as "corporate investment income" under revenue, when the Group's right to receive payment is established.

If a financial asset is no longer held for the purpose of selling or repurchasing in the near term (notwithstanding that the financial asset may have been acquired principally for the purpose of selling or repurchasing in the near term), it may be reclassified out of the fair value through profit or loss category. The financial asset shall be reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in profit or loss shall not be reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

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 excluding any dividend and interest income, is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recycled to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

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.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;
– a breach of contract, such as a default or delinquency in interest or principal payments;
– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the 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.

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available for sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3.15 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 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 income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial liabilities (Continued)

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 income statement over the period of the borrowings using the effective interest method.

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

Convertible bonds

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

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 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 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Taxation

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claim 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 income statement.

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

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

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

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 income statement, or in equity if they relate to items that are charged or credited directly to equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's 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 income statement as they become payable in accordance with the rules of the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Employee benefits (Continued)

(iii) *Share-based payment*

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

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in the 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 includes dividend income and bank interest income.

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

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

(ii) 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 and exploration and evaluation assets

The Group tests annually whether goodwill and exploration and evaluation assets had 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 notes 12 and 13 to the financial statements.

If the actual growth had been higher or the pre-tax discounted rate lower than management's estimates, the Group would not be able to reverse any impairment loss that arose on goodwill and exploration and evaluation assets.

5. SEGMENT INFORMATION

Primary Reporting Format - Business Segments

The Group comprises four business segments as follows:

Coal mining	:	exploration and mining of coal resources
Coking coal	:	production of coking coal
Metals mining	:	exploration and mining of metals resources
Corporate investment	:	investment in corporate entities, both listed and unlisted

There are no sales between business segments.

For the year ended 31 December 2008

	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Unallocated US$'000	Total US$'000
Revenue from external customers	—	—	—	6,423	—	6,423
Segment results	(137,771)	(10,426)	(7,245)	(13,166)	—	(168,608)
Finance costs						(854)
Operating loss						(169,462)
Share of profits of associates						403
Share of profit of a jointly controlled entity						7,701
Taxation						(324)
Loss for the year						(161,682)

5. SEGMENT INFORMATION (Continued)

Primary Reporting Format - Business Segments (Continued)

As at 31 December 2008

	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Unallocated US$'000	Total US$'000
Segment assets	80,936	4,908	9,507	69,279	—	164,630
Available-for-sale financial assets	—	—	—	7,386	—	7,386
Interests in associates	—	14,937	—	—	2,426	17,363
Interest in a jointly controlled entity	—	—	34,295	—	—	34,295
Total assets	80,936	19,845	43,802	76,665	2,426	223,674
Segment liabilities	666	3	735	1,466	—	2,870
Borrowings	—	—	—	—	5,284	5,284
Total liabilities	666	3	735	1,466	5,284	8,154

	Coal Mining US$'000	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Unallocated US$'000	Total US$'000
Depreciation	132	—	41	100	—	273
Share-based payments	—	—	—	1,924	—	1,924
Impairment loss on goodwill	131,469	10,408	1,177	—	—	143,054
Impairment loss on exploration and evaluation assets	—	—	912	—	—	912
Fair value loss on available-for-sale financial assets	—	—	—	10,730	—	10,730
Fair value loss on financial assets at fair value through profit and loss	—	—	—	1,513	—	1,513
Write off of loan receivables	1,346	—	—	—	—	1,346
Capital expenditure	7,334	—	2,118	33	—	9,485

5. SEGMENT INFORMATION (Continued)

Primary Reporting Format - Business Segments (Continued)

For the nine months ended 31 December 2007

	Coal Mining (restated) US$'000	Coking Coal (restated) US$'000	Metals Mining (restated) US$'000	Corporate Investment (restated) US$'000	Unallocated (restated) US$'000	Total US$'000
Revenue from external customers	—	—	—	3,206	—	3,206
Segment results	(274)	—	(2,071)	(2,350)	—	(4,695)
Finance costs						(1,662)
Operating loss						(6,357)
Share of profits of associates						678
Share of profit of a jointly controlled entity						7,067
Taxation						—
Profit for the period						1,388

5. SEGMENT INFORMATION (Continued)

Primary Reporting Format - Business Segments (Continued)

As at 31 December 2007

	Coal Mining (restated) US$'000	Coking Coal (restated) US$'000	Metals Mining (restated) US$'000	Corporate Investment (restated) US$'000	Unallocated (restated) US$'000	Total US$'000
Segment assets	199,739	15,271	9,146	140,342	—	364,498
Available-for-sale financial assets	—	—	—	620	—	620
Interests in associates	—	14,301	—	—	2,271	16,572
Interest in a jointly controlled entity	—	—	29,951	—	—	29,951
Total assets	199,739	29,572	39,097	140,962	2,271	411,641
Segment liabilities	9,972	—	212	2,622	—	12,806
Borrowings	—	—	—	—	14,142	14,142
Total liabilities	9,972	—	212	2,622	14,142	26,948

	Coal Mining (restated) US$'000	Coking Coal (restated) US$'000	Metals Mining (restated) US$'000	Corporate Investment (restated) US$'000	Unallocated (restated) US$'000	Total US$'000
Depreciation	—	—	24	40	—	64
Share-based payments	—	—	—	1,026	—	1,026
Fair value loss on financial assets at fair value through profit and loss	—	—	—	1,231	—	1,231
Capital expenditure	228,023	—	5	111	—	228,139

5. SEGMENT INFORMATION (Continued)

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 exploration of natural resources, 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.

For the year ended 31 December 2008

	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	4,395	1,820	207	1	6,423
Segment assets	164,547	—	83	—	164,630
Capital expenditure	9,485	—	—	—	9,485

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	364,441	—	57	—	364,498
Capital expenditure	228,139	—	—	—	228,139

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

	Year ended 31 December 2008 US$'000	Nine months ended 31 December 2007 US$'000
Operating loss is arrived at after charging:		
Auditors' remuneration		
- charge for the year/period	480	276
- under provision in prior period/year	43	3
Write off of loan receivables	1,346	—
Depreciation of owned property, plant and equipment	273	64
Operating lease charges on property and equipment^	859	459
Loss on disposal of property, plant and equipment	13	1
Impairment loss on goodwill	143,054	—
Impairment loss on exploration and evaluation assets	912	—
Impairment loss on available-for-sale financial assets	10,730	—
Fair value loss on financial assets at fair value through profit and loss	1,513	1,231
Share-based payments#	1,924	1,026
and crediting:		
Interest income on bank deposits and loan receivables*	2,498	587
Net foreign exchange gain*	755	195
Realised gain on disposal of financial assets at fair value through profit and loss	615	651
Realised gain on disposal of available-for-sale financial assets	1	—
Dividend income from financial assets at fair value through profit and loss*	—	748
Dividend income from available-for-sale financial assets*	354	214

^ Included in operating lease charges on property and equipment were Director's accommodation expenses of US$372,000 (nine months ended 31 December 2007: US$277,000) that was included in "employee benefit expenses" on the face of the consolidated income statement.

Included in share-based payments were (i) employee share-based payment of US$1,522,000 (nine months ended 31 December 2007: US$943,000) (note 30.3) in relation to share options granted to Directors and employees, and (ii) non-employee share-based payment of US$402,000 (nine months ended 31 December 2007: US$83,000) (note 30.3) in relation to share options granted to the Group's consultants.

* Included in revenue

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December 2008 US$'000	Nine months ended 31 December 2007 US$'000
Wages and salaries and benefits in kind	7,282	2,619
Discretionary bonuses	1,006	471
Pension costs - defined contribution plans (note 35)	19	13
Share options granted to Directors and employees	1,522	943
	9,829	4,046

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

a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2008 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	—	1,760	523	2	295	2,580
Clara Cheung	—	250	180	2	128	560
Non-Executive Directors						
James Mellon	24	158	100	—	216	498
Steve Dattels	22	195	—	—	—	217
Steve Bywater	18	330	—	—	—	348
Jayne Sutcliffe	20	—	—	—	—	20
Anderson Whamond	10	—	—	—	—	10
John Stalker	20	—	—	—	98	118
Dr Youzhi Wei	2	—	—	—	11	13
Independent Non-Executive Directors						
David Comba	20	—	—	—	83	103
Julie Oates	20	—	—	—	—	20
Patrick Reid	2	—	—	—	4	6
Mark Searle	20	—	—	—	—	20
Wu Yuan	7	108	—	—	—	115
Total	185	2,801	803	4	835	4,628

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

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

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
John Stalker	13	—	—	—	111	124
Dr Youzhi Wei	13	—	—	—	111	124
Independent Non-Executive Directors						
David Comba	15	—	—	—	24	39
Julie Oates	15	—	—	—	—	15
Patrick Reid	15	—	—	—	10	25
Mark Searle	15	—	—	—	—	15
Total	138	1,035	301	4	602	2,080

No Directors waived or agreed to waive any emoluments in respect of the year ended 31 December 2008 and the nine months ended 31 December 2007.

