Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

Annual Report 2013

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PERFORMANCE OVERVIEW

A summary of the financial performance and other notable events for 2013 include:

- Loss attributable to shareholders of the Company of US$25.64 million, which was mainly attributable to the marked-to-market losses of US$14.67 million in respect of the Group's equity portfolio of financial assets at fair value through profit or loss, which is a non-cash item
- Shareholders' equity of US$58.93 million or net asset value per share of US cents 1.69, a decrease of 58.27% as compared at 31 December 2012, which was mainly due to the payment of a special dividend of HK$0.13 per share (see below)
- Disposal of the Group's remaining position in BC Iron Limited , providing the Group with total gross proceeds (before expenses and taxes) of approximately US$84.73 million and a net realised loss of approximately US$3.99 million for the year ended 31 December 2013. However, taken as a whole, the disposal was successful because it provided the Group with an overall investment return of approximately US$48.18 million comprising sales proceeds (before expenses and taxes) of approximately US$85.06 million, a special dividend of approximately US$3.74 million, net of investment costs of approximately US$40.62 million, representing a "cash-on-cash" return of 2.19 times the Group's original cash investment, which was an outstanding result on an overall return basis
- Declaration of a special dividend of HK$0.13 per share (or US$58.44 million) on 28 January 2013, paid in cash on 15 March 2013
- Further investment of approximately US$4.72 million in the new enlarged Trinity Exploration & Production plc ("**Trinity**"), through participation in Trinity's US$90 million share placement completed in January 2013 following its merger with Bayfield Energy Holdings plc, as well as on market purchases of Trinity shares bringing the Group's position to approximately 4.12% of the enlarged share capital of the company
- Further investment in Condor Gold plc, pursuant to which the Group successfully subscribed for or otherwise received: (i) 3.29 million new shares for an aggregate cash consideration of approximately US$8.14 million; and (ii) the purchase through a series of on market acquisitions, in aggregate, for up to 0.40 million shares for an aggregate cash consideration of approximately US$0.84 million, bringing the Group's position to approximately 10.38% of its enlarged share capital
- Increasing the Group's strategic position in Plethora Solutions Holdings plc ("**Plethora**") to approximately 13.85% through participation in a share placement that was completed in October 2013
- Increasing the Group's strategic position in Venturex Resources Limited by participating in an entitlements issue, following which the Group's position represented approximately 33.47% of the company's enlarged share capital
- Strong financial position with no debt, with over US$49.20 million in cash, listed and unlisted securities

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

- With effect from 1 January 2014 and in recognition of the Group's significant investment in Plethora, Jamie Gibson was appointed as CEO of Plethora and tasked primarily with driving Plethora's commercialisation of PSD502. Following this appointment, the Group will equity account its investment whereby the Group's consolidated financial statements will reflect its share (currently 14.81%) of the net assets or liabilities and the net profit or loss of Plethora

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

CHAIRMAN'S STATEMENT

Dear Shareholders

While 2013 was another challenging year for the global economy, together with commodities and financial markets, economic conditions did improve in the second half of the year with positive signs overflowing into the start of the current financial year.

Developing country GDP is estimated to have grown about 4.8% in 2013, roughly the same pace as in 2012, reflecting weakness at the start of the year. However, growth accelerated in the second half of 2013 and has generated a positive carry over for 2014.

Closer to home, policy direction from the recent third plenum in China has been received positively, with a notable emphasis on the market's role in allocating capital. Fiscal system transparency is a key aspect of reform, with an expected reshaping of the relationship between central and local government. However, as credit conditions in China now come under increased scrutiny, the Chinese economy is now in a period of tighter monetary and fiscal policy, as the central government addresses challenges associated with local government debt. Accordingly, volatility will continue as growth in China moderates from the relatively rapid rates seen during the past decade with the inevitable transition towards a consumption based economy.

In the developed world, during the second half year of 2013 Europe experienced a period of relative stability while the United States' economy accelerated, with continued improvement in private sector balance sheets a notable supporting factor.

In particular, growth in the United States outperformed market expectations during the period. Despite volatility, a stronger labour market and increased consumer spending provided robust underlying support to the world's largest economy. Importantly, the private sector continued to provide significant impetus despite the Federal Reserve's progressive shift towards a tightening bias.

Improving sentiment in the United States and across Europe, while positive, does create a risk that the expected reversal of quantitative easing could result in the continued redirection of capital away from emerging economies. That said, this risk is mitigated somewhat for those emerging economies with sound macroeconomic policy fundamentals, while central banks are also likely to respond where necessary.

With the exception of energy, all the key commodity price indices declined significantly in 2013, with precious metals and base metals falling by some 17% and 5.5% respectively.

Into 2014, developing countries face significant headwinds as monetary policy returns to "normal" in high-income economies, to result in reduced capital flows to developing economies as global asset portfolios are rebalanced toward the high income economies. That said, the global economy, led by high income economies, is expected to strengthen over the next 12 months, providing support for commodities demand and pricing. The longer term outlook therefore remains robust, although supply is now better placed to keep pace with demand for some commodities.

Despite the macroeconomic challenges, during 2013, we were successful with our targeted divestment program with asset sales generating cash proceeds of approximately US$88.98 million, predominantly through the divestment of the Group's position in BC Iron Limited ("**BCI**"). With the successful sale of BCI, we were pleased that we could continue our commitment to returning cash to shareholders and as result announced in January 2013, a special dividend of HK$0.13 per share that was paid to shareholders on 15 March 2013, a total cash outlay of approximately US$58.44 million.

We believe that there is hidden value within Regent Markets Holdings Limited ("**Regent Markets**"), where on a successful sale or listing of Regent Markets significant value could be 'unlocked'. For example, if a price earnings ratio of 7.5x 2013 earnings was applied on a successful sale or listing, a total value of approximately US$46.5 million for Regent Markets would be given. We valued our investment in Regent Markets at US$4.9 million in our balance sheet at 31 December 2013. Therefore, as part of our targeted 2014 divestment program, we are considering a divestment of Regent Markets that would seek to unlock this potential hidden value for the benefit of our shareholders.

The Group's portfolio of financial assets at fair value through profit or loss ("**FAFVPL**") incurred a realised and unrealised loss of approximately US$18.55 million. The total value of our portfolio of FAFVPL was approximately US$37.81 million as at 31 December 2013, down from approximately US$119.06 million in 2012, which was mainly due to the sale of our stake in BCI.

The Group's balance sheet remains strong, with cash balances and securities of FAFVPL standing at approximately US$46.87 million, with no external debt. Our net asset value per share was US cents 1.69 (HK cents 13.10) at the end of 2013.

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

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

James Mellon
Co-Chairman

28 March 2014

The Company recorded a loss attributable to its shareholders of US$25.64 million, which was mainly attributable to the marked-to-market losses of US$14.67 million in respect of the Company's equity portfolio of financial assets at fair value through profit or loss ("**FAFVPL**"), which is a non-cash item.

Our financial results for 2013 were driven by a very challenging operating environment for the global resources industry as substantially lower commodity prices weighed on miner's margins and profitability, offset, to some degree, by weakening emerging market currencies.

During the second half of 2013, financial markets underwent (and continue to undergo) a significant transition as strengthening growth in high-income economies prompted an end to the extraordinary stimulus measures taken in the wake of the global financial crisis, culminating in portfolio adjustments by international investors away from developing country assets, leading to a significant decline in capital flows.

Looking forward, prospects are mixed. Financing conditions are likely to tighten further in the coming months as monetary policies continue to normalize. This combined with a shrinking growth differential between developing and high-income countries, should translate into weaker capital inflows to developing countries this year. Should global interest rates increase more abruptly than currently expected or market volatility becomes the new norm, more disorderly adjustments could not be ruled out.

However, despite the movement of capital between developed and developing economies, on a pleasing note global economic indicators have improved over the last few months. While China remains a major driver for commodities demand, improving economic conditions in the developed world can only help to support any fall in commodity demand resulting from the moderating growth period that China now appears to be in.

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

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

During the year, we successfully:

- sold our remaining stake in BC Iron Limited ("**BCI**") providing the Group with total gross proceeds (before expenses and taxes) of approximately US$84.73 million in cash, generating a net realised loss of approximately US$3.99 million for the year ended 31 December 2013. However, as a whole, it provided the Group with an overall investment return of approximately US$48.18 million, comprising sales proceeds (before expenses and taxes) of approximately US$85.06 million, a special dividend of approximately US$3.74 million, net of investment costs of approximately US$40.62 million, which in turn, prompted us to announce a special dividend of HK$0.13 per share that was paid to shareholders on 15 March 2013, amounting to a total cash return of approximately US$58.44 million to shareholders;
- further invested approximately US$4.72 million in the new enlarged Trinity Exploration & Production plc ("**Trinity**"), through participation in Trinity's US$90 million share placement completed in January 2013 following its merger with Bayfield Energy Holdings plc, as well as on market purchases of Trinity shares bringing the Group's position to approximately 4.12% of the enlarged share capital of the company;

- further invested in Condor Gold plc, pursuant to which the Group successfully subscribed for or otherwise received: (i) 3.29 million new shares for an aggregate cash consideration of approximately US$8.14 million; and (ii) the purchase through a series of on market acquisitions, in aggregate, for up to 0.40 million shares for an aggregate cash consideration of approximately US$0.84 million, bringing the Group's position to approximately 10.38% of its enlarged share capital;
- increased the Group's strategic position in Plethora Solutions Holdings plc to approximately 13.85% through participation in a share placement that was completed in October 2013; and
- increased the Group's strategic position in Venturex Resources Limited by participating in an entitlements issue, following which the Group's position represented approximately 33.47% of the company's enlarged share capital.

The Group's equity portfolio of FAFVPL recovered strongly in the second half of the financial year, albeit still resulting in a loss of US$14.67 million for the year ended 31 December 2013 as compared to a gain of US$1.90 million in 2012. This is disappointing, but has been driven by challenging financial markets for resource companies.

We ended the year with a healthy cash and FAFVPL balance of US$46.87 million. Our strong balance sheet, with no debt, high quality assets and positive long-term outlook will enable us to continue to pursue growth opportunities by way of accretive acquisitions, which remains our key priority. With our well established and highly credentialed in-house M&A, execution and technical teams, we enter 2014 well positioned and with enhanced options for value-adding growth.

We set out below the review of our associated investments together with the results of our main listed investments:

REGENT MARKETS HOLDINGS LIMITED ("REGENT MARKETS")

We are pleased to report that Regent Markets, a 49.90% associated company, had a record year surpassing its highest ever turnover with over US$462.71 million bets being sold (2012: US$201.47 million bets were sold) and generated a net profit of US$5.69 million (2012: US$3.29 million). In light of the excellent performance, Regent Markets paid a record dividend of US$1.50 per share or a distribution of US$3.0 million, of which the Company received US$1.50 million in February 2014.

We believe that there is hidden value within Regent Markets, where on a successful sale or listing of Regent Markets significant value could be 'unlocked'. For example, if a price earnings ratio of 7.5x 2013 earnings was applied on a successful sale or listing, a total value of approximately US$46.5 million for Regent Markets would be given. We valued our investment in Regent Markets at US$4.9 million in our balance sheet at 31 December 2013. Therefore, as part of our targeted divestment program, we are considering a divestment of Regent Markets in 2014 that would seek to unlock this potential hidden value for the benefit of our shareholders.

WEST CHINA COKING & GAS COMPANY LIMITED ("WEST CHINA COKE")

The Group's existing 25% associated investment in West China Coke, experienced another difficult operating environment in 2013 whereby the steel market was in over supply, with soft demand and consequently suffered lower prices for its products. West China Coke, produced 603,673 tonnes of coke (2012: 789,886 tonnes) and 48,404 tonnes (2012: 62,104 tonnes) of methanol and other by-products. Total turnover was RMB 1,328.95 million (2012: RMB 1,632.72 million) ((approximately US$216.37 million (2012: US$258.79 million)) and its loss was RMB 74.07 million (2012: RMB 75.30 million) ((approximately US$12.05 million (2012: US$ 11.94 million)). We equity accounted a loss of US$3.01 million for the year ended 31 December 2013 as compared to US$2.98 million in 2012.

PLETHORA SOLUTIONS HOLDINGS PLC ("PLETHORA")

The Group has a 13.85% interest in Plethora as at 31 December 2013, whose shares are listed on the Alternative Investment Market of the London Stock Exchange ("**AIM**"). Plethora was founded in 2004 to develop PSD502, which is for the treatment of premature ejaculation ("**PE**"), and is headquartered in the UK.

PSD502 was developed by the Company for the treatment of PE and demonstrated a highly statistically and clinically significant improvement in the primary measures of intravaginal ejaculation latency time, control and satisfaction in two pivotal, double-blind, placebo controlled phase III studies. In these studies, the product was shown in over 23,000 exposures to be well accepted by patients.

Plethora recently announced on 19 November 2013 that the European Commission has granted marketing authorization ("**EMA**") for the company's treatment for primary premature ejaculation in adult men under the name "Prilocaine Lidocaine Plethora". This product is also referred to by the company under its development code PSD502.

Plethora's strategy is focused on bringing PSD502 to market via strategic marketing partners with the sales, marketing and distribution infrastructure to maximize the commercial potential from the product. In this respect, Plethora is engaged in advanced negotiations with a number of potential marketing partners, including major pharmaceutical companies for the launch of PSD502 in the European Union, the United States (subject to obtaining regulatory approval) and other selected territories.

Plethora is finalizing its manufacturing strategy with its preferred manufacturer. Plethora will not manufacture the product directly but will either have the product manufactured by a subcontractor or license the manufacturing to its chosen marketing partners. In light of discussions with its potential marketing partners and based on feedback received from a leading US consultancy in respect of the US pricing landscape for PSD502, Plethora is considering reducing the dosage per canister used for the product, moving to a 6 dose canister from the current 20 dose canister that was used in obtaining EMA approval. Plethora and its preferred manufacturing partner are working to establish the appropriate timeline to enable a six dose canister to be launched, including the necessary EMA amendment approvals.

In addition to the European commercialization of PSD502, the company is advancing its New Drug Application with the United States Food and Drug Administration.

With effect from 1 January 2014 and in recognition of the Company's significant investment, Jamie Gibson was appointed as CEO of Plethora and tasked with the driving the company's successful commercialization of PSD502.