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

b) Five highest paid individuals

Of the five highest paid individuals, four (nine months ended 31 December 2007: three) were Directors of the Company and their remuneration has been included in the Directors' remuneration. As one member of staff was newly appointed as a Director during the year ended 31 December 2008, the total emolument payable to him (including his emolument earned before he became Director) and other Directors together with the emolument payable to the remaining one (nine months ended 31 December 2007: two) individuals for the year are as follows: -

	Year ended 31 December 2008 US$'000	Nine months ended 31 December 2007 US$'000
Fees	42	15
Salaries and other emoluments	3,044	1,345
Discretionary bonuses	803	357
Pension costs - defined contribution plans	3	3
Share options granted to employees	639	454
	4,531	2,174

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

b) Five highest paid individuals (Continued)

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

	Number of employees	
	Year ended 31 December 2008	Nine months ended 31 December 2007
HK$1,500,001- HK$2,000,000 (US$193,549-US$258,065)	—	2
HK$2,000,001- HK$2,500,000 (US$258,066-US$322,581)	—	1
HK$2,500,001- HK$3,000,000 (US$322,582-US$387,096)	—	1
HK$3,000,001- HK$3,500,000 (US$387,097-US$451,612)	1	—
HK$3,500,001- HK$4,000,000 (US$451,613-US$516,129)	2	—
HK$4,000,001- HK$4,500,000 (US$516,130-US$580,645)	1	—
HK$9,000,001- HK$9,500,000 (US$1,161,290-US$1,225,807)	—	1
HK$15,000,001- HK$20,000,000 (US$1,935,484-US$2,580,645)	1	—
	5	5

No emolument was paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in respect of the year ended 31 December 2008 and the nine months ended 31 December 2007.

8. FINANCE COSTS

	Year ended 31 December 2008 US$'000	Nine months ended 31 December 2007 US$'000
Interest on hire purchase	5	—
Interest on convertible bonds (note 27)	292	1,250
Interest on redeemable convertible preference shares (note 28)	557	412
	854	1,662

9. TAXATION

	Year ended 31 December 2008 US$'000	Nine months ended 31 December 2007 US$'000
Deferred tax		
PRC withholding income tax (note 34)	324	—

No provision for Hong Kong or overseas profits tax has been made in these financial statements as all the Group companies which are subject to such tax have sustained losses for taxation purposes for the year ended 31 December 2008.

Share of associates' tax credit for the year ended 31 December 2008 of US$160,000 (nine months ended 31 December 2007: tax payment of US$25,000) and share of a jointly controlled entity's tax payment of US$564,000 (nine months ended 31 December 2007: US$767,000) 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)

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

	Year ended 31 December 2008 US$'000	Nine months ended 31 December 2007 US$'000
(Loss)/Profit before taxation	(161,358)	1,388
Less:		
Share of profits of associates	(403)	(678)
Share of profit of a jointly controlled entity	(7,701)	(7,067)
Loss before share of profits of associates and a jointly controlled entity and taxation	(169,462)	(6,357)
Notional tax on profit before income tax, calculated at tax rate applicable to profits in the tax jurisdictions concerned	15	(1,139)
Income not subject to taxation	(23,774)	(386)
Expenses not deductible for taxation purposes	23,130	1,285
Tax effect of tax losses not recognised	629	240
Tax effect of withholding tax on dividend declared by a jointly controlled entity	(324)	—
Taxation charge	(324)	—

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. In March 2007, the government of the PRC enacted the new enterprise income tax rate for domestic and foreign enterprises in the PRC at 25% with effect from 1 January 2008.

At 31 December 2008, the Group has unrecognised tax losses of US$10,950,000 (2007: US$6,784,000) to carry forward against future taxable income. However, no deferred tax assets have been recognised as it is uncertain whether sufficient future taxable profits will be available for utilising the accumulated tax losses. The tax loss has no expiry date.

Under the new PRC tax law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Pursuant to the grandfathering treatments of the new PRC tax law, dividends receivable by the Group from its PRC jointly controlled entity in respect of its undistributed retained earnings prior to 31 December 2007 are exempted from the withholding tax.

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

The net loss attributable to the equity holders of the Company dealt with in the financial statements of the Company amounted to US$151,828,000 (nine months ended 31 December 2007: profit of US$724,000), of which US$142,514,000 represented impairment loss on interests in subsidiaries (nine months ended 31 December 2007: nil).

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to the equity holders of the Company for the year of US$160,943,000 (nine months ended 31 December 2007: profit of US$1,603,000) and on the weighted average of 4,325,725,223 (nine months ended 31 December 2007: 1,901,529,052) ordinary shares in issue during the year/period.

Diluted loss per share for the year ended 31 December 2008 was not presented because the impact of the exercise of the share options and redeemable convertible preference shares were anti-dilutive.

The calculation of diluted earnings per share for the nine months ended 31 December 2007 was based on the profit attributable to the equity holders of the Company of US$1,603,000 and the weighted average of 1,978,677,614 ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares. The weighted average number of ordinary shares used in the calculation of diluted earnings per share was calculated based on the weighted average of 1,901,529,052 ordinary shares in issue during the period plus the weighted average of 77,148,562 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised. The convertible bonds and the redeemable convertible preference shares outstanding during the nine months ended 31 December 2007 had an anti-dilutive effect on the earnings per share and were ignored in the calculation of diluted earnings per share.

Subsequent to the year end date and prior to the date of this report, an aggregate of 53,793,104 new ordinary shares were issued and allotted upon conversion of 2,000 redeemable convertible preference shares, being at a conversion price of HK$0.290 per share.

12. GOODWILL

Group

	31 December 2008 US$'000	31 December 2007 US$'000
At 1 January/1 April		
Gross carrying amount	190,724	1,876
Accumulated impairment	—	—
Net carrying amount	190,724	1,876
Carrying amount at 1 January/1 April	190,724	1,876
Acquisition of subsidiaries (note 33)	3,290	188,848
Acquisition of mining operation (note 33)	1,177	—
Impairment	(143,054)	—
Net carrying amount at 31 December	52,137	190,724
At 31 December		
Gross carrying amount	195,191	190,724
Accumulated impairment	(143,054)	—
Net carrying amount	52,137	190,724

Impairment testing

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

— Copper and zinc products CGU

— Coal product CGU

— Coking coal product CGU

12. GOODWILL (Continued)

Impairment testing (Continued)

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

	31 December 2008 US$'000	31 December 2007 US$'000
Copper and zinc products CGU	3,053	1,876
Coal product CGU	176,867	173,577
Coking coal product CGU	15,271	15,271
	195,191	190,724

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 8 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 the commencement of production in Year 2010. 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.

During the year, 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 based on the estimated mine life of 20 - 50 years at an estimated growth rate of 0%. The rate used to discount the forecast cash flow is 10%.

12. GOODWILL (Continued)

Impairment testing (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.

The value-in-use calculations covered a period of 20 years based on the operation's estimated life and followed by an extrapolation of expected cash flows at an estimated growth rate of 0%. The rate used to discount the forecast cash flows from the CGU is 10%.

During the year ended 31 December 2008, impairment losses of US$1,177,000 (nine months ended 31 December 2007: nil), US$131,469,000 (nine months ended 31 December 2007: nil) and US$10,408,000 (nine months ended 31 December 2007: nil) have been recognised in the consolidated income statement for the goodwill attributable to the Group's copper and zinc products CGU, coal product CGU and coking coal product CGU respectively as the recoverable amounts of the relevant CGUs are less than the carrying amounts as a result of an assessment of the current market value of assets, with lower commodities and thermal coal prices negatively affecting the carrying value of the CGUs.

Based on the impairment testing of goodwill, in the opinion of the Directors, no further impairment is considered necessary for the remaining balance of the Group's goodwill.