TRINITY EXPLORATION & PRODUCTION PLC ("TRINITY")

During Q1 2013, Trinity Exploration & Production Limited completed the previously announced acquisition of Bayfield Energy Holdings plc ("**Bayfield**") through a reverse takeover that resulted in the company's public listing on AIM and renaming as Trinity Exploration & Production plc (TRIN-AIM). With the completion of this transaction, Trinity accomplished a number of positive corporate initiatives such as substantially growing the company's production base, as well as adding strategically important assets in the form of proven and probable (2P) reserves that are entirely resident in Trinidad and are complementary to the company's existing holdings. The properties acquired are in close geographic proximity to Trinity's most prospective exploration targets and current producing assets and will allow management to pursue a focused development and exploration programme that should lead to significant reserve additions and production gains through 2014 and 2015. It is worth noting that the senior management of Trinity has assumed all of the key executive roles in the merged entity as well as the majority of board positions. This will enable Trinity management to dictate all aspects of the strategic direction of the company.

Trinity operates 12 assets across three areas in Trinidad. The company's largest block, Galeota, lies on the east coast of the island and contains the offshore producing Trintes field. Four blocks are located off the west coast. Within this acreage Trinity operates the producing Brighton field. Trinity also holds interests in a combination of onshore producing assets in Trinidad. In total, Trinity's current acreage covers around 260 sqkm.

Trinity exited 2013 with around 4,200 boepd and management expect production to average 3,800 boepd ~ 4,500 boepd in 2014. Since the reverse take-over of Bayfield, Trinity has increased production by 23%, while reserves have risen by 56%.

Trinity's current 2P reserves are approximately 49 mmboe and we expect Trinity to provide an updated reserve number to the market by Q4 2014. Trinity was successful with its first offshore exploration well, named TGAL-1, in December 2013. Trinity management estimates that TGAL-1 contains OOIP of 50 to 115 mmbbl.

In parallel with the acquisition of Bayfield, Trinity was successful in raising new equity capital in the amount of GBP 60 million (or approximately US$90 million) which, when added to expected cash flow from operations, will be sufficient to fund the company's planned on-shore and off-shore drilling program at least for the remainder of 2014. Specifically, as a result of seismic interpretation, exploration drilling and a full evaluation of the asset portfolio during 2013, management has chosen to focus most of its development and exploration activity on the east coast of Trinidad (Trintes and Galeota fields) to maximize potential reserve additions. The company remains well capitalized and has a relatively low debt ratio, allowing for strategic acquisitions to also be considered as a means of further increasing 2P reserves.

The Group's position in Trinity is now 4.12% following participation in the above referenced share placement and subsequent on market share purchases.

CONDOR GOLD PLC ("CONDOR")

The Group increased its position in Condor during the period to 10.38% through a series of on-market acquisitions and a share placement which was completed from February to April 2013.

Condor's concession holdings in Nicaragua currently contain an attributable NI43-101 compliant resource base of 2.33 million ounces of gold at 3.9 g/t with a 1.14 million ounce high grade (3.1 g/t) open-pittable resource and an underground resource of 238k ounces at 5.1 g/t. The remainder of the resource areas (952k ounces), which have not been subject to Whittle Pit modelling, have been estimated using a 1.5g/t cut-off, reflecting an anticipated combination of open pit and underground mining.

In March 2013, Condor announced the results of a preliminary economic assessment ("**PEA**") on their Nicaraguan project, La India. The highlights of the assessment were:

- A 13 year mine life using both open pit and underground mining methods
- Total gold production of 1,463,000 ounces with average annual production of 152,000 ounces
- Years 1 through 4 of the mine life produce an average of 172,000 ounces of gold per annum
- Life of mine average cash costs of US$575 per ounce
- Pre-production capital cost of US$180.5 million for mine construction and processing plant construction.

During the reporting period, the key milestones achieved by Condor on their core La India project included:

- The acquisition of an additional tenement, which is contiguous to the La India tenement package and offers the potential for 13 kilometres of strike extension from existing known resources
- Completion of the PEA
- The successful placement of 4.375 million shares, raising a total of GBP 7 million
- Completed a 1,836 metre geotechnical drilling program aimed at confirming and optimising open pit slope angles adopted in the PEA. The results of the geotechnical report, undertaken to a Pre-Feasibility Study ("**PFS**") level of confidence, were encouraging. The report indicated that the open pit slope angles could be steepened from those modelled in the PEA (40 to 42 degrees) to between 40 and 48 degrees. Such steeper pit angles may allow the open pit to be pushed deeper and reduce the strip ratio of waste rock to mineralised ore, thus reducing operating costs
- Completed metallurgical studies, again undertaken to PFS level of confidence, which showed excellent recovery rates. La India Vein Set gold recoveries range from 90% to 92% and the America Vein Set from 94% to 95%. These recovery estimates included a 2% reduction from the reported extractions to allow for plant inefficiencies. The PEA assumed a recovery of 93%. SRK Consulting (U.S.) Inc recommended that gold mineralised ore can be processed by industry-standard, whole-ore cyanidation with a standard carbon-in-pulp (CIP) process flowsheet
- Completion of a 3,351 line kilometre helicopter-borne geophysics survey covering the entire 280 sq km La India Project confirmed that there remains considerable exploration upside for the project. The radiometric and magnetic surveys provide a targeting tool for future exploration whereby three areas have been highlighted that have a prospective radiometric and magnetic signature but relatively little drilling when correlated to the areas containing the existing gold mineral resources

CONDOR GOLD PLC ("CONDOR") (Continued)

- The completion of 22,122 metres of RC and diamond drilling and associated modelling yielded an updated NI 43-101 Mineral Resource Estimate (details provided above). The aim of the program was to improve the confidence level of the existing known resource whilst also identifying and proving additional resources. The resultant Mineral Resource Estimate showed that the mineral resource in the higher indicated category of confidence had increased by 43% to 9.6Mt at 3.5 g/t for 1.08 million ounces of gold. Also the total open pit resource increased 20% to 1.14 million ounces of gold at 3.1 g/t with the identification of two open pits on the America Vein Set which contained 160k ounces of gold at 4.2 g/t and one in the Central Breccia Zone which contained 57k oz gold at 1.9 g/t gold. These potential feeder pits complement the main high grade La India open pit resource of 921k ounces of gold at 3.0 g/t.

ENDEAVOUR MINING CORPORATION ("ENDEAVOUR")

The Group holds approximately 4.49 million shares or 1.09% in Endeavour Mining Corporation (TSX: EDV; ASX: EVR; and OTCQX: EDVMF). Endeavour is a Canadian-based gold mining company focused in West Africa. The company owns three gold mines in Ghana, Burkina Faso and Mali which produced approximately 325k ounces in 2013 with all in sustaining costs estimated at under US$1,100 per ounce. The company is generating significant operating cash flows which is planned to fund further exploration and development growth. The company recently successfully commissioned a fourth mine in Cote D'Ivoire which is ramping up to produce a further 100k ounces per year.

During the reporting period, the key milestones achieved by Endeavour on their project portfolio included:

- Completing their Mali project's mill expansion project which boost production capacity to upwards of 4,000 tonnes per day on time and on budget. The project, Tabakoto, now has the capacity to produce approximately 150k ounces per year
- Completed a PFS on the Hounde gold project in Burkina Faso. The Hounde project is forecast to:
  - Average annual production of 178k gold ounces per year over an 8.1 year life of mine
  - LOM production of 1.44 million ounces
  - An average gold recovery of 93.3% via a SAG/ball mill (SABC) grinding circuit followed by gravity/CIL plant capable of treating 3.0 million tonnes per annum (nameplate capacity: 9,000 tonnes per day)
  - Proven and Probable reserve of 25 million tonnes with an average grade of 1.95 g/t gold
  - Initial start-up capital of US$315 million
  - Forecast life of mine direct cash cost of US$636 per ounce and all-in sustaining cost of US$775 per ounce (including royalties and rehabilitation and closure)
- Successfully commissioned the Agbaou gold project in Cote D'Ivoire. The project was completed on budget and ahead of schedule and, subsequent to the end period, has ramped up to an annualised production rate of 110k ounces

Endeavour is providing gold production guidance for 2014 of 400k to 440k ounces at an all-in sustaining cost per ounce of US$985 to US$1,070. At a US$1,250 gold price and using mid-guidance values for gold production, royalties, cash costs, corporate G&A and sustaining capital, Endeavour is expecting to generate an all in sustaining cash margin of approximately US$95 million.

VENTUREX RESOURCES LIMITED ("VENTUREX")

The Group increased its strategic position in Venturex from 31.87% to 33.47% during the year via participation in an entitlements issue which was completed in June.

During the year, Venturex announced their intention to further optimise the feasibility study on its Pilbara Copper-Zinc Project ("**Project**"). The Project metrics, as defined in the feasibility study released in December 2012, include:

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

Venturex is seeking to increase the Project's scale and extend the mine life via continuing exploration on the expansive Pilbara tenement package whilst also investigating capital refinement opportunities.

The key milestones achieved by Venturex during the period included the following:

- Completed the acquisition of fourteen additional tenements, which are in close proximity to the Project's proposed 1 Mtpa ore processing facility. One of these tenements hosts the Kangaroo Caves prospect which hosts a JORC compliant mineral resource estimate of 6.3Mt at 0.5% copper and 3.3% zinc and is within six kilometres of the planned ore processing facility making it a likely source of ore that will extend the life of the Project.
- Completed a 4,593 metre reverse circulation drilling program on the Kangaroo Caves prospect which yielded encouraging results which identified the potential for shallow, high grade mineralisation extensions along strike. Highlights of the drilling program included intercepts of:
  - 10 metres at 0.30% copper, 6.99% zinc, 0.21% lead, 31.5 g/t silver and 0.12 g/t gold
  - 12.5 metres at 0.60% copper, 6.37% zinc, 0.48% lead, 19.3 g/t silver and 0.08 g/t gold
- Continued advancement of the Project permitting with responses from the various regulatory authorities being positive with receipt of Commonwealth Environmental Approval to proceed under the EPBC Act and the Clearing Permit from the Department of Mines and Petroleum during the year.
- In June 2013, completed a capital raising of A$3.4 million to optimise the feasibility study and fund exploration activities in the Pilbara and Brazil.
- Commenced a 1,350 metre diamond drilling program at the Midway prospect which is approximately 4 kilometres southeast of the Sulphur Springs copper-zinc deposit. The program is testing an anomaly which has a similar alteration signature to the adjacent Sulphur Springs and Kangaroo Caves massive sulphide copper-zinc deposits.
- Boosted cash reserves via;
  - the retirement of environmental bonds resulting in the release of an A$1.69 million bank held security deposit.
  - Sale of the Whim Creek Hotel and associated accommodation village which realised A$1.7 million.

REVENUE AND PROFIT

The Group recorded a net loss after tax and non-controlling interests of US$25.64 million in 2013, compared with a loss of US$44.85 million in 2012.

The corporate division (revenue and fair value loss on financial instruments) recorded a loss of US$16.02 million (2012: US$0.89 million).

The Group's associates, Regent Markets and West China Coke, contributed a share of profit of US$2.59 million and a loss of US$3.01 million respectively to the Group.

The main elements of the loss are analysed as follows:

	US$ million
Share of profit from Regent Markets	2.59
Share of loss from West China Coke	(3.01)
Loss on disposal of the shares of BCI	(3.99)
Impairment loss on West China Coke	(1.20)
Impairment loss on available-for-sale financial assets	(0.51)
Corporate investment	(24.45)
Reversal of deferred tax assets	(5.35)
Write back of the provision of Capital Gains Tax	11.68
Metals mining	(1.53)
Others	0.13
Total loss attributable to owners of the Company	(25.64)

FINANCIAL POSITION

Shareholders' equity decreased by 58.27% to US$58.93 million as at 31 December 2013 from US$141.23 million as at 31 December 2012. The decrease was mainly due to: (i) the loss of US$25.64 million for the year ended 31 December 2013, which included bonus payments totaling US$5 million, (ii) the payment of a special dividend, which reduced the share premium by US$58.44 million, and these were offset against, (iii) the increase in market value of an available-for-sale financial asset, which increased the investment revaluation reserve by US$0.34 million, (iv) the share-based payment reserve increase of US$0.97 million due to the share-based payment on the Group's long term incentive share award scheme, and (v) the increase of the exchange reserve by US$0.46 million due to the share of reserve from associates.

The investments in Regent Markets of US$4.86 million and West China Coke of US$4.27 million accounted for 8.25% and 7.25% of shareholders' equity respectively. The Group's assets also comprised: (i) cash and bank balances of US$9.06 million, (ii) listed and unlisted investments of US$40.15 million, (iii) derivative financial instruments of US$0.51 million, and (iv) other assets and receivables of US$3.80 million.

The Group's liabilities comprised: (i) payables and accruals of US$3.31 million and (ii) derivative financial instruments of US$0.44 million.

STRATEGIC PLAN

The Board and the Group's senior management play an active role in the Group's strategy development and planning process. The Chief Executive Officer arranged offsite meetings with senior management in December 2013, during which management presented to the Chief Executive Officer proposed initiatives based on the Group's strategy for the 2014 financial year and beyond, and the status of strategy implementation together with the key initiatives undertaken. The Chief Executive Officer regularly interacts with the Board in respect of the strategic plan and direction of the Group, during which meetings the Chief Executive Officer seeks and is provided input in respect of the proposed priorities and initiatives previously discussed and agreed with senior management, aiming at developing an agreed approach for the Group to generate and preserve its long-term value, while agreeing shorter term priorities and objectives. In addition, the risks associated with the current operations and strategy of the Group are currently being tested by way of an internal audit process conducted through an independent service provider, with the aim of identifying ways in which the Group can better identify and manage its risks.

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

- divesting of non-core assets and investments to enable the Group to pursue growth opportunities covering our targeted commodities of choice (iron ore, copper, zinc, thermal and coking coal and gold) as well as opportunistic investments in the life sciences sector;
- leverage off our expert international and local teams to tackle difficult markets, deliver results and achieve global recognition; and
- utilise the Company's Hong Kong listing through strong liquidity and access to international capital markets, together with maintaining our corporate governance and social responsibility standards in line with the policies set down by The Stock Exchange of Hong Kong Limited and best practice.

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

FUNDING

As at 31 December 2013, the Group had US$9.06 million in cash and US$1.38 million on margin deposits held with the Group's brokers for trading of derivatives that represented 15.37% and 2.34% of its total shareholders' equity, which does not take into account the Group's holding of securities of FAFVPL that amounted to US$37.81 million.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 31 December 2013.

AUSTRALIAN TAX ON BCI SALE

As announced by the Company on 28 January 2013, 18 April 2013 and 23 August 2013, the Company received orders from the Federal Court of Australia in relation to an assessment issued by the Commissioner of Taxation in the amount of A$12.8 million following completion of the sale of its securities in BCI for gross proceeds of A$81.6 million (the "**Assessment**"). The amount of potential capital gains tax assessed was expressed to be due and payable on 2 December 2013.

Following consultation with the Commissioner of Taxation and pursuant to the terms of the Settlement Deed (as defined in the announcement dated 18 April 2013), the Company agreed to grant The Commonwealth of Australia, represented by the Commissioner of Taxation, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "**Specific Security Deed**") in respect of certain of the Company's investments in entities listed on the Australian Securities Exchange, as security against the Assessment, in consideration of the Commissioner of Taxation taking steps to discontinue the Court orders within 7 days of the date of the Specific Security Deed and staying recovery action in respect of the Assessment until the matter is resolved within the time provided for in any relevant law following the Final Determination of Objection (as defined in the announcement dated 18 April 2013).

Having executed the Settlement Deed and Specific Security Deed, the Company has, together with its external advisers, continued to focus on the merits of the Assessment. From advice received, the Company understands that the ultimate determination of the potential taxation liability will be subject to a valuation of BCI's real property (including mining tenements) and non-real property assets.

To this end, the Company has received independent valuation advice indicating that, based on a valuation of BCI's real property (including mining tenements) and non-real property assets at the relevant time, the Company has strong and compelling grounds based on current law in Australia to challenge the Assessment in its entirety.

Accordingly, the provision of A$12.78 million (or approximately US$11.65 million) in respect of the potential Australian taxation liability in relation to the realised gain on disposal of the Company's investment in BCI was written back in the financial statements for the half-year ended 30 June 2013 (as announced on 23 August 2013) and, prior to 2 December 2013, the Company filed a formal notice of objection with The Commonwealth of Australia, represented by the Commissioner of Taxation, objecting to the assessment.

The Company is continuing to work closely with its Australian advisers to determine the most appropriate course of action in respect of resolving the matter with the Commissioner of Taxation and will provide further updates to the market in due course.

Jamie Gibson
Chief Executive Officer

28 March 2014

ENVIRONMENT, COMMUNITY, HEALTH AND SAFETY

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

HEALTHY AND SAFETY

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

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

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

COMMUNITY

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

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

There were no reportable community concerns during the financial year.

ENVIRONMENT

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

- Encouraging environmentally sustainable practices in its daily decision making processes, including land use, operations, planning and purchasing.
- Undertaking alternative practices and procedures to 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.

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

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

There were no reportable environmental incidents during the financial year.

The Directors (the "**Directors**" or the "**Board**") of Regent Pacific Group Limited (the "**Company**" and collectively with its subsidiaries, the "**Group**") are pleased to submit their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013 (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 14 to the Financial Statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2013 are set out in the Consolidated Statement of Comprehensive Income on pages 74 to 76.

Following the disposal of the Company's entire holding in BC Iron Limited on 16 January 2013, the Company declared a special dividend of HK$0.13 in cash per share on 28 January 2013, which was paid on 15 March 2013 (2012: Nil).

The Directors do not recommend the payment of a final dividend (2012: Nil).

SUMMARY FINANCIAL INFORMATION

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

Results:

	For the year ended 31 December				
	2013 US$'000	2012 US$'000	2011 US$'000	2010 US$'000	2009 US$'000
Total income					
– Continuing operations	(16,024)	(885)	(24,615)	61,158	20,553
– Discontinued operations	—	—	—	—	—
	(16,024)	(885)	(24,615)	61,158	20,553
Income less expenses before impairment losses and provision	(29,930)	(20,895)	(45,212)	34,134	5,212
Reversal of impairment	—	—	—	912	—
Impairment losses	(1,710)	(16,024)	(4,863)	(28)	—
Write down	—	—	(4,345)	—	(6,384)
Finance costs – interest on Redeemable Convertible Preference Shares and hire purchase	—	—	—	(2)	(170)
Operating (loss)/profit	(31,640)	(36,919)	(54,420)	35,016	(1,342)
Gain on disposal of the Ji Ri Ga Lang Coal Project	—	4,409	—	—	—
Gain on disposal of a jointly controlled entity and the Zhun Dong Coal Project	—	—	—	19,834	—
Gain on disposal of the Yinzishan Mining Project	—	—	2,401	—	—
Share of results of associates	(420)	(1,430)	1,705	2,915	3,447
Share of profit of a jointly controlled entity	—	–	—	3,007	9,092
(Loss)/Profit before taxation	(32,060)	(33,940)	(50,314)	60,772	11,197
Tax credit/(payment)	6,334	(11,084)	—	(1,000)	—
(Loss)/Profit for the year	(25,726)	(45,024)	(50,314)	59,772	11,197
Non-controlling interests	90	170	1,787	20	(145)
(Loss)/Profit attributable to shareholders of the Company	(25,636)	(44,854)	(48,527)	59,792	11,052

SUMMARY FINANCIAL INFORMATION (Continued)

Assets and liabilities:

	As at 31 December				
	2013	2012	2011	2010	2009
	US$'000	US$'000	US$'000	US$'000	US$'000
Goodwill	—	—	—	12,256	14,132
Exploration and evaluation assets	—	—	—	9,485	8,187
Property, plant and equipment	199	294	296	558	983
Interests in associates	9,134	11,774	24,727	22,487	19,508
Interest in a jointly controlled entity	—	—	—	—	36,889
Available-for-sale financial assets	2,334	5,279	9,287	7,025	1,597
Current assets	50,972	134,517	172,175	249,226	151,933
Total assets	62,639	151,864	206,485	301,037	233,229
Current liabilities	3,742	3,374	23,137	28,699	6,560
Non-current liabilities	—	7,197	—	—	8
Total liabilities	3,742	10,571	23,137	28,699	6,568
Net assets	58,897	141,293	183,348	272,338	226,661

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates are set out in notes 14 and 15 respectively to the Financial Statements.

GOODWILL

Goodwill of the Group was fully impaired in the prior year as 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 13 to the Financial Statements.

SHARE CAPITAL, OPTIONS AND SHARE AWARDS

Details of the Company's share capital, outstanding share options under the Share Option Scheme (2002) and outstanding units under the Long Term Incentive Plan 2007 are set out below and in note 24 to the Financial Statements.

1. Share Capital

As at 1 January 2013, the total issued ordinary share capital of the Company consisted of 3,485,730,523 shares. During the year ended 31 December 2013 and prior to the date of this report, no new shares were issued and allotted by the Company, and no shares were repurchased by the Company.

2. Share Option Scheme (2002)

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

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

Details of the Share Option Scheme (2002) and particulars of the options held under the scheme by various participants are set out in note 24.1 to the Financial Statements.

As at 1 January 2013, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 150,366,132 ordinary shares at exercise prices ranging from HK$0.266 to HK$1.152 per share.

During the year ended 31 December 2013:

- No new options were granted;
- No vested options were exercised;
- Outstanding options in respect of an aggregate of 28,000,000 shares lapsed on 30 June 2013 upon termination of the employment of four employees (being: (i) three outstanding options granted on 4 April 2006 in respect of an aggregate of 17,500,000 shares at the exercise price of HK$0.300 per share; and (ii) two outstanding options granted on 2 October 2007 in respect of an aggregate of 10,500,000 shares at the exercise price of HK$1.152 per share); and
- No options were cancelled.

Accordingly, as at 31 December 2013, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe for an aggregate of 122,366,132 ordinary shares at exercise prices ranging from HK$0.266 to HK$1.152 per share.

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

SHARE CAPITAL, OPTIONS AND SHARE AWARDS (Continued)

3. Long Term Incentive Plan 2007

The Company adopted a long term incentive plan, named "Long Term Incentive Plan 2007" (the "**Long Term Incentive Plan 2007**"), with shareholders' approval at the Company's extraordinary general meeting held on 8 December 2007. The plan was terminated on 31 May 2013 pursuant to the rules of the plan with all outstanding units under the plan duly vested to the respective unitholders before the termination.

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

Details of the Long Term Incentive Plan 2007 are set out in note 24.2 to the Financial Statements.

(i) Grant and vesting of units

As at 1 January 2013, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 67,900,000 ordinary shares, which were granted on 20 November 2012 to James Mellon and Jamie Gibson and were to be vested in three equal tranches on 3 April 2013, 3 April 2014 and 3 April 2015, providing that all the shares (then remaining outstanding) would be vested in full on the happening of the "trigger event" (as referred to in the offer letters dated 20 November 2012).

During the year ended 31 December 2013:

- An aggregate of 67,900,000 shares were vested, being: (i) 10,000,000 shares and 12,633,333 shares (in respect of the units granted on 20 November 2012) vested to James Mellon and Jamie Gibson respectively on 3 April 2013; and (ii) 20,000,000 shares and 25,266,667 shares (in respect of the units granted on 20 November 2012 then remaining outstanding) vested to James Mellon and Jamie Gibson respectively on 30 May 2013 in accordance with the rules of the plan and as approved by the Remuneration Committee;
- No new units were granted;
- No outstanding units lapsed; and
- No outstanding units were cancelled.

On 31 May 2013, the Long Term Incentive Plan 2007 was terminated pursuant to its rules with all outstanding units under the plan duly vested to the respective unitholders before the termination.

SHARE CAPITAL, OPTIONS AND SHARE AWARDS (Continued)

3. Long Term Incentive Plan 2007 (Continued)

(ii) Acquisition of shares

As at 1 January 2013, an aggregate of 67,900,000 shares were held by the trustee appointed by the Company for the plan, which were acquired by the trustee from the market during previous periods and were to be vested to James Mellon and Jamie Gibson in accordance with their vesting schedules.

During the year ended 31 December 2013:

- An aggregate of 67,900,000 shares were vested, being: (i) 10,000,000 shares and 12,633,333 shares (in respect of the units granted on 20 November 2012) vested to James Mellon and Jamie Gibson respectively on 3 April 2013; and (ii) 20,000,000 shares and 25,266,667 shares (in respect of the units granted on 20 November 2012 then remaining outstanding) vested to James Mellon and Jamie Gibson respectively on 30 May 2013 in accordance with the rules of the plan and as approved by the Remuneration Committee; and
- No shares were acquired from the market.

Upon the termination of the plan, the related trust was closed and the relevant trust deed was terminated on 31 May 2013.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 25 to the Financial Statements. The Company considers that only profits and share premium are distributable to shareholders.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

1. Under the repurchase mandates

A general mandate was granted to the Directors at the Company's annual general meeting held on 30 May 2012 to repurchase, on the HK Stock Exchange, shares up to a maximum of 348,573,052 shares (the "**2012 May Repurchase Mandate**"). Since 30 May 2012, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2012 May Repurchase Mandate.

The 2012 May Repurchase Mandate expired upon close of the Company's annual general meeting held on 19 June 2013, at which a new general mandate was granted to the Directors to repurchase, on the HK Stock Exchange, shares up to a maximum of 348,573,052 shares (the "**2013 Repurchase Mandate**"). Since 19 June 2013 and prior to the date of this report, no shares were repurchased by the Company on the HK Stock Exchange pursuant to the 2013 Repurchase Mandate.

2. For the Long Term Incentive Plan 2007

No shares were acquired by the Company from the market and on the HK Stock Exchange, through its independent trustee, for the Company's Long Term Incentive Plan 2007 during the year ended 31 December 2013 or prior to the date of this report.

The Long Term Incentive Plan 2007 was terminated on 31 May 2013 pursuant to its rules with all outstanding units under the plan duly vested to the respective unitholders before the termination. Upon the termination of the plan, the related trust was closed and the relevant trust deed was terminated on 31 May 2013.

Save for the above, the Company or its subsidiaries did not purchase, sell or redeem any of their listed securities, whether on the HK Stock Exchange or otherwise, during the year ended 31 December 2013 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 2013 and prior to the date of this report, the Company has complied with the public float requirement prescribed in the HK Listing Rules for the Company.

DIRECTORS

The Directors of the Company who held office during the year ended 31 December 2013 and up to the date of this report were:

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

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

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

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

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company, and Stephen Dattels, 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. Rotational retirement and re-election of the retiring Directors will be dealt with by a separate resolution for each of the retiring Directors at the Company's annual general meeting.

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

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

DIRECTORS (Continued)

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

1. ***James Mellon***, aged 57, British, was appointed as an Executive Director of the Company in July 1991, and was re-designated as a Non-Executive Director in May 2002, and is currently Non-Executive Co-Chairman of the Board of Directors. He holds a Master's degree in Politics, Philosophy and Economics from Oxford University and, since graduating in 1978, his whole career has been spent in asset management. Mr Mellon worked for GT Management Plc from 1978 to 1984. In July 1984, he joined the Thornton Group where he was Managing Director of the Asian operation. From 1988 to 1990, he was an executive director of Tyndall Holdings Plc responsible for business expansion and corporate development. In 1990, Mr Mellon co-founded and became Chief Executive of Regent Pacific Group. In 1994, he became Chairman of Regent Pacific Group. Mr Mellon has over 20 years' investment experience in Asia. He specialises in the development and restructuring of international investment vehicles, and travels extensively across the region on company visits and fact-finding missions. He is also director of certain subsidiaries of Regent Pacific Group. Mr Mellon is also: (i) a non-executive director of Charlemagne Capital Limited, a non-executive director of Condor Gold plc, the executive chairman of the board of Manx Financial Group plc, the non-executive chairman of the board of Plethora Solutions Holdings plc (having been appointed as a non-executive director on 9 January 2012 and having undertaken the role of chairman on 12 April 2013), the executive chairman of the board of Port Erin Biopharma Limited, the executive chairman of the board of Speymill plc, a non-executive director of Summit Corporation plc and the non-executive chairman of the board of West African Minerals Corporation, all of which are listed on the Alternative Investment Market ("**AIM**") of the London Stock Exchange; (ii) a non-executive director of Miraculins Inc, which is listed on the Toronto Venture Exchange ("**TSX-V**"); (iii) the non-executive chairman of the board of Rivington Street Holdings Limited, which is listed on PLUS in the United Kingdom; and (iv) the non-executive chairman of the board of Speymill Deutsche Immobilien Company plc (which was delisted from AIM on 31 May 2011). He was formerly: (1) a non-executive director of Brazilian Gold Corporation ("**BGC**", which was delisted from TSX-V on 25 November 2013), having ceased his directorship upon completion of the 100% acquisition of BGC by Brazil Resources Inc. (which is dually listed on TSX-V and OTCQX) by a plan of arrangement on 22 November 2013; (2) a non-executive director of Polo Resources Limited (which is dually listed on AIM and the Bermuda Stock Exchange ("**BSX**")), having resigned on 14 May 2013; (3) a non-executive director of Venturex Resources Limited ("**VXR**", which is listed on the Australian Securities Exchange ("**ASX**")), having been appointed on 5 February 2013, representing the Company's interest held in VXR, and resigned on 10 June 2013; and (4) a non-executive director of Webis Holdings plc (an AIM-listed company), having resigned on 19 January 2012.