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

	31 December 2008 US$'000	31 December 2007 US$'000
Copper and zinc products CGU	1,876	1,876
Coal product CGU	45,398	173,577
Coking coal product CGU	4,863	15,271
	52,137	190,724

Company

The Company has no goodwill.

13. EXPLORATION AND EVALUATION ASSETS

Group

	US$'000
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 1 January 2008	
Cost	5,729
Accumulated amortisation	—
Net book amount	5,729
Year ended 31 December 2008	
Opening net book amount	5,729
Addition	4,124
Acquisition of a subsidiary	22,288
Acquisition of mining operation	148
Amortisation charge for the year	—
Impairment	(912)
Exchange difference	14
Closing net book amount	31,391
At 31 December 2008	
Cost	32,303
Accumulated amortisation	—
Impairment	(912)
Net book amount	31,391

13. EXPLORATION AND EVALUATION ASSETS (Continued)

During the year ended 31 December 2008, the Group acquired a new subsidiary, Regent Coal (HK) Limited ("**Regent Coal (HK)**") (formerly known as Yuke Coal Limited), to conduct exploration and mining of coal in the PRC. During the year, the Group also acquired one mining licence through the acquisition of a mining operation to conduct mining and processing of copper and other multi-metal minerals in the PRC. The exploration and evaluation assets related to the mines which were not yet operative as at 31 December 2008. These assets are not subject to amortisation until they are placed in use.

Impairment testing

Exploration and evaluation assets have been allocated to the following CGU for impairmnet testing:

– Copper and zinc products CGU
– Coal product CGU

The carrying amount of exploration and evaluation assets allocated to each of the CGU before impairment is as follows:

	31 December 2008 US$'000	31 December 2007 US$'000
Copper and zinc products CGU	912	224
Coal product CGU	31,391	5,505
	32,303	5,729

During the year ended 31 December 2008, an impairment loss of US$912,000 (nine months ended 31 December 2007: nil) was recognised in the consolidated income statement for the exploration and evaluation assets attributable to the Group's copper and zinc products CGU as the recoverable amount of the relevant CGU is less than the carrying amount with reference to the adverse changes in the commodities market.

Based on the impairment testing, in the opinion of the Directors, no further impairment is considered necessary for the remaining balance of the Group's exploration and evaluation assets.

13. EXPLORATION AND EVALUATION ASSETS (Continued)

Impairment testing (Continued)

The carrying amount of exploration and evaluation assets allocated to each of the CGU after impairment is as follows:

	31 December 2008 US$'000	31 December 2007 US$'000
Copper and zinc products CGU	—	224
Coal product CGU	31,391	5,505
	31,391	5,729

Company

The Company has no exploration and evaluation assets.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor* Vehicle US$'000	Furniture and fixtures US$'000	Computer and other equipment US$'000	Plant and machinery US$'000	Building and structure US$'000	Total US$'000
At 1 April 2007						
Cost	115	104	174	—	—	393
Accumulated depreciation	(3)	(59)	(136)	—	—	(198)
Net book amount	112	45	38	—	—	195
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

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Motor* Vehicle US$'000	Furniture and fixtures US$'000	Computer and other equipment US$'000	Plant and machinery US$'000	Building and structure US$'000	Total US$'000
At 1 January 2008						
Cost	146	257	352	—	—	755
Accumulated depreciation	(39)	(78)	(171)	—	—	(288)
Net book amount	107	179	181	—	—	467
Year ended 31 December 2008						
Opening net book amount	107	179	181	—	—	467
Exchange differences	1	8	(7)	7	25	34
Additions	51	28	115	—	6	200
Disposals	—	(8)	(55)	—	—	(63)
Acquisition of mining operation	7	—	—	169	608	784
Reclassification	—	—	(2)	—	2	—
Depreciation charge for the year	(53)	(100)	(81)	(12)	(27)	(273)
Depreciation written back on disposals	—	2	44	—	—	46
Closing net book amount	113	109	195	164	614	1,195
At 31 December 2008						
Cost	205	278	411	176	641	1,711
Accumulated depreciation	(92)	(169)	(216)	(12)	(27)	(516)
Net book amount	113	109	195	164	614	1,195

* 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$45,000 as at 31 December 2008 (31 December 2007: US$83,000) (see note 29).

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Computer and other equipment US$'000
At 1 April 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
Year ended 31 December 2008	
Opening net book amount	3
Depreciation charge for the year	(1)
Closing net book amount	2
At 31 December 2008	
Cost	4
Accumulated depreciation	(2)
Net book amount	2

15. INTERESTS IN SUBSIDIARIES

Company

	31 December 2008 US$'000	31 December 2007 US$'000
Investments - unlisted shares, at cost	283,018	283,018
Less: Provision for impairment	(202,729)	(60,215)
	80,289	222,803

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

	31 December 2008 US$'000	31 December 2007 US$'000
At 1 January/1 April	(60,215)	(48,682)
Impairment losses recognised	(142,514)	(11,533)
At 31 December	(202,729)	(60,215)

An impairment loss was recognised for certain investments in subsidiaries as their recoverable amount, which is determined based on the fair value of the underlying operations of these subsidiaries, is less than the carrying value of the investments in these subsidiaries.

15. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 December 2008 are as follows:

Name of subsidiary	Country/ Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
Abagaqi Changjiang Mining Co., Ltd. ("**ACMC**")*	PRC	Injected capital of RMB76,270,150	—	51%	Exploration activities and sale of calcium carbonate products
Alphorn Management Limited*	Cayman Islands	Ordinary share of US$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company (BVI) Limited ("**ACB**")*	British Virgin Islands	Ordinary share of US$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company Limited ("**ACIL**")*	British Virgin Islands	Ordinary shares of US$10,000	—	100%	Investment holding
AstroEast.com Limited*	Cayman Islands	Ordinary shares of US$280,222	—	51%	Investment holding
GeoMin Tech Consultants Limited ("**GMC**")*	Cayman Islands	Ordinary share of US$1	100%	—	Provision of metallurgical services
Interman Holdings Limited*	British Virgin Islands	Ordinary shares of US$41,500	100%	—	Investment holding
Interman Limited	Isle of Man	Ordinary shares of GBP436,152	—	100%	Investment holding
MinMetallurgical Consultants Limited ("**MMC**")*	British Virgin Islands	Ordinary share of US$1	100%	—	Provision of mill expansion services
Regent Coal (BVI) Limited. ("**Regent Coal (BVI)**")* (formerly known as CCEC Limited)	British Virgin Islands	Ordinary shares of US$64,963,323	100%	—	Investment holding
Regent Coal (HK) Limited# (formerly known as Yuke Coal Limited)	Hong Kong	Ordinary share of US$1	—	100%	Investment holding
Regent Coal (Holdings) Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding
Regent Corporate Finance Limited*	Cayman Islands	Ordinary shares of US$2	100%	—	Corporate finance

15. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Country/ Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
Regent 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
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
RPG Investment I Limited ("**RPI**")*	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding
Simao Regent Minerals Limited ("**SRM**")*	PRC	Injected capital of US$2,549,990	—	97.54%	Mining and exploration of natural resources

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

During the year ended 31 December 2008, Regent Coal Limited, an inactive indirect wholly owned subsidiary of the Company, was dissolved.

* The statutory financial statements of these subsidiaries for the year ended 31 December 2008 were not audited by Grant Thornton.

\# This subsidiary was newly acquired by the Group during the year ended 31 December 2008.

16. INTERESTS IN ASSOCIATES

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
Investments - unlisted shares, at cost less impairment	—	—	2,000	2,000
Share of net assets - unlisted	17,363	16,572	—	—
	17,363	16,572	2,000	2,000

There is no provision for impairment loss of associates as of 31 December 2008, as the recoverable amounts in associates are greater than their investment costs.

Share of associates' tax credit for the year ended 31 December 2008 of US$160,000 (nine months ended 31 December 2007: tax payment of US$25,000) is included in the consolidated income statement as share of profits of associates.

Particulars of the associates as at 31 December 2008 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 associate were not audited by Grant Thornton.