DIRECTORS (Continued)

2. ***Stephen Roland Dattels***, aged 66, Canadian, was appointed as Non-Executive Co-Chairman of the Board in February 2008. Mr Dattels is an experienced senior mining executive, and was one of the key executives at Barrick Gold Corporation (whose shares are listed on the Toronto Stock Exchange and the New York Stock Exchange) during its formative years before leaving in 1987. He has helped to form and finance a number of mining ventures, including UraMin Inc, an African based uranium company. He has a Bachelor of Arts degree from McGill University, a law degree (cum laude) from the University of Western Ontario and has completed the Program for Management Development at Harvard University. Mr Dattels was: (i) a non-executive director of Caledon Resources plc (which was delisted from AIM and ASX on 30 August 2011 upon completion of a scheme of arrangement) for the period from July 2008 to November 2010; (ii) a non-executive director of GCM Resources plc (an AIM-listed company), having resigned on 26 June 2013; (iii) a non-executive co-chairman of the board of Polo Resources Limited, which is dually listed on AIM and BSX (having formerly been the joint executive chairman of its board and re-designated as a non-executive on 2 July 2013 and having resigned on 17 October 2013); and (iv) the chief executive and an executive co-chairman of the board of West African Minerals Corporation (an AIM-listed company), having resigned on 17 July 2013.

3. ***Jamie Alexander Gibson***, aged 48, British, joined Regent Pacific Group in April 1996 and was appointed as an Executive Director and Chief Operating Officer of the Company in January 2002. In May 2002, he became Chief Executive Officer of the Company. Mr Gibson has spent most of his professional career with the Company specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining the Company, he worked at Clifford Chance, Coopers & Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also director of a number of subsidiaries of Regent Pacific Group, including Amerinvest Coal Industry Holding Company Limited, which in turn holds a 25% equity interest in West China Coking & Gas Company Limited, and an executive director and the Chief Executive Officer of Plethora Solutions Holdings plc (an AIM-listed company), having been appointed on 1 January 2014. Mr Gibson was formerly: (i) a non-executive director of BC Iron Limited ("**BCI**", an ASX-listed company), having been appointed on 16 July 2012, representing the Company's 23.11 per cent interest then held in BCI, and resigned on 18 December 2012 in anticipation of the Company's contemplated disposal of its entire interest in BCI; and (ii) the alternate director to James Mellon on the board of VXR (as referred to above), having been appointed on 12 March 2013 and resigned on 10 June 2013.

4. ***Charles David Andrew Comba***, aged 70, Canadian, has been an Independent Non-Executive Director of the Company since October 2005. He is currently director of three Canadian listed companies, namely: (i) Cogitore Resources Inc (listed on TSX-V); (ii) First Nickel Inc (listed on the Toronto Stock Exchange); and (iii) North American Palladium Ltd (listed on the Toronto Stock Exchange and the American Stock Exchange). Until his retirement in May 2005, he held senior staff positions as Director Issues Management and more recently as Director of Regulatory Affairs with the Prospectors and Developers Association of Canada. Mr Comba also served the association as a Director prior to joining staff in 1998. He served on or led mineral exploration teams that have made eleven significant discoveries of base and precious metals, primarily for Falconbridge Group companies. Five discoveries were taken to production. After holding Falconbridge Regional Exploration Manager positions in Timmins, Ontario and Sudbury, Ontario, Mr Comba was transferred to Toronto, Ontario in 1990 as Vice President of Exploration Falconbridge Gold Corporation. Subsequent to the sale of FGC to Kinross Gold Corporation he became a director, President and Chief Executive Officer of a Kinross controlled exploration company, Pentland Firth Ventures Limited. Mr Comba obtained two geological degrees from Queen's University Kingston, Ontario, Canada, an MSc (1975) and a Hon BSc (1972).

DIRECTORS (Continued)

5. ***Julie Oates***, aged 52, British, has been an Independent Non-Executive Director of the Company since September 2004. She trained with PKF (Isle of Man) LLC and qualified in 1987 as a member of The Institute of Chartered Accountants in England and Wales. Mrs Oates later joined the international firm of Moore Stephens, and was appointed partner in the Isle of Man firm in 1997. In 2002, she joined a local trust company as Managing Director and in 2003 established her own accountancy practice. Mrs Oates has experience in both the general practice areas of accounting and business assurance as well as offshore corporate and trust administration. Mrs Oates acts as director for a number of companies and is licensed by the Isle of Man Government Financial Supervision Commission and approved to act as a director of insurance companies by the Isle of Man Government Insurance and Pensions Authority.

6. ***Stawell Mark Searle***, aged 70, British, has been an Independent Non-Executive Director of the Company since October 2001. He has over 30 years' experience in the investment management industry. Having trained with Jardine Matheson, the Far Eastern trading house in London, he was seconded to Samuel Montagu where he worked for two years in their Investment Department. Subsequently, Mr Searle joined Investment Intelligence Limited becoming Investment Director responsible for management of a stable of open ended funds. Between 1982 and 1987, he was Managing Director of Richards Longstaff Limited, a privately owned investment consultancy. In the following ten years, he was Investment Director of Gerrard Asset Management. Mr Searle has been a director of a number of closed-ended funds during his career and most recently was a director of Invesco Perpetual European Absolute Return Investment Trust Plc (formerly a listed company on the London Stock Exchange), which was liquidated at the end of October 2009 at the request of a majority of shareholders.

7. ***Jayne Allison Sutcliffe***, aged 50, British, was appointed as the Group Corporate Finance Director in August 1991 and was re-designated as a Non-Executive Director in June 2000. Mrs Sutcliffe has spent most of her professional career in the fund management industry specialising in sales and marketing initially at Thornton Management and then at Tyndall Holdings Plc. Mrs Sutcliffe co-founded Regent Pacific Group in 1990 where she established, and was responsible for, the Group's corporate finance activities. She has a Master's degree in Theology from Oxford University. Mrs Sutcliffe is also director of a subsidiary of Regent Pacific Group. She is also the Group Chief Executive of Charlemagne Capital Limited, which is listed on AIM.

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

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

DIRECTORS (Continued)

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

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

DIRECTORS (Continued)

Notes:

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

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

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

DIRECTORS' INTERESTS IN SECURITIES, OPTIONS AND SHARE AWARDS

As at 31 December 2013, 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	154,986,181	4.45%
	A	Beneficiary of a trust	Long position	375,821,134	10.78%
Stephen Dattels	B	Beneficiary of a trust	Long position	284,266,097	8.16%
Jamie Gibson		Beneficial owner	Long position	142,319,138	4.08%
David Comba		—	—	—	—
Julie Oates	C	Interests held jointly with another person	Long position	2,500,000	0.07%
Mark Searle		Beneficial owner	Long position	4,000,000	0.12%
	D	Beneficiary of a trust	Long position	1,000,000	0.03%
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	0.49%
	E	Beneficiary of a trust	Long position	27,965,226	0.80%

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

** The total issued ordinary share capital of the Company as at 31 December 2013 consisted of 3,485,730,523 shares. There were no changes in the Company's issued share capital subsequent to the year end date and prior to the date of this report.

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

1. Securities of the Company (Continued)

b. Options under Share Option Scheme (2002)

Please refer to note 24.1 to the Financial Statements as to the details of the Share Option Scheme (2002), which expired on 15 November 2012, with the provisions of the rules of the scheme remaining in full force and effect to the extent necessary to give effect to the exercise of any options granted and remaining outstanding prior to the date of the expiry.

As at 31 December 2013, the following Directors of the Company had personal interests in options granted under the Share Option Scheme (2002), entitling them to subscribe for ordinary shares of US$0.01 each in the capital of the Company in accordance with, and subject to, the terms of the scheme:

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

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

During the year ended 31 December 2013 and prior to the date of this report, no new options were granted to the Directors of the Company under the Share Option Scheme (2002), and none of the outstanding options were exercised or cancelled or lapsed.

Save for the above, during the year ended 31 December 2013 and prior to the date of this report, no Directors of the Company exercised any of their rights under the respective options granted to them pursuant to the Share Option Scheme (2002) and subscribed for shares in the Company; and no options were granted or cancelled or lapsed.

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

1. Securities of the Company (Continued)

c. *Share awards under Long Term Incentive Plan 2007*

Please refer to note 24.2 to the Financial Statements as to the details of the Long Term Incentive Plan 2007, which was terminated on 31 May 2013 pursuant to the rules of the plan with all outstanding units under the plan duly vested to the respective unitholders before the termination.

As at 31 December 2013, none of the Directors of the Company had personal interests in share awards granted under the Long Term Incentive Plan 2007.

During the year ended 31 December 2013:

(i) On 3 April 2013, 10,000,000 shares and 12,633,333 shares (in respect of the outstanding units granted on 20 November 2012) were vested to James Mellon and Jamie Gibson respectively.

(ii) On 30 May 2013, in accordance with the rules of the Long Term Incentive Plan 2007 and as approved by the Remuneration Committee, 20,000,000 shares and 25,266,667 shares (in respect of the units granted on 20 November 2012 then remaining outstanding) were vested to James Mellon and Jamie Gibson respectively, which were otherwise to be vested in two equal tranches on 3 April 2014 and 3 April 2015, providing that all the shares (then remaining outstanding) would be vested in full on the happening of the "trigger event" (as referred to in the offer letters dated 20 November 2012).

(iii) On 31 May 2013, the Long Term Incentive Plan 2007 was terminated pursuant to its rules with all outstanding units under the plan duly vested to the respective unitholders before the termination.

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

2. Securities of associated corporations

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

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

Notes:

A. The 375,821,134 ordinary shares in the Company are held by companies wholly owned by the trustee of a settlement, of which James Mellon is a beneficiary.

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

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

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

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

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

Save as disclosed herein, as at 31 December 2013 and as at the date of this report, none of the Directors (or their associates) had/has 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/are deemed or taken to have under such provisions of the SFO) or pursuant to the Model Code.

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

CONNECTED TRANSACTIONS AND SIGNIFICANT CONTRACTS

No connected transactions (as defined in Chapter 14A of the HK Listing Rules) or significant contracts (as referred to in Paragraph 15 of Appendix 16 to the HK Listing Rules) of the Company, to which the Company or any of its subsidiaries was/is a party and in which a Director or Directors of the Company had/has/have a material interest, either directly or indirectly, subsisted/subsists as at 31 December 2013 or as at the date of this report or at any time during the year or prior to the date of this report.

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

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with any Director of the Company or any person engaged in the full-time employment of the Company, subsisted/subsists as at 31 December 2013 or as at the date of this report or at any time during the year or prior to the date of this report, whereby any individual, firm or body corporate undertook/undertakes the management and administration of the whole or any substantial part of any business of the Company.

RELEVANT TRANSACTIONS

As at 31 December 2013 and as at the date of this report and at any time during the year and prior to the date of this report, none of the Directors of the Company owed/owes any outstanding amount on any relevant transactions (including loans, quasi-loans and credit transactions) as referred to in the former Companies Ordinance (Chapter 32) and the new Companies Ordinance (Chapter 622) (which took effect on 3 March 2014) 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) Circum Minerals Limited

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

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

- The Company does not hold any interests in its total issued share capital; and
- Investment companies wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, hold approximately 24.1 per cent of its total issued share capital.

(2) Condor Gold plc

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

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

- The Company holds approximately 10.38 per cent of its total issued share capital; and
- James Mellon (himself and through his associate) holds less than 3 per cent of its total issued share capital, which is not discloseable under the rules of the relevant regulator(s).

(3) West African Minerals Corporation

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

James Mellon is the non-executive chairman of the board of directors of West African Minerals (Stephen Dattels having resigned as the chief executive and as an executive co-chairman of its board on 17 July 2013), and as at the date of this report:

- The Company does not hold any interest in its total issued share capital;
- James Mellon (himself and through his associate) holds approximately 6.17 per cent of its total issued share capital; and
- An investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary, holds approximately 7.21 per cent of its total issued share capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

Note:

Updates are given below in respect of the following companies which were disclosed under the "Directors' Interests in Competing Businesses" in the Company's last annual report:

(A) Brazilian Gold Corporation

On 22 November 2013, Brazil Resources Inc. ("**Brazil Resources**", TSX-V: BRI and OTCQX: BRIZF) completed its acquisition of 100% of the issued and outstanding shares in Brazilian Gold Corporation ("**Brazilian Gold**", formerly TSX-V: BGC) pursuant to a plan of arrangement (the "**Arrangement**"), for consideration consisting of 0.172 share in Brazil Resources for each share held in Brazilian Gold, which was approved by the shareholders of Brazilian Gold on 20 November 2013 and the Supreme Court of British Columbia on 21 November 2013. With the completion of the Arrangement, the shares in Brazilian Gold were delisted from the TSX Venture Exchange on 25 November 2013 and James Mellon ceased to be a non-executive director of Brazilian Gold.

The Company acquired approximately 1.12 per cent of the enlarged issued share capital of Brazil Resources upon completion of the Arrangement. Following a series of disposals, the Company ceased to have any interests in Brazil Resources on 13 January 2014.

As at the date of this report, none of the Directors of the Company has any discloseable interests in Brazil Resources.

(B) GCM Resources plc

Stephen Dattels resigned as a non-executive director of GCM Resources plc ("**GCM Resources**", AIM: GCM) on 26 June 2013.

As at the date of this report, the Company does not hold any interest in the issued share capital of GCM Resources, and none of the Directors of the Company has any discloseable interests in GCM Resources.

(C) Global Tin Corporation

Stephen Dattels ceased to have any interests (through an investment company wholly owned by the trustee of a trust, under which Stephen Dattels is a discretionary beneficiary) in Global Tin Corporation (an unlisted natural resources company) upon the dissolution of Global Tin Corporation in September 2013.

(D) Polo Resources Limited

James Mellon resigned as a non-executive director of Polo Resources Limited ("**Polo Resources**", AIM and BSX: POL) on 14 May 2013; and Stephen Dattels was re-designated as a non-executive co-chairman of the board of directors of Polo Resources on 2 July 2013 and resigned on 17 October 2013.

As at the date of this report, the Company does not hold any interest in the issued share capital of Polo Resources, and none of the Directors of the Company has any discloseable interests in Polo Resources.

(E) Venturex Resources Limited

James Mellon resigned as a non-executive director of Venturex Resources Limited ("**Venturex**", ASX: VXR), and accordingly Jamie Gibson resigned as the alternate director of James Mellon on the board of Venturex, both with effect on 10 June 2013 (as announced by the Company on 11 June 2013).

As at the date of this report, none of the Directors of the Company has any discloseable interests in Venturex.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)

Currently, the existing businesses of the 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

The Directors are not aware of any persons (other than James Mellon, Stephen Dattels and Jamie Gibson, whose interests are set out in detail under the section headed "Directors' Interests in Securities, Options and Share Awards"), who, as at 31 December 2013 or as at the date of this report, had/has beneficial interests or 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 which they were/are deemed or taken to have under such provisions of the SFO).

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITORS

The Financial Statements were audited by BDO Limited.

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

BDO Limited will retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. An ordinary resolution has been proposed for the Company's annual general meeting for Year 2014 for the re-appointment of BDO Limited.

CORPORATE GOVERNANCE REPORT

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

On Behalf of the Board

James Mellon
Co-Chairman

28 March 2014

REVENUE AND PROFIT

The Group recorded a net loss after tax and non-controlling interests of US$25.64 million in 2013, compared with the net loss of US$44.85 million in 2012.

The corporate division (revenue and fair value loss on financial instruments) recorded a loss of US$16.02 million (2012: US$0.89 million).

The Group's associates, Regent Markets Holdings Limited ("**Regent Markets**") and West China Coking & Gas Company Limited ("**West China Coke**"), contributed a share of profit of US$2.59 million and a loss of US$3.01 million respectively to the Group.

The main elements of the loss are analysed as follows:

	US$ million
Share of profit from Regent Markets	2.59
Share of loss from West China Coke	(3.01)
Loss on disposal of the shares of BC Iron Limited ("**BCI**")	(3.99)
Impairment loss on West China Coke	(1.20)
Impairment loss on available-for-sale financial assets	(0.51)
Corporate investment	(24.45)
Reversal of deferred tax assets	(5.35)
Write back of the provision of Capital Gains Tax	11.68
Metals mining	(1.53)
Others	0.13
Total loss attributable to shareholders of the Company	(25.64)

FINANCIAL POSITION

Shareholders' equity decreased by 58.27% to US$58.93 million as at 31 December 2013 from US$141.23 million as at 31 December 2012. The decrease was mainly due to: (i) the loss of US$25.64 million for the year ended 31 December 2013, which included bonus payments totaling US$5 million, (ii) the payment of a special dividend, which reduced the share premium by US$58.44 million, and these were offset against, (iii) the increase in market value of an available-for-sale financial asset, which increased the investment revaluation reserve by US$0.34 million, (iv) the share-based payment reserve increase of US$0.97 million due to the share-based payment on the Group's long term incentive share award scheme, and (v) the increase of the exchange reserve by US$0.46 million due to the share of reserve from associates.

The investments in Regent Markets of US$4.86 million and West China Coke of US$4.27 million accounted for 8.25% and 7.25% of shareholders' equity respectively. The Group's assets also comprised: (i) cash and bank balances of US$9.06 million, (ii) listed and unlisted investments of US$40.15 million, (iii) derivative financial instruments of US$0.51 million, and (iv) other assets and receivables of US$3.80 million.

The Group's liabilities comprised: (i) payables and accruals of US$3.31 million and (ii) derivative financial instruments of US$0.44 million.

STRATEGIC PLAN

The Board and the Group's senior management play an active role in the Group's strategy development and planning process. The Chief Executive Officer arranged offsite meetings with senior management in December 2013, during which management presented to the Chief Executive Officer proposed initiatives based on the Group's strategy for the 2014 financial year and beyond, and the status of strategy implementation together with the key initiatives undertaken. The Chief Executive Officer regularly interacts with the Board in respect of the strategic plan and direction of the Group, during which meetings the Chief Executive Officer seeks and is provided input in respect of the proposed priorities and initiatives previously discussed and agreed with senior management, aiming at developing an agreed approach for the Group to generate and preserve its long-term value, while agreeing shorter term priorities and objectives. In addition, the risks associated with the current operations and strategy of the Group are currently being tested by way of an internal audit process conducted through an independent service provider, with the aim of identifying ways in which the Group can better identify and manage its risks.

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

- divesting of non-core assets and investments to enable the Group to pursue growth opportunities covering our targeted commodities of choice (iron ore, copper, zinc, thermal and coking coal and gold) as well as opportunistic investments in the life sciences sector;
- leverage off our expert international and local teams to tackle difficult markets, deliver results and achieve global recognition; and
- utilise the Company's Hong Kong listing through strong liquidity and access to international capital markets, together with maintaining our corporate governance and social responsibility standards in line with the policies set down by The Stock Exchange of Hong Kong Limited and best practice.

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

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

In respect of the Group's commitment in divesting non-core assets, we are considering a divestment of Regent Markets in 2014 that would seek to unlock potential hidden value for the benefit of our shareholders. We believe that there is hidden value within Regent Markets, where on a successful sale or listing of Regent Markets significant value could be 'unlocked'. For example, if a price earnings ratio of 7.5x 2013 earnings was applied on a successful sale or listing, a total value of approximately US$46.5 million for Regent Markets would be given. We valued our investment in Regent Markets at US$4.9 million in our balance sheet at 31 December 2013.

FUNDING

As at 31 December 2013, the Group had US$9.06 million in cash and US$1.38 million on margin deposits held with the Group's brokers for trading of derivatives that represented 15.37% and 2.34% of its total shareholders' equity, which does not take into account the Group's holding of securities of financial assets at fair value through profit or loss that amounted to US$37.81 million.

GEARING RATIO

No gearing ratio (being long term debts over total equity and long term debts) is calculated as there was no long term debt as at 31 December 2013.

CONTINGENT LIABILITIEES

The Group has no material contingent liabilities as at 31 December 2013.

CHARGE ON ASSETS

As announced by the Company on 28 January 2013, 18 April 2013 and 23 August 2013 and noted in the paragraph headed "Australian Tax on BCI Sale" under "CEO's Report", the Company received orders from the Federal Court of Australia in relation to an assessment issued by the Commissioner of Taxation in the amount of A$12.8 million following completion of the sale of its securities in BCI for gross proceeds of A$81.6 million (the "**Assessment**"). The amount of potential capital gains tax assessed is expressed to be due and payable on 2 December 2013.

Following consultation with the Commissioner of Taxation and pursuant to the terms of the Settlement Deed (as defined in the announcement dated 18 April 2013), the Company agreed to grant The Commonwealth of Australia, represented by the Commissioner of Taxation, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "**Specific Security Deed**") in respect of certain of the Company's holding of 518,103,930 shares in Venturex Resources Limited ("**Venturex**"), 10,854,568 shares in Bannerman Resources Limited and 12,700,000 shares in Tigers Realm Coal Limited, of which the market value are A$5.18 million (or approximately US$4.62 million), A$0.53 million (or approximately US$0.47 million) and A$2.10 million (or approximately US$1.87 million) as at 31 December 2013 respectively, as security against the Assessment, in consideration of the Commissioner of Taxation taking steps to discontinue the Court orders within 7 days of the date of the Specific Security Deed and staying recovery action in respect of the Assessment until the matter is resolved within the time provided for in any relevant law following the Final Determination of Objection (as defined in the announcement dated 18 April 2013).

None of the Group's other assets was pledged as at 31 December 2013 (2012: Nil).

MANAGEMENT OF RISK

In 2013, the most significant risk affecting the profitability and viability in respect of the Group is the continued success and revenue derived from its listed equity portfolio and in respect of the Group's interest in West China Coke. Risks relating to the Group's interests include:

Equity Markets

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

Price Risk

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

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

Co-operation of the Joint Venture Partners

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

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

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

MANAGEMENT OF RISK (Continued)

Operational Risks

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

Uncertainties Related to Exploration

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

Licence Period of Exploration and Mining Rights

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

Capital Requirements and Funding Sources

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

Government Regulations

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

Political and Economic Considerations

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

MANAGEMENT OF RISK (Continued)

Legal Considerations

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

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

Competition for Resources

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

Foreign Exchange Risk

The Group operates using US dollars. As such the Group is exposed to foreign currency fluctuations arising from operations of its subsidiaries and associates. This exposure relates mainly to the translation between US dollars and non-US dollar currencies. Currency fluctuations may affect the revenues which the Group realises from its subsidiaries and associates and, in particular, its interest in West China Coke. This exposes the Group 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 Group.

Interest Rate Risk

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

Environmental and Employee Health and Safety Risks

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

MANAGEMENT OF RISK (Continued)

Accidents and Insufficient Insurance Coverage

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

FINANCIAL INSTRUMENTS

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

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 December 2013, the amount of these margin deposits was US$1.38 million (2012: US$0.59 million). In terms of the total operations of the Group, activities of this nature are of limited materiality.

FOREIGN CURRENCY

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

MATERIAL ACQUISITIONS AND DISPOSALS

As previously announced, during the year the Group:

- increased its stakes in Condor Gold plc to approximately 10.38% through a series of on market acquisitions and a share placement which was completed from February to April 2013 at a total cost of US$8.98 million;
- increased its stake in Trinity Exploration & Production plc ("**Trinity**") to approximately 4.12% at a cost of US$4.72 million through participation in Trinity's US$90 million share placement completed in January 2013 following its merger with Bayfield Energy Holdings plc, as well as on market purchases of Trinity shares;
- increased its stake in Plethora Solutions Holdings plc to approximately 13.85% through participation in a share placement that was completed in October 2013;
- increased its strategic position in Venturex by participating in an entitlements issue, following which the Group's position represented approximately 33.47% of the company's enlarged share capital; and
- in January 2013, the Group successfully completed the disposal of the Group's remaining position in BCI, providing the Group with total gross proceeds (before expenses and taxes) of approximately US$84.73 million and a net realised loss of approximately US$3.99 million for the year ended 31 December 2013. However, taken as a whole, the disposal was successful because it provided the Group with an overall investment return of approximately US$48.18 million, comprising sales proceeds (before expenses and taxes) of approximately US$85.06 million, a special dividend of approximately US$3.74 million, net of investment costs of approximately US$40.62 million, representing a "cash-on-cash" return of 2.19 times the Group's original cash investment, which was an outstanding result on an overall return.

SEGMENTAL INFORMATION

During the year ended 31 December 2013, there were no changes in the Group's industry segment.

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

EMPLOYEES

The Group, including subsidiaries but excluding associates, employed approximately 19 employees at 31 December 2013 (2012: 24 employees). The remuneration policy is to reward key employees by a combination of salaries, profit related discretionary bonuses and share options and share awards, where appropriate. For employees below Board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the Remuneration Committee of the Board. In all cases, profit related discretionary bonuses and grants of share rewards will be agreed by the Remuneration Committee of the Board.

THE CORPORATE GOVERNANCE CODE

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

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

As far as the Directors are aware, the Company has complied with the code provisions set out in the CG Code during the year ended 31 December 2013 and prior to the date of this report.

THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

In compliance with Code Provision A.5.4 of The Code on Corporate Governance Practices (the "**Code on CG Practices**"), which was re-stated as Code Provision A.6.4 of the CG Code with effect from 1 April 2012, the Group adopted its 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 Rules Governing the Listing of Securities (the "**HK Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**"), on 31 March 2004.

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

Having made specific enquiries, all Directors of the Company confirmed that they have complied with the Group's Code during the year ended 31 December 2013 and prior to the date of this report.

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

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

BOARD OF DIRECTORS

Composition

During the year ended 31 December 2013 and prior to the date of this report, there were no changes in the directorate.

The Board currently consists of seven Directors, namely:

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

The Directors who held office during the year ended 31 December 2013 and up to the date of this report, accompanied by their respective biographical details, are listed in the Directors' Report under the section headed "Directors". It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interests of the Company. All Directors are aware of the required levels of fiduciary duties and duties of skill, care and diligence under Rule 3.08 of the HK Listing Rules.

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

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

No Directors will retire pursuant to Article 86(3) at the forthcoming annual general meeting of the Company, and Stephen Dattels, 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. Rotational retirement and re-election of the retiring Directors will be dealt with by a separate resolution for each of the retiring Directors at the Company's annual general meeting.

BOARD OF DIRECTORS (Continued)

Composition (Continued)

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

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

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

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

Board meetings and attendance and written resolutions

During the year ended 31 December 2013, the Directors held meetings at least at a quarterly interval and in total five Board meetings were held during the year. The attendance of the respective Directors at the Board meetings are set out below:

Name of Director	Number of meetings held	Number of meetings attended	Number of meetings absent	Attendance rate (%)
James Mellon	5	5	0	100.00%
Stephen Dattels	5	5	0	100.00%
Jamie Gibson	5	5	0	100.00%
David Comba	5	4	1	80.00%
Julie Oates	5	5	0	100.00%
Mark Searle	5	5	0	100.00%
Jayne Sutcliffe	5	1	4	20.00%

Subsequent to the year end date and prior to the date of this report, the Directors held one Board meeting, which was attended by all Directors except Jayne Sutcliffe.

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

BOARD OF DIRECTORS (Continued)

Board meetings and attendance and written resolutions (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. Directors are always given opportunity to include matters in the agenda of the Board meetings.

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

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

General meetings and attendance

The Company held its annual general meeting for Year 2013 on 19 June 2013, which was attended and chaired by Jamie Gibson, the Executive Director of the Company.

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

Shareholders also noted that:

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

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

(iii) Mark Searle was the Chairman of the Company's remuneration committee (the "**Remuneration Committee**").

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

BOARD OF DIRECTORS (Continued)

General meetings and attendance (Continued)

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

Further, during the year ended 31 December 2013, the Company held an extraordinary general meeting on 16 January 2013, which was attended and chaired by Jamie Gibson, the Executive Director of the Company.