16. INTERESTS IN ASSOCIATES (Continued)

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

	31 December 2008 US$'000	31 December 2007 US$'000
Assets	221,251	192,856
Liabilities	160,900	135,405

	Year ended 31 December 2008 US$'000	Nine months ended 31 December 2007 US$'000
Revenue	373,008	214,883
Profit after taxation	989	17,462

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
Investments - unlisted shares, at cost	—	—	—	—
Share of net assets - unlisted	34,295	29,951	—	—
	34,295	29,951	—	—

Share of a jointly controlled entity's taxation for the year ended 31 December 2008 of US$564,000 (nine months ended 31 December 2007: US$767,000) 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 2008 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 2008 US$'000	31 December 2007 US$'000
Non-current assets	40,696	38,026
Current assets	22,035	14,054
Current liabilities	28,436	22,129
Net assets	34,295	29,951

Share of the jointly controlled entity's results	Year ended 31 December 2008 US$'000	Nine months ended 31 December 2007 US$'000
Income	32,307	17,445
Expenses	24,606	10,378
Profit after taxation	7,701	7,067

Share of the jointly controlled entity's capital commitment	31 December 2008 US$'000	31 December 2007 US$'000
Capital commitment		
Contracted but not provided for:		
Conducting certain construction projects	2,069	3,130

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS ("AFS")

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
At 1 January/1 April	620	620	19	19
Reclassify from financial assets at fair value through profit and loss ("**FVTPL**")	12,526	—	10,804	—
Additions	4,976	—	4,976	—
Disposals	(6)	—	(6)	—
Change in fair value - unrealised portion	(10,730)	—	(9,318)	—
At 31 December	7,386	620	6,475	19

Pursuant to the amendments to HKAS 39 and HKFRS 7 *Reclassification of Financial Assets* (the "**Amendments**"), the Group and the Company decided to reclassify all of its financial assets held for trading out of the FVTPL to AFS on 29 October 2008 as these shares were no longer held for the purpose of being sold or repurchased in the near future term but for strategic investment purposes as a result of the exceptional turbulence in the world's financial markets in the third quarter of 2008. The Amendments permitted the Group and the Company to reclassify financial assets on a partially retrospective basis from 1 July 2008; this retrospective basis did not extend to a date before 1 July 2008. The Company has applied the transitional provision of the Amendments to reclassify these shares prospectively on 1 July 2008 (the "**Reclassification**"). The carrying amounts and the fair value of the financial assets being reclassified from FVTPL to AFS amount to US$12,526,000 and US$10,804,000 for the Group and the Company respectively.

Prior to the Reclassification, a fair value loss on the financial assets being reclassified amounting to US$1,513,000 and US$1,388,000 for the Group and the Company respectively have been recognised in the income statement during the period. The fair value loss recognised in the income statement prior to the Reclassification cannot be reversed. Subsequent to the Reclassification, a fair value loss on the financial assets being reclassified amounting to US$10,730,000 and US$9,318,000 for the Group and the Company respectively have been recognised in the investment revaluation reserve in equity. This Reclassification has resulted in an increase in fair value loss directly recognised in the investment revaluation reserve in equity for the period by US$10,730,000 and US$9,318,000 for the Group and the Company respectively. Due to the significant decline in the fair value of such reclassified investments below their costs, the same amounts of fair value loss recognised in equity have been transferred out of the investment revaluation reserve and recognised in the income statement as an impairment loss.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets include the following:

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
Unlisted securities				
Club debenture, at cost	19	19	19	19
Equity security	601	601	—	—
	620	620	19	19
Listed securities	6,766	—	6,456	—
	7,386	620	6,475	19

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

The available-for-sale financial assets are stated at fair value. The fair value of the listed securities have been determined by reference to published price quotations in active markets. 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.

Included in the Group's unlisted equity securities was a close-ended fund amounting to US$1 (31 December 2007: US$495,000) managed by RFM (Asia), a wholly owned subsidiary of the Company.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
At 1 January/1 April	4,736	6,290	2,889	3,341
Additions	12,933	964	12,933	964
Disposals	(3,630)	(1,287)	(3,630)	(1,287)
Change in fair value - unrealised portion	(1,513)	(1,231)	(1,388)	(129)
Reclassify to available-for-sale financial assets (note 18)	(12,526)	—	(10,804)	—
At 31 December	—	4,736	—	2,889

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

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

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
Listed securities, at market value				
Equity security - overseas	—	3,744	—	2,392
Unlisted securities				
Equity security - overseas	—	992	—	497
	—	4,736	—	2,889

The fair values of listed equity investments were based on quoted market prices. The unlisted equity investments, except for the close-ended fund which was stated at fair market value, were stated at cost less any impairment losses because there were 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.

20. CASH AND BANK BALANCES

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
Cash and balances with banks	3,789	101,138	190	95,419
Money at call and short notice	7,046	2,943	6,523	2,755
	10,835	104,081	6,713	98,174
Fixed deposits - one month/ two weeks	46,564	34,000	46,564	34,000
	57,399	138,081	53,277	132,174

The Group's subsidiary maintains trust accounts with banks as part of its normal business transactions. At 31 December 2008, included in the Group's cash at banks were trust accounts of US$29,000 (31 December 2007: US$29,000).

21. TRADE RECEIVABLES

As at 31 December 2008 and 31 December 2007, the ageing analysis of trade receivables was as follows:

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
1 to 3 months old	8	43	8	—
More than 12 months old	43	—	—	—
	51	43	8	—

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.

The ageing analysis of the Group's trade receivables that were past due at the balance sheet dates but not impaired, based on due date was as follows:

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
1-90 days past due	—	43	—	—
Over 360 days past due	43	—	—	—

As at 31 December 2008, trade receivables of US$8,000 (2007: nil) were neither past due nor impaired.

Trade receivables that were past due but not impaired related to a company undergoing liquidation. Management believes that no impairment allowance is necessary as the amount will be recoverable from the distribution of assets upon the completion of the liquidation of the company. The balance is still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

22. LOAN RECEIVABLES

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
Loan receivables	2,775	15,359	—	—
Interest receivables	113	228	—	—
	2,888	15,587	—	—

a) On 24 August 2007, a loan agreement was concluded and signed between Regent Coal (BVI), a subsidiary of the Company, and Nuenco Ltd. ("**Nuenco**"), an independent third party, on which Regent Coal (BVI) 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 the loan was charged at six-month LIBOR plus 2.5%, or at 10% in the event of default. The loan and interest was payable on demand or otherwise in instalments within 12 months from being drawn down. Security for the loan was to be provided if requested by Regent Coal (BVI). As at 31 December 2007, no security had been requested by the Group. Apart from standard events of default, in the event that Nuenco received back any portion of the deposit either as a result of the Wuxiang Acquisition not proceeding or for any other reason whatsoever, the loan became immediately due and payable.

The loan interest accrued up to 31 December 2008 was nil (2007: US$69,000).

As at 31 December 2007, Nuenco had repaid the loan of US$2,650,000 in full. The accrued loan interest of US$69,000 was fully written off as bad debts during the year ended 31 December 2008.

22. LOAN RECEIVABLES (Continued)

b) On 24 August 2007, a loan agreement was concluded and signed between Regent Coal (BVI) and Regent Coal (HK), a then independent third party, but which became a subsidiary of the Group in March 2008, on which Regent Coal (BVI) has agreed to provide Regent Coal (HK) 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 the 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 Regent Coal (BVI). As at 31 December 2007, no security had been requested by the Group. Apart from standard events of default, in the event that Regent Coal (HK) 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.

On 26 March 2008, the Group acquired a 100% equity interest of Regent Coal (HK) and Regent Coal (HK) has become a subsidiary of the Group. The loan receivable of US$4,620,000 and the interest receivable of US$224,000 were eliminated upon consolidation as at 31 December 2008.

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

As at 31 December 2007, Regent Coal (HK) had drawn down US$4,620,000 of the loan.

c) On 14 September 2007, a loan agreement was concluded and signed between Regent Coal (BVI) and Yuke Exploration Limited ("**Yuke Exploration**"), a target company independent from the Group for which the Group intended to acquire in 2008, on which Regent Coal (BVI) 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 the 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 Regent Coal (BVI). As at 31 December 2008, no security has been requested by the Group. For the standard events of default, the loan becomes immediately payable.

As at 31 December 2007, Yuke Exploration has drawn down US$1,239,000 of the loan with loan interest accrued thereon amounted to US$12,000. During the year ended 31 December 2008, no further draw down of the loan was made by Yuke Exploration. On 31 October 2008, the management decided that it would not proceed with the acquisition and thus the principal of US$1,239,000, together with the interest accrued thereon up to that date totalling US$1,277,000 was fully written off as bad debts.

22. LOAN RECEIVABLES (Continued)

d) On 14 December 2007, the second loan agreement was concluded and signed between Regent Coal (BVI) and Regent Coal (HK), on which Regent Coal (BVI) has agreed to provide Regent Coal (HK) 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 Regent Coal (HK), associated with meeting capital verification requirements relevant to the acquisition of four coal exploration licences.

Interest on the 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 Regent Coal (BVI). As at 31 December 2007, no security had been requested by the Group. Apart from standard events of default, in the event that Regent Coal (HK) 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.

On 26 March 2008, the Group acquired a 100% equity interest of Regent Coal (HK) and Regent Coal (HK) has become a subsidiary of the Group. The loan receivable of US$9,500,000 and the interest receivable of US$159,000 were eliminated upon consolidation as at 31 December 2008.

As at 31 December 2007, Regent Coal (HK) had drawn down US$9,500,000 of the loan and no loan interest was accrued.

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

Interest on the loan is charged at 3.5% above the average prime lending rate of DBS Bank, OCBC Bank, United Overseas Bank and Citibank NA Singapore in Singapore. Interest shall accrue daily from when the loan is or was first advanced on the basis of the actual number of days elapsed based on a 365-day year. RPI has agreed that it will not demand repayment of the loan until after the second anniversary of the investment and co-operation agreement dated 27 June 2008, following which the repayment of such loans shall take priority over other distributions that Blue Pacific may otherwise make to its shareholders. The loan is unsecured.

The loan interest accrued up to 31 December 2008 was US$113,000.

As at 31 December 2008, Blue Pacific has drawn down US$9,000,000 and repaid US$4,975,000 of the loan. Among the outstanding loan balance of US$4,025,000, US$1,250,000 was included in prepayments, deposits and other receivables which represented an initial deposit made in relation to the possible acquisition of equity interest in Blue Pacific.

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

The balance outstanding as at 31 December 2008 was neither part due nor impaired. Based on past credit history, the management believes that no impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is considered to be fully recoverable.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
Prepayments, deposits and other receivables	9,841	4,764	6,276	2,364
Amount due from an associate*	699	934	699	—
Amount due from a jointly controlled entity*^	9,029	3,433	87	—
	19,569	9,131	7,062	2,364

* 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$9,029,000 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 amount 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, amount due from a jointly controlled entity were the same as illustrated above.

The balance outstanding as at 31 December 2008 was neither part due nor impaired. Based on past credit history, the management believes that no impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is considered to be fully recoverable.

24. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
Trade payables	758	32	663	—
Accruals and other payables	1,750	6,476	557	2,256
	2,508	6,508	1,220	2,256

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

At 31 December 2008 and 31 December 2007, the ageing analysis of the trade payables was as follows:

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
Due within 1 month or on demand	663	—	663	—
More than 6 months	95	32	—	—
	758	32	663	—

Included in trade payables were those payables placed in trust accounts amounting to US$29,000 as at 31 December 2008 (31 December 2007: US$29,000).

The fair value of trade payables, accruals and other payables approximates their respective carrying amounts at the balance sheet date.

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

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

The fair value of amounts due from/(to) subsidiaries, minority shareholders approximates their respective carrying amounts at the balance sheet date.

26. BORROWINGS

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
Non-current				
Convertible bonds (note 27)	—	8,924	—	8,924
Redeemable convertible preference shares (note 28)	5,222	5,132	5,222	5,132
Obligation under finance lease (note 29)	35	62	—	—
	5,257	14,118	5,222	14,056
Current				
Obligation under finance lease (note 29)	27	24	—	—
Total borrowings	5,284	14,142	5,222	14,056

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).

During the year ended 31 December 2008, convertible bonds with a principal amount of US$9 million were converted into, in aggregate, 268,496,307 new ordinary shares. Accordingly, as at 31 December 2008, no convertible bonds were outstanding.

27. CONVERTIBLE BONDS (Continued)

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

Group and Company	31 December 2008 US$'000	31 December 2007 US$'000
Fair value of convertible bonds	8,924	15,897
Equity component	—	—
Liability component on initial recognition	8,924	15,897
Interest expense (note 8)	292	1,250
Transferred to equity upon conversion	(9,216)	(7,473)
Interest paid	—	(750)
Liability component at 31 December	—	8,924

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 2008 US$'000	31 December 2007 US$'000
Fair value of redeemable convertible preference shares	5,132	5,659
Equity component	—	—
Liability component on initial recognition	5,132	5,659
Conversion	—	(451)
Interest expense (note 8)	557	412
Interest paid	(467)	(488)
Liability component at 31 December	5,222	5,132

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 2008, the Group's obligation under finance lease was repayable as follows:

	31 December 2008 US$'000	31 December 2007 US$'000
Total minimum lease payments		
Within one year	30	30
In the second year	30	30
In the third to fifth years	7	36
	67	96
Less: total future interest expenses	(5)	(10)
Present value of finance lease liability	62	86
Present value of finance lease liability:		
Within one year	27	24
In the second year	28	26
In the third to fifth years	7	36
	62	86
Less: portion due within one year included under current liabilities	(27)	(24)
	35	62

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 December 2008 and 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 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
Employee share option scheme - exercise of share options	836,000	8
Share repurchases	(664,656,000)	(6,647)
Conversion of convertible bonds	268,496,307	2,685
At 31 December 2008	3,894,897,419	38,948

* 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

30. SHARE CAPITAL (Continued)

As at 1 January 2008, the total issued ordinary share capital of the Company consisted of 4,290,221,112 shares. During the year ended 31 December 2008:

a. An aggregate of 836,000 new ordinary shares were issued and allotted for a total consideration of HK$250,800 (approximately US$32,154), being HK$0.300 per share, upon exercise of options under the Company's Share Option Scheme (2002) (as referred to below).

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

c. An aggregate of 664,656,000 shares were repurchased by the Company on the HK Stock Exchange at a total consideration of HK$185,091,790 (approximately US$23,729,717).

Accordingly, as at 31 December 2008, the total issued ordinary share capital of the Company consisted of 3,894,897,419 shares.

Subsequent to the year end date, an aggregate of 53,793,104 new ordinary shares were issued and allotted upon conversion of 2,000 Redeemable Convertible Preference Shares (as referred to below), being at a conversion price of HK$0.290 per share. Accordingly, as at the date of this report, the total issued ordinary share capital of the Company consists of 3,948,690,523 shares.

1. 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.

As at 1 January 2008, Convertible Bonds with a principal amount of US$9 million were outstanding, which might be converted into 268,496,307 ordinary shares. During the year ended 31 December 2008, all outstanding Convertible Bonds were converted into ordinary shares. Accordingly, as at 31 December 2008, no Convertible Bonds were outstanding.

30. SHARE CAPITAL (Continued)

2. Redeemable Convertible Preference Shares

On 11 October 2006, the Company entered into a subscription agreement (the "**Subscription Agreement**") with (i) Libra Fund LP; (ii) Libra Offshore Limited; (iii) MLP Investments (Caymans), Ltd; and (iv) certain Directors of the Company, namely James Mellon, Jayne Sutcliffe, Anderson Whamond, Jamie Gibson, Mark Searle, Julie Oates and David Comba (collectively the "**Purchasers**") relating to the issue by the Company of, and the subscription by the Purchasers for, 6,250 8.5% dividend bearing non-voting redeemable convertible preference shares ("**Redeemable Convertible Preference Share(s)**" or "**RCPS(s)**") 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.

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 RCPSs 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

As at 1 January 2008, there were 5,500 Redeemable Convertible Preference Shares outstanding, which might be convertible into 147,931,035 ordinary shares. During the year ended 31 December 2008, no Redeemable Convertible Preference Shares were converted into shares.

Subsequent to the year end date, 2,000 Redeemable Convertible Preference Shares were converted into 53,793,104 new ordinary shares. Accordingly, as at the date of this report, there are 3,500 Redeemable Convertible Preference Shares outstanding, which may be convertible into 94,137,931 ordinary shares.

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.

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.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002)

The Company's share option scheme, named "Share Option Scheme (2002)" (the "**Share Option Scheme (2002)**"), was approved by shareholders 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.