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

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

Subsequent to the year end date and prior to the date of this report, the Company did not hold any extraordinary general meeting.

BOARD OF DIRECTORS (Continued)

Time commitment

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

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

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

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

Subsequent to the year end date, the Board conducted a review of the Directors' contribution to the Company in March 2014, with no exceptions being reported, such that the Directors were able to perform their duties and responsibilities in compliance with the HK Listing Rules and the CG Code.

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

The Board and management

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

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

BOARD OF DIRECTORS (Continued)

The Board and management (Continued)

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

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

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

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

(iv) corporate and regulatory issues, including corporate strategy and planning, internal controls and compliance, providing that the following shall always be subject to approval by a resolution of the Board:

- material capital commitment (material being defined as representing more than 5 per cent 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 former Companies Ordinance (Chapter 32) and the new Companies Ordinance (Chapter 622) (which took effect on 3 March 2014) of Hong Kong; and
- management contracts of service with any Director (as referred to in the former Companies Ordinance (Chapter 32) and the new Companies Ordinance (Chapter 622) (which took effect on 3 March 2014) of Hong Kong) and bank borrowings.

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

BOARD OF DIRECTORS (Continued)

Directors' training

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

By emails circulated by the Company Secretary from time to time, Directors are provided with updates on the HK Listing Rules and the relevant statutes, rules and regulations. Updates which were circulated during the year ended 31 December 2013 included:

- The "Results of Stock Exchange Review of Listed Issuers' Financial Reports" published by the HK Stock Exchange on 25 January 2013;
- The letter in relation to the "Rule Implications Arising from the Adoption of Hong Kong Financial Reporting Standard 10/ International Financial Reporting Standard 10" issued by the HK Stock Exchange on 1 March 2013;
- The "Consultation Conclusions on Trading Halts" published by the HK Stock Exchange on 15 March 2013; and
- The letter in relation to the "Guidance on Issuers' Rule Compliance Based on the Exchange's Review of Disclosure in Issuers' Annual Reports" issued by the HK Stock Exchange on 22 March 2013.

Further, the Company has arranged certain in-house training programmes for the Directors.

Directors also reported that they have attended various training programmes and seminars during the year ended 31 December 2013 (which were funded by the Company upon request) and confirmed that they have complied with the new Code Provision A.6.5 of the CG Code.

Subsequent to the year end date and prior to the date of this report, updates, among other things, were circulated by the Company Secretary to the Directors on:

- The "Financial Statements Review Programme Report 2013" published by the HK Stock Exchange on 21 February 2014;
- The revised "Codes on Takeovers and Mergers and Share Buy-backs" (formerly the "Codes on Takeovers and Mergers and Share Repurchases") published by the Securities and Futures Commission on 3 March 2014 upon the new Companies Ordinance (Chapter 622) of Hong Kong having come into effect;
- The "Consultation Conclusions on Review of Connected Transaction Rules" published by the HK Stock Exchange on 24 March 2014;
- The "Consultation Conclusions on Proposed Changes to Align the Definitions of Connected Person and Associate in the Listing Rules" published by the HK Stock Exchange on 24 March 2014; and
- The "Review of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance - Report 2013" published by the HK Stock Exchange on 28 March 2014.

Board evaluation

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

Subsequent to the year end date, the Board conducted an evaluation of the Board's performance in March 2014, with no exceptions being reported.

BOARD OF DIRECTORS (Continued)

Directors' and officers' liability insurance policy

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with the Rules 3.10(1) and 3.10A of the HK Listing Rules, the Board currently comprises three Independent Non-Executive Directors, namely David Comba, Julie Oates and Mark Searle, representing more than one-third of the Board.

Code Provision A.4.3

Code Provision A.4.3 of the CG Code provides that serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves for more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be elected.

(1) In accordance with Article 87 of the Company's Articles of Association, Julie Oates, Mark Searle and Jayne Sutcliffe retired by rotation at the Company's last annual general meeting held on 19 June 2013 (the "**2013 Annual General Meeting**"). All of them, being eligible, offered themselves for re-election. In particular regard to Code Provision A.4.3, it was noted that:

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

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

    At a meeting of the Nomination Committee held in March 2013, James Mellon and Jamie Gibson were of the view that each of David Comba, Julie Oates and Mark Searle were independent under the independence criteria set out in Rule 3.13(1) to (8) of the HK Listing Rules and had proved to be capable to efficiently exercise independent judgement. Among them, Julie Oates had the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). Accordingly, the Directors considered that Julie Oates and Mark Searle should be re-elected as Independent Non-Executive Directors at the 2013 Annual General Meeting. Such view was noted at a Board Meeting held in March 2013.

    Such reasoning, accompanied by the details of the Directors proposed to be re-elected, as required under Rule 13.51(2) and Code Provision A.4.3, were duly set out in the shareholders' circular issued by the Company on 19 April 2013. It was also noted in the circular that Julie Oates and Mark Searle served in the Audit Committee, the Connected Transactions Committee, the Nomination Committee and the Remuneration Committee, while Julie Oates was the Chairlady of the first two committees and Mark Searle was the Chairman of the Remuneration Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Code Provision A.4.3 (Continued)

The Company used to deal with the rotational retirement and re-election of the retiring Directors by a separate resolution for each of the retiring Directors at the Company's annual general meetings.

Accordingly, each of the retiring Directors (including Mark Searle and Julie Oates) were duly re-elected as Directors by a separate resolution at the 2013 Annual General Meeting.

(2) At the forthcoming annual general meeting of the Company (the "**2014 Annual General Meeting**"), Stephen Dattels, Jamie Gibson and David Comba will retire by in accordance with Article 87 of the Company's Articles of Association. All of them, being eligible, offer themselves for re-election. It is noted that David Comba, who was appointed as an Independent Non-Executive Director on 27 October 2005, would be serving his 9th year in 2014.

At a meeting of the Nomination Committee held in March 2014, James Mellon and Jamie Gibson were of the view that each of David Comba, Julie Oates and Mark Searle were independent under the independence criteria set out in Rule 3.13(1) to (8) of the HK Listing Rules and had proved to be capable to efficiently exercise independent judgement. Accordingly, the Directors considered that David Comba should be re-elected as an Independent Non-Executive Director at the 2014 Annual General Meeting. Such view was noted at a Board Meeting held in March 2014.

Such reasoning, accompanied by the details of the Directors proposed to be re-elected, as required under Rule 13.51(2) and Code Provision A.4.3, are duly set out in the accompanying shareholders' circular. It is also noted in the circular that David Comba is a member of the Chapter 18 technical committee of the Company (the "**Technical Committee**").

Rotational retirement and re-election of the retiring Directors will be dealt with by a separate resolution for each of the retiring Directors at the 2014 Annual General Meeting.

Confirmation of independence

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 continue to be independent under the independence criteria referred to in Rule 3.13(1) to (8) and are capable to efficiently exercise independent judgement. Among them, Julie Oates has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). Julie Oates and Mark Searle serve in the Audit Committee, the Connected Transactions Committee, the Nomination Committee and the Remuneration Committee, while Julie Oates is the Chairlady of the first two committees and Mark Searle is the Chairman of the remuneration committee. And, David Comba is a member of the Technical Committee.

CO-CHAIRMEN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

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

Pursuant to Code Provision A.2.7 of the CG Code, the Co-Chairmen of the Board held a private meeting in March 2013 with the Non-Executive Directors (including the Independent Non-Executive Directors) without the presence of the Executive Director, which was attended by all Non-Executive Directors except Jayne Sutcliffe.

Subsequent to the year end date and prior to the date of this report, James Mellon (Non-Executive Co-Chairman of the Board) held a private meeting in March 2014 with the Non-Executive Directors (including the Independent Non-Executive Directors), without the presence of the Executive Director, which was attended by three Independent Non-Executive Directors, namely David Comba, Julie Oates and Mark Searle (with Stephen Dattels (Non-Executive Co-Chairman of the Board) and Jayne Sutcliffe (Non-Executive Director) absent and Jamie Gibson (Executive Director) excused).

NON-EXECUTIVE DIRECTORS

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

The letter of appointment of each of the remaining five Non-Executive Directors (including the independent Directors) provides that his/her appointment may be terminated by either party giving 30 calendar days' notice and he/she is also subject to the directors' retirement provisions as set out in the Company's Articles of Association.

REMUNERATION COMMITTEE

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

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

During the year ended 31 December 2013, the Remuneration Committee held one meeting with respect to the accelerated vesting of all outstanding units in respect of an aggregate of 45,266,667 shares (being a unit in respect of 20,000,000 shares held by James Mellon and a unit in respect of 25,266,667 shares held by Jamie Gibson) under the Company's Long Term Incentive Plan 2007 (the "**Plan**") and the termination of the Plan. The attendance of the respective Directors at the Remuneration Committee's meetings are set out below:

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

Further, the Remuneration Committee passed two sets of written resolutions during the year ended 31 December 2013 with respect to: (i) the approval of the payment of special bonuses on the sale of BC Iron Limited and the review as to whether further units were to be granted under the Company's Long Term Incentive Plan 2007 (Note below); and (ii) the conditions and performance targets fixed for the special one-off bonuses to be paid in the year ending 31 December 2014 (Note below).

Subsequent to the year end date and prior to the date of this report, the Remuneration Committee did not hold any meetings or pass any written resolutions.

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

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

REMUNERATION COMMITTEE (Continued)

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

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

Note: In view of his interests in the matters being considered, James Mellon abstained from voting at the said Meeting (and was not counted in the quorum for the Meeting) or on the said resolutions. Furthermore, and for the avoidance of doubt, it was noted that James Mellon did not take part in any discussions pertaining to the quantum and allocation of any bonus and abstained himself from any discussion pertaining to the one-off special bonus.

NOMINATION COMMITTEE

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

During the year ended 31 December 2013, the Nomination Committee held one meeting, with respect to: (i) an annual review of the structure, size and composition (including skills, knowledge and experience) of the Board; (ii) the review of the independence of the Independent Non-Executive Directors; (iii) the adoption of the "Board Diversity Policy" (as set out in detail below); (iv) the review of the policy on succession; and (v) the re-appointment of Mark Searle and Julie Oates (being Independent Non-Executive Directors having served more than 9 years or serving for her 9th year respectively) at the 2013 Annual General Meeting. The attendance of the respective Directors at the Nomination Committee's meetings are set out below:

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

Subsequent to the year end date and prior to the date of this report, the Nomination Committee held one meeting, which was attended by all members of the committee, with respect to: (i) an annual review of the structure, size and composition (including skills, knowledge, experience and diversity of perspectives) of the Board; (ii) an annual review of the "Board Diversity Policy" (as set out in detail below); (iii) an annual review of the independence of the Independent Non-Executive Directors; and (iv) the re-appointment of David Comba (being an Independent Non-Executive Directors serving for his 9th year) at the 2014 Annual General Meeting.

NOMINATION COMMITTEE (Continued)

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

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

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

During the year ended 31 December 2013 and prior to the date of this report, there were no changes in the directorate, either new appointments or resignations.

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

Board Diversity Policy

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

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

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

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

NOMINATION COMMITTEE (Continued)

Board Diversity Policy (Continued)

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

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

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

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

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

The first annual review of the Board Diversity Policy was conducted in March 2014. The Nomination Committee was of the view that the Company's Board Diversity Policy was suitable for the size of the Company.

CORPORATE GOVERNANCE FUNCTION

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

During the year ended 31 December 2013 and prior to the date of this report, among other things, the Board: (i) revised the Group's Code in order to comply with the amendments made to the Model Code consequential to the introduction of the statutory disclosure regime in respect of inside information under the new Part XIVA of the SFO and established an inside information committee (as referred to below) to review and monitor the compliance of the Company with its statutory disclosure obligations under Part XIVA of the SFO, the HK Listing Rules and other applicable laws and regulations in respect of disclosure and transparency relevant to the Company; and (ii) via the Nomination Committee, adopted the "Board Diversity Policy" (as referred to above).

AUDIT COMMITTEE

The audited financial statements of the Company for the year ended 31 December 2013 have been reviewed by the Audit Committee.

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

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

During the year ended 31 December 2013, the Audit Committee held two meetings with respect to: (i) the internal control review, the review and approval of the Company's audited financial statements for the year ended 31 December 2012, the risk management, and an annual evaluation of the committee; and (ii) the internal control review (including risk management) and the review and approval of the Company's interim financial statements for the six months ended 30 June 2013 respectively, with the presence of the external and internal auditors for the relevant resolutions. The attendance of the respective Directors at the Audit Committee's meetings are set out below:

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

Subsequent to the year end date and prior to the date of this report, the Audit Committee held one meeting which was attended by all members of the committee, with the presence of the external and internal auditors for the relevant resolutions, with respect to the internal control review, the review and approval of the Company's audited financial statements for the year ended 31 December 2013, the risk management, and an annual evaluation of the committee.

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

AUDIT COMMITTEE (Continued)

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

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

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

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

CONNECTED TRANSACTIONS COMMITTEE

The Company established 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 Executive Director and Chief Executive Officer (Jamie Gibson).

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

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

INSIDE INFORMATION COMMITTEE

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

AUDITOR

Remuneration

The Audit Committee reviewed and approved the auditor's remuneration on the basis that it was fair and reasonable for the size and operations of the Group and such remuneration was in the best interests of the Company. Apart from audit services, the Group's auditor, BDO Limited, provided non-audit services in respect of taxation, for which BDO Limited received a fee of approximately US$11,000 during the year ended 31 December 2013.

Attendance at general meetings

In accordance with Code Provision E.1.2 of the CG Code, at the Company's invitation, representatives of its external Auditor, BDO Limited, attended the 2013 Annual General Meeting to answer questions about the audit of the Company's financial statements, including the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

COMPANY SECRETARY

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

Ms Fung is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries. She has confirmed that she has complied with Rule 3.29 of the HK Listing Rules and has taken no less than 15 hours of relevant professional training during the year ended 31 December 2013.

SHAREHOLDERS' RIGHTS AND COMMUNICATION

Shareholders' communication policy

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

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

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

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

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

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

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

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

SHAREHOLDERS' RIGHTS AND COMMUNICATION (Continued)

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

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

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

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

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

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

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

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

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

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

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

SHAREHOLDERS' RIGHTS AND COMMUNICATION (Continued)

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

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

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

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

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

Review of shareholders' communication policy

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

Subsequent to the year end date, the Board conducted a review of the above shareholders' communication policy in March 2014, which concluded that the Company had in place a compliant (under the CG Code) and effective means of communication with its shareholders.