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

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

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

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

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

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

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

As at 1 January 2008, 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 228,962,132 (1 April 2007: 126,751,000) ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 5.34% (1 April 2007: 8.47%) of the Company's then issued ordinary share capital and 5.07% (1 April 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 (1 April 2007: options in respect of an aggregate of 11,100,999 shares or 8.76%).

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

During the year ended 31 December 2008:

- No new options were granted (nine months ended 31 December 2007: new options in respect of an aggregate of 126,038,132 shares);
- Vested options in respect of an aggregate of 836,000 shares were exercised at HK$0.300 per share (nine months ended 31 December 2007: vested options exercised in respect of an aggregate of 16,827,000 shares);
- Options in respect of 340,000 shares, 2,000,000 shares and 4,000,000 shares at the exercise price of HK$0.300 per share, HK$0.780 per share and HK$0.325 per share respectively lapsed upon resignation of eligible participants (nine months ended 31 December 2007: an option in respect of 7,000,000 shares lapsed upon resignation);
- An option in respect of 670,000 shares and options in respect of an aggregate of 10,500,000 shares at the exercise price of HK$0.300 per share and HK$1.152 per share respectively lapsed upon termination of the employment of eligible participants (nine months ended 31 December 2007: nil); and
- No options were cancelled (nine months ended 31 December 2007: nil).

Accordingly, as at 31 December 2008, there were outstanding options entitling the holders to subscribe, in stages, for an aggregate of 210,616,132 (2007: 228,962,132) ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 5.41% (2007: 5.34%) of the Company's then issued ordinary share capital and 5.13% (2007: 5.07%) of the enlarged ordinary share capital. Amongst the outstanding options, options in respect of an aggregate of 105,107,364 shares or 49.90% were vested (2007: options in respect of an aggregate of 37,290,660 shares or 16.29%). Exercise in full of the outstanding options would result in the issue of 210,616,132 additional ordinary shares for aggregate proceeds, before expenses, of HK$145,021,278 (approximately US$18,592,471).

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

Subsequent to the year end date, an option in respect of 4,000,000 shares and an option in respect of 12,000,000 shares at the exercise price of HK$0.325 per share and HK$0.780 per share respectively lapsed upon resignation of eligible participants. Accordingly, as at the date of this report, there are outstanding options entitling the holders to subscribe, in stages, for an aggregate of 194,616,132 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.93% of the Company's existing issued ordinary share capital and 4.70% of the enlarged ordinary share capital. Amongst the outstanding options, options in respect of an aggregate of 127,424,035 shares or 65.47% are vested. Exercise in full of the outstanding options would result in the issue of 194,616,132 additional ordinary shares for aggregate proceeds, before expenses, of HK$134,361,278 (approximately US$17,225,805).

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

i. *Directors, Chief Executive and substantial shareholders*

As at 1 January 2008, outstanding options in respect of an aggregate of 134,600,000 shares were held by the Chief Executive Officer (also an executive Director) and other Directors, details of which are set out below:

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

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

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

4. Options, which 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; and

5. Options, which were granted on 2 October 2007, entitling the Non-Executive Co-Chairman (James Mellon), the Chief Executive Officer, the aforesaid executive Director and 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.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

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

During the year ended 31 December 2008:

- No new options were granted.
- 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, 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, 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 vested options were exercised.
- No options lapsed or were cancelled.

Accordingly, as at 31 December 2008, 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.

Subsequent to the year end date, an option in respect of 12,000,000 shares at the exercise price of HK$0.780 per share lapsed on 8 April 2009 upon resignation of a non-executive Director. Accordingly, as at the date of this report, there are outstanding options entitling the Directors of the Company to subscribe, in stages, for an aggregate of 108,600,000 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

Particulars of the options granted to and held by the Directors and the Chief Executive Officer are set out in detail under the section headed "Directors' Interests in Securities and Options" in the Directors' Report. No options were granted to or held by any associates of the Directors or the Chief Executive Officer of the Company at any time during the year ended 31 December 2008 or prior to the date of this report.

No options were granted to or held by any substantial shareholder of the Company, as referred to in the section headed "Substantial Shareholders" in the Directors' Report, or their respective associates, at any time during the year ended 31 December 2008 or prior to the date of this report.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

ii. *Full-time employees*

As at 1 January 2008, outstanding options in respect of an aggregate of 77,862,132 shares were held by the full-time employees of the Group (excluding the Directors of the Company), details of which are set out below:

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

2. Options, which were granted on 4 April 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 26,370,000 ordinary shares at the exercise price of HK$0.300 per share;

3. Options, which were granted on 14 December 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 12,854,000 ordinary shares at the exercise price of HK$0.325 per share;

4. An option, which was granted on 15 May 2007, entitling a full-time employees of the Group to subscribe, in stages, for 2,000,000 ordinary shares at the exercise price of HK$0.780 per share; and

5. Options, which were granted on 2 October 2007, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 36,538,132 ordinary shares at the exercise price of HK$1.152 per share.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

ii. *Full-time employees* (Continued)

During the year ended 31 December 2008:

- No new options were granted.
- 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.
- A vested option in respect of 250,000 shares was exercised on 25 April 2008 at HK$0.300 per share, which were issued and allotted on 25 April 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$0.800.
- A vested option in respect of 336,000 shares was exercised on 2 May 2008 at HK$0.300 per share, which were issued and allotted on 2 May 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$0.800.
- Options in respect of 340,000 shares, 2,000,000 shares and 4,000,000 shares at the exercise price of HK$0.300 per share, HK$0.780 per share and HK$0.325 per share lapsed on 18 January 2008, 31 May 2008 and 14 December 2008 respectively upon resignation of eligible participants.
- An option in respect of 3,500,000 shares at the exercise price of HK$1.152 per share lapsed on 21 July 2008 upon termination of the employment of an eligible participant.
- An option in respect of 670,000 shares and options in respect of an aggregate of 7,000,000 shares at the exercise price of HK$0.300 per share and HK$1.152 per share respectively lapsed on 31 December 2008 upon termination of the employment of eligible participants.
- No options were cancelled.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

ii. *Full-time employees* (Continued)

Accordingly, as at 31 December 2008, 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 59,516,132 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

Subsequent to the year end date, an option in respect of 4,000,000 shares at the exercise price of HK$0.325 per share lapsed on 10 March 2009 upon resignation of an eligible participant. 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 55,516,132 ordinary shares at the exercise prices ranging from HK$0.266 to HK$1.152 per share.

iii. *Participants in excess of individual limit*

No participants were granted with options in respect of an aggregate number of shares in the Company which was in excess of the individual limit referred to in the HK Listing Rules, at any time during the year ended 31 December 2008 or prior to the date of this report.

iv. *Suppliers of goods and services*

As at 1 January 2008, there was an outstanding option, which was granted on 2 October 2007, entitling a service provider to subscribe, in stages, for 16,500,000 ordinary shares at the exercise price of HK$1.152 per share.

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

iv. *Suppliers of goods and services* (Continued)

During the year ended 31 December 2008:

- No new options were granted.
- 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, 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, 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.
- No vested options were exercised.
- No options lapsed or were cancelled.

Accordingly, as at 31 December 2008, there were 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.

There were no changes in the outstanding options held by the service providers subsequent to the year end date or prior to the date of this report.

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 year ended 31 December 2008 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 2008		31 December 2007	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
Outstanding at 1 January / 1 April	228,962,132	0.701	126,751,000	0.299
Granted	—	—	26,000,000	0.780
Granted	—	—	100,038,132	1.152
Forfeited	(1,010,000)	0.300	—	—
Forfeited	(4,000,000)	0.325	—	—
Forfeited	(2,000,000)	0.780	—	—
Forfeited	(10,500,000)	1.152	(7,000,000)	1.152
Exercised	—	—	(6,701,000)	0.266
Exercised	(836,000)	0.300	(8,480,000)	0.300
Exercised	—	—	(1,646,000)	0.325
Outstanding at 31 December	210,616,132	0.689	228,962,132	0.701

30. SHARE CAPITAL (Continued)

3. Share Option Scheme (2002) (Continued)

The weighted average market price of the shares at the date of exercise of options for the year ended 31 December 2008 was HK$0.812 (nine months ended 31 December 2007: HK$0.920). All remaining share options as at 31 December 2008 have been accounted for under HKFRS 2. The Group has granted the following outstanding share options and exercise prices:

	31 December 2008		31 December 2007	
Exercisable beginning in financial year	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
- 31 December 2007	—	—	37,290,660	0.293
- 31 December 2008	105,107,364	0.558	75,996,034	0.705
- 31 December 2009	69,996,050	0.692	75,996,053	0.705
- 31 December 2010	35,512,718	1.068	39,679,385	1.071
Outstanding at 31 December	210,616,132	0.689	228,962,132	0.701

The weighted average remaining contractual life of the outstanding options as of 31 December 2008 is 7.94 years (31 December 2007: 8.98 years).

In total, US$1,522,000 (nine months ended 31 December 2007: US$943,000) of employee share-based payment and US$402,000 (nine months ended 31 December 2007: US$83,000) of non-employee share-based payment have been included in the consolidated income statement for the year ended 31 December 2008. 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**"), that was approved by shareholders at the Company's extraordinary general meeting held on 8 December 2007. The scheme shall continue in force until the tenth anniversary of its adoption date, which will be 8 December 2017.

The establishment and operation of the Long Term Incentive Plan 2007 are not subject to Chapter 17 of the HK Listing Rules. Upon adoption of the Long Term Incentive Plan 2007 on 8 December 2007, no further options under the Share Option Scheme (2002) (as referred to in note 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 and during the year ended 31 December 2008, no shares were acquired and no units were granted under the plan.

30. SHARE CAPITAL (Continued)

4. Long Term Incentive Plan 2007 (Continued)

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

During the period from 29 February 2009 to 5 March 2009, the trustee appointed by the Company for the plan acquired from the market an aggregate of 29,625,000 shares at a total consideration of HK$3,525,984 (approximately US$452,049), which are to be vested to the respective eligible participants in accordance with the aforesaid vesting schedule.

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$'000	Statutory reserve* US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group										
At 1 April 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 reserves 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
Equity portion of redeemable convertible preference shares										
Share-based payment	—	—	1,026	—	—	—	—	—	—	1,026
Disposal of a subsidiary										
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	Investment revaluation reserve US$'000	Statutory reserve* US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group										
At 1 January 2008	(50,728)	385,804	1,742	25	140	1,204	453	—	2,880	341,520
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(226)	(226)
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	—	1,638	1,638
Share of reserves of associates	—	—	13	—	—	—	—	177	897	1,087
Exercise of share options	—	31	(8)	—	—	—	—	—	—	23
Share repurchase	—	(17,458)	—	—	—	—	—	—	—	(17,458)
Transfer in respect of share repurchase	(6,647)	—	—	—	—	6,647	—	—	—	—
Conversion of convertible bonds	—	6,556	—	(25)	—	—	—	—	—	6,531
Unrealised loss in available-for-sale financial assets	—	—	—	—	—	—	(10,730)	—	—	(10,730)
Impairment loss	—	—	—	—	—	—	10,730	—	—	10,730
Share-based payment	—	—	1,924	—	—	—	—	—	—	1,924
Loss for the year	(160,943)	—	—	—	—	—	—	—	—	(160,943)
At 31 December 2008	(218,318)	374,933	3,671	—	140	7,851	453	177	5,189	174,096

* The PRC Government required all companies which are engaged in highly dangerous industries to set up a reserve for the protection of the company, its staff and others due to any potential accidents.

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	Investment revaluation reserve US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Company									
At 1 April 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
Foreign currency translation adjustment	—	—	—	—	—	—	—	(23)	(23)
Exercise of share options	—	31	(8)	—	—	—	—	—	23
Share repurchase	—	(17,458)	—	—	—	—	—	—	(17,458)
Transfer in respect of share repurchase	(6,647)	—	—	—	—	6,647	—	—	—
Conversion of convertible bonds	—	6,556	—	(25)	—	—	—	—	6,531
Unrealised loss in available-for-sale financial assets	—	—	—	—	—	—	(9,318)	—	(9,318)
Impairment loss	—	—	—	—	—	—	9,318	—	9,318
Share-based payment	—	—	1,924	—	—	—	—	—	1,924
Loss for the year	(151,828)	—	—	—	—	—	—	—	(151,828)
At 31 December 2008	(216,918)	377,198	3,574	—	140	7,851	—	(20)	171,825

32. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2008, there were no outstanding futures contracts (31 December 2007: contracts amounting to approximately US$576,000) undertaken by the Group in the equity markets.

In the course of the Group's normal trading in derivatives, margin deposits of varying currencies of cash are held by the Group's brokers. As at 31 December 2008, the amount of these margin deposits was US$49,000 (31 December 2007: US$70,000).

33. BUSINESS COMBINATION

On 7 March 2008, SRM acquired a mining operation at the Yinzishan mine in the PRC.

The acquired operation has not contributed any revenue and incurred a loss of US$38,000 to the Group for the period from 7 March 2008 to 31 December 2008. Had the acquisition taken place on 1 January 2008, the Group's revenue and loss for the year would have been US$6,423,000 and US$161,690,000 respectively.

On 26 March 2008, Regent Coal (BVI) acquired the entire equity interest in Regent Coal (HK), an investment holding company having a subsidiary engaged in the business of coal mining.

The acquired company has not contributed any revenue and incurred a loss of US$581,000 to the Group for the period from 26 March 2008 to 31 December 2008. Had the acquisition taken place on 1 January 2008, the Group's revenue and loss for the year would have been US$6,423,000 and US$162,039,000 respectively.

These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor are they intended to be a projection of future results.

33. BUSINESS COMBINATION (Continued)

Details of assets and liabilities arising from the acquisition are as follows:

2008	Acquisition of a mining operation US$'000	Acquisition of Regent Coal (HK) US$'000	Total US$'000
Net assets acquired			
Exploration and evaluation assets	148	22,288	22,436
Property, plant and equipment	784	—	784
Cash and bank balances	—	495	495
Trade payables, accruals and other payables	—	(23,022)	(23,022)
Fair value of net assets/(liabilities) acquired	932	(239)	693
Goodwill arising on acquisition	1,177	3,290	4,467
Total purchase consideration	2,109	3,051	5,160
Purchase consideration satisfied by:			
Cash paid	—	3,051	3,051
Prepayment made in previous year	2,109	—	2,109
Total purchase consideration	2,109	3,051	5,160
Net cash outflow arising on acquisition:			
Purchase consideration settled in cash	—	(3,051)	(3,051)
Cash and cash equivalents acquired	—	495	495
	—	(2,556)	(2,556)

The goodwill resulted from the acquisition of a mining operation and the acquisition of Regent Coal (HK) is attributable to the copper and zinc product CGU and the coal product CGU (note 12), respectively.

Goodwill arose in the business combinations because the cost of the combinations included a premium paid to the counterparties. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of the acquired business and subsidiary. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

33. BUSINESS COMBINATION (Continued)

Details of assets and liabilities arising from the acquisition are as follows:

2007	Acquisition of ACMC US$'000	Acquisition of Regent Coal (BVI) US$'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%, Regent Coal (BVI): 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

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

34. DEFERRED TAX

Movement of the deferred tax liability, which arose from the dividend receivable by the Group from its PRC jointly controlled entity and were recognised in the consolidated balance sheet, during the current year is as follows:

	31 December 2008 US$'000	31 December 2007 US$'000
At 1 January/1 April	—	—
PRC withholding income tax charged to the consolidated income statement	324	—
At 31 December	324	—

Under the new PRC tax law, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. Pursuant to the grandfathering treatments of the new PRC tax law, dividends receivable by the Group from its PRC jointly controlled entity in respect of its undistributed retained earnings prior to 31 December 2007 are exempted from the withholding tax.

35. RETIREMENT BENEFIT OBLIGATIONS

The Group has operated a defined contributory staff retirement scheme in Hong Kong which has complied with all the respective requirements of the Occupational Retirement Schemes Ordinance ("**ORSO**") since April 1991. On 1 December 2000, the above scheme was terminated and transferred to a new mandatory provident fund scheme (the "**MPF Scheme**") which complies with all the respective requirements under the Mandatory Provident Fund Ordinance (the "**MPF Ordinance**"). All assets under the schemes are held separately from the Group under independently administered funds. The MPF Scheme has two plans. Plan A is available to those employees who were transferred from the old ORSO scheme and contributions are based on a specific percentage of the basic salary of the eligible employees. Plan B is available to all other employees in Hong Kong and contributions follow the minimum requirements of the MPF Ordinance.