INVESTOR RELATIONS

During the year ended 31 December 2013 and prior to the date of this report, there were no changes made to the Company's Memorandum and Articles of Association.

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

Right to demand poll

Under Article 66 of the Company's Articles of Association, subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles of Association, at any general meeting on a show of hands every member present in person (or being a corporation, present by a representative duly authorised) or by proxy shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Where a member is, under the HK Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

INVESTOR RELATIONS (Continued)

Right to demand poll (Continued)

A resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is required under the HK Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

a. by the chairman of such meeting; or

b. by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

c. by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

d. by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

The Directors have noted that the aforesaid Article 66 is not in compliance with Section 591(2) of the new Companies Ordinance (Chapter 622) of Hong Kong, which took effect on 3 March 2014. Section 591(2) provides that a provision of a company's articles is void in so far as it would have the effect of making ineffective a demand for a poll at a general meeting on any question (other than: (i) the election of the chairperson of the meeting; or (ii) the adjournment of the meeting), which is made:

(a) by at least five members having the right to vote at the meeting;

(b) by a member or members representing at least 5 per cent of the total voting rights of all the members having the right to vote at the meeting; or

(c) by the chairperson of the meeting.

Given that the Company is not a Hong Kong incorporated company and that pursuant to Rule 13.39(4) of the HK Listing Rules, the chairman of the Company's general meetings will demand a poll on all resolutions proposed at the meeting, the Directors have not proposed any amendments to Article 66 of the Company's Articles of Association regarding the members' right to demand poll.

INTERNAL CONTROL

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

Internal audit function

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

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

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

Annual internal control assessment

During the year ended 31 December 2013, the internal audit function has conducted reviews of the system of internal controls of the Group. Internal control reviews were carried out in accordance with the risk-based internal audit plan.

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

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

FINANCIAL REPORTING

The financial statements of the Company for the year ended 31 December 2013 have been reviewed by the Audit Committee. The Directors acknowledge their responsibility for preparing the accounts and presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. An explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the Company's objectives are set out under the section headed "Strategy Plan" in the "Management's Discussion and Analysis of the Group's Performance".

A report of the independent auditor with respect to the Company's financial statements for the year ended 31 December 2013 is included in this annual report.

On Behalf of the Board

James Mellon
Co-Chairman

28 March 2014

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

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

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

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

In accordance with the above mentioned continuing disclosure obligations of Mineral Companies, in respect of Rule 18.14, there were no relevant exploration, development, expenditure or production activities for the financial year ended 2013.

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

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Regent Pacific Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 74 to 156, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

28 March 2014
Hong Kong

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Continuing operations			
Revenue/Turnover:	5		
Corporate investment income		2,670	5,890
Other income		60	152
		2,730	6,042
Fair value loss on financial instruments	6	(18,754)	(6,927)
Total income less fair value loss on financial instruments		(16,024)	(885)
Expenses:			
Employee benefit expenses	7	(10,924)	(16,786)
Rental and office expenses		(880)	(889)
Information and technology expenses		(242)	(267)
Marketing costs and commissions		(9)	(22)
Professional and consulting fees		(1,203)	(1,021)
Other operating expenses		(648)	(1,025)
Operating loss before impairment loss and provisions		(29,930)	(20,895)
Impairment loss on available-for-sale financial assets	16	(510)	(6,686)
Impairment loss on interest in an associate	15	(1,200)	(9,338)
Operating loss	6	(31,640)	(36,919)
Share of results of associates	15	(420)	(1,430)
Loss before income tax		(32,060)	(38,349)
Taxation	8	6,334	(10,093)
Loss for the year from continuing operations		(25,726)	(48,442)

	Notes	2013 US$'000	2012 US$'000
Discontinued operations			
Gain on disposal of the Ji Ri Ga Lang Coal Project of US$4,409,000 (note 27), net of tax of US$991,000 (note 8)	23	—	3,418
		—	3,418
Loss for the year		(25,726)	(45,024)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets	16	(172)	(1,471)
Reclassification adjustment on impairment on available-for-sale financial assets	16	510	1,471
Exchange gain/(loss) on translation of financial statements of foreign operations		433	(69)
Reclassification of exchange reserve upon disposal of subsidiaries		—	(110)
Share of other comprehensive income of associates		26	(700)
Other comprehensive income for the year		797	(879)
Total comprehensive income for the year		(24,929)	(45,903)
Loss for the year attributable to:			
Shareholders of the Company	9	(25,636)	(44,854)
Non-controlling interests		(90)	(170)
		(25,726)	(45,024)
Loss attributable to shareholders of the Company arises from:			
Continuing operations		(25,636)	(48,272)
Discontinued operations		—	3,418
		(25,636)	(44,854)

	Notes	2013 US$'000	2012 US$'000
Total comprehensive income attributable to:			
Shareholders of the Company		(24,839)	(45,731)
Non-controlling interests		(90)	(172)
		(24,929)	(45,903)
Total comprehensive income attributable to shareholders of the Company arises from:			
Continuing operations		(24,839)	(49,149)
Discontinued operations		—	3,418
		(24,839)	(45,731)
Losses per share from continuing and discontinued operations:	11	US cent	US cent
– Basic and Diluted		(0.74)	(1.41)
Losses per share from continuing operations:	11	US cent	US cent
– Basic and Diluted		(0.74)	(1.52)
Earnings per share from discontinued operations:	11	US cent	US cent
– Basic and Diluted		—	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Non-current assets:			
Goodwill	12	—	—
Property, plant and equipment	13	199	294
Interests in associates	15	9,134	11,774
Available-for-sale financial assets	16	2,334	5,279
		11,667	17,347
Current assets:			
Cash and bank balances	18	9,055	11,447
Financial assets at fair value through profit or loss	17	37,814	119,058
Loan receivables	19	—	—
Prepayments, deposits and other receivables	20	3,597	2,441
Derivative financial instruments	26	506	1,571
		50,972	134,517
Current liabilities:			
Trade payables, deposit received, accruals and other payables	21	(3,305)	(3,374)
Derivative financial instruments	26	(437)	—
		(3,742)	(3,374)
Net current assets		47,230	131,143
Total assets less current liabilities		58,897	148,490

	Notes	2013 US$'000	2012 US$'000
Non-current liabilities :			
Deferred tax liabilities	28	—	(7,197)
NET ASSETS		58,897	141,293
Capital and reserves attributable to shareholders of the Company			
Share capital	24	34,857	34,857
Reserves	25	24,070	106,376
Equity attributable to shareholders of the Company		58,927	141,233
Non-controlling interests		(30)	60
TOTAL EQUITY		58,897	141,293

The financial statements on pages 74 to 156 were approved and authorised for issue by the Board of Directors on 28 March 2014

James Mellon
Co-Chairman

Jamie Gibson
Executive Director

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Non-current assets:			
Interests in subsidiaries	14	1,613	1,613
Interest in an associate	15	2,000	2,000
Available-for-sale financial assets	16	2,334	5,279
		5,947	8,892
Current assets:			
Cash and bank balances	18	8,322	10,655
Amounts due from subsidiaries	22	15,404	5,341
Financial assets at fair value through profit or loss	17	37,561	118,319
Prepayments, deposits and other receivables	20	3,212	2,064
Derivative financial instruments	26	506	1,571
		65,005	137,950
Current liabilities:			
Trade payables, deposit received, accruals and other payables	21	(2,915)	(2,922)
Amounts due to subsidiaries	22	(14,503)	(14,519)
Derivative financial instruments	26	(437)	—
		(17,855)	(17,441)
Net current assets		47,150	120,509
Total assets less current liabilities		53,097	129,401
Non-current liabilities			
Deferred tax liabilities	28	—	(7,197)
NET ASSETS		53,097	122,204
Capital and reserves			
Share capital	24	34,857	34,857
Reserves	25	18,240	87,347
TOTAL EQUITY		53,097	122,204

The financial statements on pages 74 to 156 were approved and authorised for issue by the Board of Directors on 28 March 2014

James Mellon
Co-Chairman

Jamie Gibson
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to shareholders of the Company											
2013	Share capital US$'000	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Statutory reserve US$'000	Shares held for share award scheme US$'000	Foreign currency exchange reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2013	34,857	(240,696)	333,825	3,825	8,228	—	176	(2,216)	3,234	141,233	60	141,293
Distribution of shares awarded	—	(430)	—	(1,786)	—	—	—	2,216	—	—	—	—
Dividend payment	—	—	(58,436)	—	—	—	—	—	—	(58,436)	—	(58,436)
Share-based payment	—	—	—	969	—	—	—	—	—	969	—	969
Share options forfeited	—	477	—	(477)	—	—	—	—	—	—	—	—
Transactions with shareholders	—	47	(58,436)	(1,294)	—	—	—	2,216	—	(57,467)	—	(57,467)
Loss for the year	—	(25,636)	—	—	—	—	—	—	—	(25,636)	(90)	(25,726)
Other comprehensive income												
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	433	433	—	433
Change in fair value of available-for-sale financial assets	—	—	—	—	—	(172)	—	—	—	(172)	—	(172)
Impairment on available-for-sale financial assets	—	—	—	—	—	510	—	—	—	510	—	510
Share of reserve of associates	—	—	—	—	—	—	—	—	26	26	—	26
Total comprehensive income for the year	—	(25,636)	—	—	—	338	—	—	459	(24,839)	(90)	(24,929)
At 31 December 2013	34,857	(266,285)	275,389	2,531	8,228	338	176	—	3,693	58,927	(30)	58,897

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 US$'000	2012 US$'000
Cash flows from operating activities:			
Loss before income tax from continuing operations		(32,060)	(38,349)
Profit before income tax from discontinued operations	23	—	4,409
		(32,060)	(33,940)
Adjustments for :			
Depreciation of property, plant and equipment	13	97	96
Interest income on bank deposits		(83)	(99)
Non-cash share-based payments	6	969	9,762
Share of results of associates		420	1,430
Unrealised loss on derivative financial instruments		983	404
Unrealised loss/(gain) on financial assets at fair value through profit or loss	17	14,674	(1,898)
Loss on disposal of property, plant and equipment		1	14
Impairment loss on available-for-sale financial assets	16	510	6,686
Impairment loss on interest in an associate	15	1,200	9,338
Gain on disposal of the Ji Ri Ga Lang Coal Project	27	—	(4,409)
		(13,289)	(12,616)
Change in working capital			
(Increase)/Decrease in prepayments, deposits and other receivables		(558)	4,158
Increase in derivative financial instruments		—	(491)
Decrease in financial assets at fair value through profit or loss		66,570	8,866
Decrease in trade payables, accruals and other payables		(69)	(4,151)
Cash generated from/(used in) operations		52,654	(4,234)
Income tax paid		—	(1,896)
Net cash generated from/(used in) operating activities		52,654	(6,130)

	Note	2013 US$'000	2012 US$'000
Cash flows from investing activities:			
Purchase of property, plant and equipment	13	(3)	(108)
Purchase of available-for-sale financial assets		(14)	(2,678)
Proceeds from disposal of available-for-sale financial assets		2,787	—
Proceeds from disposal of the Ji Ri Ga Lang Coal Project	27	—	13,510
Interest received on bank deposits		83	99
(Increase)/Decrease in margin deposit placed with broker firms		(199)	7,818
Dividend received from associates		1,098	741
Net cash generated from/(used in) investing activities		3,752	19,382
Cash flows from financing activities:			
Dividend paid to shareholders	10	(58,436)	(13,463)
Shares purchased for share award scheme		—	(4,814)
Net cash used in financing activities		(58,436)	(18,277)
Net decrease in cash and cash equivalents		(2,030)	(5,025)
Cash and cash equivalents at the beginning of the year		11,447	16,554
Effects of foreign currency fluctuations		(362)	(82)
Cash and cash equivalents at the end of the year		9,055	11,447
Represented by:			
Cash and bank balances	18	9,055	11,447

1. GENERAL INFORMATION

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

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

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

The financial statements for the year ended 31 December 2013 were approved and authorised for issue by the Board of Directors on 28 March 2014.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Adoption of amendments to HKFRSs – first effective 1 January 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits

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

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

2.1 Adoption of amendments to HKFRSs – first effective 1 January 2013 (Continued)

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

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

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (see note 3.3).

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

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

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

Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Mount Disclosures for Non-financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) 21	Levies[1]
HKFRS 9	Financial Instruments
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

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

HKFRS 9 – Financial Instruments

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

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

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

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

– derivative financial instruments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure or rights to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

3.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign currency

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Property, plant and equipment

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Goodwill

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

Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

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

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

3.8 Leasing

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

The Group as lessee

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments

(i) Financial assets

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

Financial assets at fair value through profit and loss

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(ii) Impairment loss on financial assets

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

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

For loans and receivables

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

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. Objective evidence would include a significant or prolonged decline in fair value of an investment below its cost.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(iii) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Financial liabilities at amortised cost

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

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

(vii) Derecognition

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of other assets

At the end of the reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

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

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

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

3.11 Cash and cash equivalents

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Non-current assets held for sale and disposal groups

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

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

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

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

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

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

3.13 Income taxes

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Employee benefits

(i) Bonus payments

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) Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

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

(iii) Share-based employee compensation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Employee benefits (Continued)

(iii) Share-based employee compensation (Continued)

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

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

(iv) Shares held for share award scheme

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

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

3.15 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)

3.16 Provisions and contingent liabilities

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

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

3.17 Revenue recognition

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

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

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

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

3.18 Related parties

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Related parties (Continued)

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment of interest in associates

The Group assesses whether there are any indicators of impairment for its associates at the end of each reporting period. An impairment exists when the carrying value of the associates or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale financial assets

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

Provision for income taxes

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

Write-back of tax on realised gain on disposal of the Company's investment in BCI

As further detailed under the section headed "Australian Tax on BCI Sale" in the CEO's Report, the Group received orders from the Federal Court of Australia in relation to an assessment issued by the Commissioner of Taxation in the amount of A$12.78 million following completion of the sale of its securities in BC Iron Limited ("**BCI**") for gross proceeds of A$81.6 million (the "**Assessment**"). In the financial year ended 31 December 2012, provision of A$12.78 million (or approximately US$13.27 million) in respect of the potential Australian taxation liability in relation to the realised gain on disposal of the Company's investment in BCI was recognised.