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees under Plan A who leave the scheme prior to vesting fully in the contributions. During the year ended 31 December 2008, there were no forfeited contributions (nine months ended 31 December 2007: nil) and the Group's contribution was US$19,000 (nine months ended 31 December 2007: US$13,000).

36. OPERATING LEASE COMMITMENTS

Group

	31 December 2008 US$'000	31 December 2007 US$'000
At 31 December 2008 and 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
– within 1 year	379	787
– in the 2nd to 5th year, inclusive	80	442
	459	1,229
Equipment:		
– within 1 year	5	5
– in the 2nd to 5th year, inclusive	7	11
	12	16
	471	1,245

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.

37. CAPITAL COMMITMENTS

Group

	31 December 2008 US$'000	31 December 2007 US$'000
Contracted but not provided for:		
Acquisition of a controlling interest in a Singapore incorporated company*	55,590	—
Purchasing of the remaining share of a subsidiary - ACMC	14,646	10,844

* The parties are in negotiations regarding a significant reduction to the consideration with a majority of the reduced consideration being funded by free cash flow from the underlying investment (i.e. taking the form of deferred consideration).

Company

The Company has no capital commitments.

38. CONTINGENT LIABILITIES

Save for the matter disclosed in note 23 to the financial statements, the Group and the Company have no material contingent liabilities as at 31 December 2008.

39. 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 year under review, the Group did not issue any financial instruments for hedging purposes.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The RMB has appreciated during the year. 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 2008

	Group		Company	
	US$'000 RMB	US$'000 GBP	US$'000 RMB	US$'000 GBP
Cash and bank balances	840	10	—	10
Prepayments, deposits and other receivables	5,566	—	—	—
Current financial assets and current net exposures	6,406	10	—	10

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	—

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).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	Group		Company	
	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in net profit US$'000	Increase/ (decrease) in RMB %	Increase/ (decrease) in net profit US$'000
As at 31 December 2008				
If US$ weaken against RMB	5	109	—	—
If US$ strengthen against RMB	(5)	(109)	—	—
As at 31 December 2007				
If US$ weaken against RMB	5	170	5	1
If US$ strengthen against RMB	(5)	(170)	(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.

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

39. 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:

	Group					Company				
31 December 2008	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
Redeemable convertible preference shares	5,222	6,903	233	234	6,436	5,222	6,903	233	234	6,436
Finance lease obligations	62	67	15	15	37	—	—	—	—	—
Trade payables	758	758	758	—	—	663	663	663	—	—
Accruals and other payables	1,750	1,750	1,750	—	—	557	557	557	—	—
Amounts due to minority shareholders	38	38	38	—	—	—	—	—	—	—
Amounts due to subsidiaries	—	—	—	—	—	7,703	7,703	7,703	—	—
	7,830	9,516	2,794	249	6,473	14,145	15,826	9,156	234	6,436

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Group					Company				
31 December 2007	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

The Group enjoyed a strong financial position at the end of 2008, with cash and cash equivalents amounting to US$57 million as at 31 December 2008.

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 coking coal which can affect the Group's share of profit from its associate and jointly controlled entity.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

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

Sensitivity analysis

At 31 December 2008, 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$40,000 (31 December 2007: US$156,000) Other components of consolidated equity would increase/decrease by approximately US$40,000 (31 December 2007: US$156,000) 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.

Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities amounting to US$6,766,000 classified as available-for-sales financial assets (2007: listed equity securities amounting to US$3,744,000 classified as financial assets at fair value through profit and loss).

The above investments are exposed to price risk because of change in market price, whether changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's listed investments are primarily listed on the stock exchanges of Australia, Canada, England, Singapore and the United States. Listed investments held in the portfolio have been chosen based on their growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution and in accordance with the limits set by the Group.

At 31 December 2008, if equity prices had increased/decreased by 20% and all other variables were held constant, investment revaluation reserve would increase/decrease by US$1,354,000 (2007: if equity prices had increased/decreased by 10%, profit for the nine months ended 31 December 2007 would increase/decrease by US$374,000). The above analysis has been determined assuming that the reasonably possible changes in the stock market price or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date.

39. 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 categorised as follows.

	Group		Company	
	31 December 2008 US$'000	31 December 2007 US$'000	31 December 2008 US$'000	31 December 2007 US$'000
(i) Financial assets				
Non-current assets				
Available-for-sale financial assets	7,386	620	6,475	19
Current assets				
Financial assets at fair value through profit and loss	—	4,736	—	2,889
Loans and receivables:				
– Cash and bank balances	57,399	138,081	53,277	132,174
– Amounts due from subsidiaries	—	—	75,805	37,470
– Trade receivables	51	43	8	—
– Loan receivables	2,888	15,587	—	—
– Prepayments, deposits and other receivables	19,569	9,131	7,062	2,364
	79,907	167,578	136,152	174,897
	87,293	168,198	142,627	174,916
(ii) Financial liabilities				
Current liabilities				
Financial liabilities measured at fair value:				
– Derivative financial instruments	—	3	—	—
Financial liabilities measured at amortised cost:				
– Trade payables, accruals and other payables	2,508	6,508	1,220	2,256
– Amounts due to subsidiaries	—	—	7,703	7,852
– Amounts due to minority shareholders	38	6,295	—	—
– Obligation under finance lease	27	24	—	—
	2,573	12,830	8,923	10,108
Non-current liabilities				
Financial liabilities measured at amortised cost:				
– Convertible bonds	—	8,924	—	8,924
– Redeemable convertible preference shares	5,222	5,132	5,222	5,132
– Obligation under finance lease	35	62	—	—
	5,257	14,118	5,222	14,056
	7,830	26,948	14,145	24,164

40. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

– To ensure the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

– To support the Group's stability and growth; and

– To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards equity attributable to the Company's equity holders as capital, for capital management purpose. The amount of capital as at 31 December 2008 amounted to approximately US$213,044,000 (2007: US$384,422,000), which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

41. MATERIAL RELATED PARTY TRANSACTIONS

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

For the purposes of these financial statements, the 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:

(a) On 20 January 2007, an operational support agreement was entered into between (a) RML, an indirect 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. The agreement expired as at 30 June 2008.

An aggregate of US$829,500 was recorded and receivable for the year ended 31 December 2008 (nine months ended 31 December 2007: US$1,244,000).

41. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) On 3 October 2008, an operational support agreement was entered into between (a) GTC, a direct wholly owned subsidiary of the Company, as service provider and (b) YSSCCL, relating to the provision of metallurgical services during the period from 1 June 2007 to 30 June 2008 by GTC to YSSCCL in a lump sum of US$930,000 (after all China Taxes).

(c) On 3 October 2008, an operational support agreement was entered into between (a) MMC, a direct wholly owned subsidiary of the Company, as service provider and (b) YSSCCL, relating to the provision of mill expansion services during the period from 1 June 2007 to 30 June 2008 by MMC to YSSCCL in a lump sum of US$900,000 (after all China Taxes).

(d) On 3 October 2008, an operational support agreement was entered into between (a) ACB, an indirect wholly owned subsidiary of the Company, as service provider and (b) YSSCCL, relating to the provision of mining services during the period from 1 June 2007 to 30 June 2008 by ACB to YSSCCL in a lump sum of US$717,000 (after all China Taxes).

The Directors are of the opinion that the key management personnel were the Executive Directors of the Company, details of whose emoluments are set out in note 7 to the financial statements.

42. LITIGATION

Save as otherwise set out below, the Directors are not aware of any litigation or claims pending or threatened against the Group.

ACMC is currently joined as a party to arbitration proceedings in respect of a third party claim against it for up to 16% of the total amount of RMB 180 million (US$26.36 million) that Regent Coal (BVI) has and will pay in respect of its existing and any future equity stake in ACMC. The claim relates only to 16% of the actual amount paid by Regent Coal (BVI) for equity in ACMC, currently RMB 80 million (US$11.72 million) , and Regent Coal (BVI) is fully indemnified (on a contractual basis) should it or ACMC be required to make any payment in connection therewith. In light of the contractual protections in place in favour of Regent Coal (BVI), the Directors do not consider these arbitration proceedings material, but acknowledge that its outcome cannot be determined with any reasonable certainty at this time. No provision has been made in the financial statements in respect of these arbitration proceedings accordingly.

43. POST BALANCE SHEET EVENTS

Save for the events disclosed in previous notes, there is no significant event took place subsequent to 31 December 2008.

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