The Group has, together with its external advisers, focused on the merits of the Assessment. From advice received, the Company understands that the ultimate determination of the potential taxation liability will be subject to a valuation of BCI's real property (including mining tenements) and non-real property assets.

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

Write-back of tax on realised gain on disposal of the Company's investment in BCI (Continued)

The Company has received independent valuation advice indicating that, based on a valuation of BCI's real property (including mining tenements) and non-real property assets at the relevant time, the Company has strong and compelling grounds based on current law in Australia to challenge the Assessment in its entirety.

Based on the above, the directors exercise judgement to write back the provision of A$12.78 million (or approximately US$11.65 million) in respect of the potential Australian taxation liability in relation to the realised gain on disposal of the Company's investment in BCI in the financial statements for the year ended 31 December 2013. The Company and its advisers are also closely monitoring any developments in Australian taxation law that may be relevant to its analysis and position and should any change or development take place the Company will, following advice, revisit its treatment of the potential Australian tax should the need arise. In this respect, should any change to Australian law or the interpretation thereof render the approach adopted by the Company and its external advisers in relation to this matter as being no longer correct or consistent with the relevant change or development, whether in whole or part, the calculations supporting the Company's position (with respect to the value ascribed to BCI's real property (including mining tenements) and non-real property assets at the relevant time) may change and potentially have a material and adverse effect on the Company's accounts going forward.

Power to exercise significant influence

The Group holds interest in an investee company over 20% of voting rights (but not over 50%) during the year. The Group has no representative in the board of directors of the investee. Based on the above, in the judgement of the directors, the Group does not exercise significant influence on this investee company, and the investment is treated as a financial instrument under HKAS 39.

Fair value of financial instruments

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

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

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures its financial instruments at fair value.

For more detailed information in relation to the fair value measurement of the items above, please refer to notes 17 and 33.

5. SEGMENT INFORMATION

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

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

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

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

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

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

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

5. SEGMENT INFORMATION (Continued)

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

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

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

For the year ended 31 December 2013

	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Total US$'000
Revenue from external customers	—	—	2,730	2,730
Segment results	(16)	(1,531)	(30,093)	(31,640)
Share of results of associates	(3,012)	—	2,592	(420)
Total results	(3,028)	(1,531)	(27,501)	(32,060)
Unallocated				—
Consolidated loss before income tax expense from continuing operations				(32,060)

As at 31 December 2013

	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Total US$'000
Segment assets	99	22	51,050	51,171
Available-for-sale financial assets	—	—	2,334	2,334
Interests in associates	4,278	—	4,856	9,134
Total assets	4,377	22	58,240	62,639
Segment liabilities	2	—	3,740	3,742
Total liabilities	2	—	3,740	3,742

5. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2013

	Coking Coal US$'000	Metals Mining US$'000	Corporate Investment US$'000	Total US$'000
Interest income on bank deposits	—	—	83	83
Depreciation			(97)	(97)
Share-based payments			(969)	(969)
Net losses on financial assets at fair value through profit or loss	—	—	(18,554)	(18,554)
Net losses on derivative financial instruments	—	—	(200)	(200)
Impairment on available-for-sale financial assets	—	—	(510)	(510)
Impairment on interest in an associate	(1,200)	—	—	(1,200)
Capital expenditure	—	—	(3)	(3)

For the year ended 31 December 2012

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

5. SEGMENT INFORMATION (Continued)

As at 31 December 2012

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

For the year ended 31 December 2012

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

5. SEGMENT INFORMATION (Continued)

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

	Revenue from external customers		Non-current assets	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
PRC	68	19	4,278	8,040
Hong Kong (domicile)	70	214	198	291
Australia	(697)	5,600	—	—
United States	1,725	34	—	—
United Kingdom	1,564	175	4,856	3,734
South East Asia[1]	—	—	1	3
	2,730	6,042	9,333	12,068

[1] South East Asia includes Singapore and Indonesia

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

6. OPERATING LOSS

	Continuing operations		Discontinued operations		Total	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Operating loss is arrived at after charging:						
Auditors' remuneration						
– charge for the year	235	245	—	—	235	245
– under provision in prior year	30	34	—	—	30	34
Depreciation of owned property, plant and equipment	97	96	—	—	97	96
Operating lease charges on property and equipment	782	783	—	—	782	783
Loss on disposal of property, plant and equipment	1	14	—	—	1	14
Impairment loss on available-for-sale financial assets (note 16)	510	6,686	—	—	510	6,686
Impairment loss on interest in an associate (note 15)	1,200	9,338	—	—	1,200	9,338
Realised loss on disposal of financial assets at fair value through profit or loss@ (1)	3,880	7,881	—	—	3,880	7,881
Unrealised loss on financial assets at fair value through profit or loss@ (1)	14,674	—	—	—	14,674	—
Realised loss on derivative financial instruments@ (2)	—	540	—	—	—	540
Unrealised loss on derivative financial instruments@ (2)	983	404	—	—	983	404
Share-based payments (equity settled)#	969	9,762	—	—	969	9,762

6. OPERATING LOSS (Continued)

	Continuing operations		Discontinued operations		Total	
	2013	2012	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
and crediting:						
Interest income on bank deposits and loan receivables*	83	99	—	—	83	99
Realised gain on disposal of the Ji Ri Ga Lang Coal Project ("**JRGL Coal Project**") (note 27)	—	—	—	4,409	—	4,409
Unrealised gain on financial assets at fair value through profit or loss@ (1)	—	1,898	—	—	—	1,898
Realised gain on derivative financial instruments@ (2)	783	—	—	—	783	—
Net foreign exchange gain*	2,326	244	—	—	2,326	244
Dividend income from listed equities*	261	5,472	—	—	261	5,472
Dividend income from unlisted equities*	—	75	—	—	—	75

@ These amounts constitute the fair value loss of US$18,754,000 (2012: US$6,927,000) in the consolidated statement of comprehensive income.

Included in share-based payments were: (i) equity settled employee share-based payments of US$969,000 (2012: US$9,621,000) in relation to share awards granted to Directors, and (ii) equity settled non-employee share-based payment of Nil (2012: US$141,000) in relation to share awards granted to the Group's consultant.

* Included in revenue.

(1) During the year ended 31 December 2013, net losses on financial assets at fair value through profit or loss amounted to US$18,554,000 (2012: US$5,983,000).

(2) During the year ended 31 December 2013, net losses on derivative financial instruments amounted to US$200,000 (2012: US$944,000).

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Continuing operations		Discontinued operations		Total	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Salaries, discretionary bonuses and benefits in kind	9,933	7,143	—	—	9,933	7,143
Pension costs – defined contribution plans (note 29)	22	22	—	—	22	22
Share-based payments on share awards granted to Directors and employees	969	9,621	—	—	969	9,621
	10,924	16,786	—	—	10,924	16,786

(a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2013 is set out below:

Name of director	Fees US$'000	Salaries and benefits in kind US$'000	Long term service award US$'000	Contribution to defined contribution plans US$'000	Share options US$'000	Share awards US$'000	Total US$'000
Executive Director							
Jamie Gibson	—	4,055	—	—	—	541	4,596
Non-Executive Directors							
James Mellon	25	1,609	—	—	—	428	2,062
Stephen Dattels	50	—	—	—	—	—	50
Jayne Sutcliffe	20	—	—	—	—	—	20
Independent Non-Executive Directors							
David Comba	40	—	—	—	—	—	40
Julie Oates	40	—	—	—	—	—	40
Mark Searle	40	—	—	—	—	—	40
Total	215	5,664	—	—	—	969	6,848

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

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

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

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

* James Mellon and Jamie Gibson were awarded long term service awards during the year ended 31 December 2012 by the Remuneration Committee in recognition of their respective long term services to the Company.

No Directors waived or agreed to waive any emoluments in respect of the years ended 31 December 2013 and 2012.

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

(b) Five highest paid individuals

Of the five highest paid individuals, two (2012: two) were Directors of the Company and their remunerations have been included in the Directors' remuneration. The total emoluments payable to the five highest paid individuals for the year are as follows:

	2013 US$'000	2012 US$'000
Fees	25	25
Salaries and other emoluments	3,143	3,170
Discretionary bonuses	4,558	1,970
Pension costs – defined contribution plans	4	3
Share awards granted to directors and employees*	969	7,239
	8,699	12,407

* In respect of share awards granted to Directors and employees during 2013, please refer to the relevant disclosures on the Long Term Incentive Plan 2007 on pages 21 to 22 and 32 of the Directors' Report, together with pages 58 to 59 of the Corporate Governance Report.

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

		Number of employees	
		2013	2012
HK$3,500,001- HK$4,000,000	(US$451,229-US$515,690)	1	—
HK$4,500,001- HK$5,000,000	(US$580,151-US$644,612)	1	—
HK$7,000,001- HK$7,500,000	(US$902,457-US$966,918)	—	2
HK$7,500,001- HK$8,000,000	(US$966,919-US$1,031,380)	1	—
HK$13,500,001- HK$14,000,000	(US$1,740,453-US$1,804,915)	—	1
HK$15,500,001- HK$16,000,000	(US$1,998,298-US$2,062,759)	1 #	—
HK$22,000,001- HK$22,500,000	(US$2,836,294-US$2,900,755)	—	1 #
HK$35,500,001- HK$36,000,000	(US$4,576,748-US$4,641,209)	1 #	—
HK$45,000,001- HK$45,500,000	(US$5,801,511-US$5,865,972)	—	1 #
		5	5

Emoluments relate to directors

No emolument was paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office in respect of the years ended 31 December 2013 and 2012.

8. TAXATION

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

	Continuing operations		Discontinued operations		Total	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Current tax – overseas						
– tax for the year	—	2,896	—	991	—	3,887
Deferred tax (note 28)						
– current year	(6,334)	7,197	—	—	(6,334)	7,197
Income tax expense	(6,334)	10,093	—	991	(6,334)	11,084

No provision for Hong Kong profits tax has been made in these financial statements as all the Group companies which are subject to such tax have sustained losses for taxation purposes for the years ended 31 December 2013 and 2012. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

Deferred tax credit for the year of US$6,334,000 (2012: charge of US$7,197,000) represents (reversal)/provision of Australian Capital Gains Tax ("**CGT**") on certain Australian equity investments, as set out in note 28.

Share of associates' tax credit for the year ended 31 December 2013 of US$72,000 (2012: US$64,000) is included in the consolidated statement of comprehensive income as share of results of associates.

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

	2013 US$'000	2012 US$'000
Loss before taxation:		
Continuing operations	(32,060)	(38,349)
Discontinued operations	—	4,409
Less:		
Share of results of associates	420	1,430
Loss before share of resutls of associates and taxation	(31,640)	(32,510)
Nominal tax on loss before income tax, calculated at the rate applicable to profits in the tax jurisdictions concerned	(7,052)	9,839
Income not subject to taxation	(1)	(18)
Expenses not deductible for taxation purposes	89	728
Tax effect of tax losses not recognised	630	535
Taxation (credit)/charge	(6,334)	11,084

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of US$11,978,000 (2012: US$44,771,000) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

(a) Dividends attributable to the year

	2013 US$'000	2012 US$'000
Special dividend paid: HK$0.13 per share (2012: Nil)	58,436	—

(b) Dividends attributable to previous financial year and paid during the year

	2013 US$'000	2012 US$'000
Special dividend paid:		
– attributable to the year	58,436	—
– in respect of the previous financial year	—	13,463
	58,436	13,463

11. (LOSSES)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of basic losses per share is based on the loss attributable to the shareholders for the year of US$25,636,000 (2012: US$44,854,000) and on the weighted average of 3,461,360,934 (2012: 3,186,093,738) ordinary shares in issue during the year.

The share options outstanding have an anti-dilutive effect on the basic losses per share of the Group for the years ended 31 December 2013 and 2012. Accordingly, the effect of the share options was not included in the calculation of diluted losses per share for the years ended 31 December 2013 and 2012.

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

11. (LOSSES)/EARNINGS PER SHARE (Continued)

(b) From continuing operations

The calculation of basic losses per share is based on the loss from continuing operations attributable to the shareholders for the year of US$25,636,000 (2012: US$48,272,000) and on the weighted average of 3,461,360,934 (2012: 3,186,093,738) ordinary shares in issue during the year.

The share options outstanding have an anti-dilutive effect on the basic losses per share from continuing operations of the Group for the years ended 31 December 2013 and 2012. Accordingly, the effect of the share options was not included in the calculation of diluted losses per share for the years ended 31 December 2013 and 2012.

(c) From discontinued operations

The calculation of basic earnings per share is based on the profit from discontinued operations attributable to the shareholders for the year of nil (2012: US$3,418,000) and on the weighted average of 3,461,360,934 (2012: 3,186,093,738) ordinary shares in issue during the year.

The share options outstanding have an anti-dilutive effect on the basic earnings per share from discontinued operations of the Group for the years ended 31 December 2013 and 2012. Accordingly, the effect of the share options was not included in the calculation of diluted earnings per share for the years ended 31 December 2013 and 2012.

12. GOODWILL

Group

	2013 US$'000	2012 US$'000
At 1 January and 31 December		
Gross carrying amount	15,271	15,271
Accumulated impairment	(15,271)	(15,271)
Net carrying amount	—	—

Goodwill arising from the acquisition of subsidiaries and business in the prior year was allocated to the coking coal product cash-generating units. Goodwill was fully impaired in the prior year.

Company

The Company has no goodwill.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture and fixtures US$'000	Computer and other equipment US$'000	Total US$'000
At 1 January 2012			
Cost	357	199	556
Accumulated depreciation	(86)	(174)	(260)
Net book amount	271	25	296
Year ended 31 December 2012			
Opening net book amount	271	25	296
Additions	—	108	108
Disposals	(12)	(94)	(106)
Depreciation charge for the year	(60)	(36)	(96)
Depreciation written back on disposals	2	90	92
Closing net book amount	201	93	294
At 31 December 2012			
Cost	345	213	558
Accumulated depreciation	(144)	(120)	(264)
Net book amount	201	93	294
Year ended 31 December 2013			
Opening net book amount	201	93	294
Additions	—	3	3
Disposals	—	(3)	(3)
Depreciation charge for the year	(55)	(42)	(97)
Depreciation written back on disposals	—	2	2
Closing net book amount	146	53	199
At 31 December 2013			
Cost	345	213	558
Accumulated depreciation	(199)	(160)	(359)
Net book amount	146	53	199

Company

The Company has no property, plant and equipment.

14. INTERESTS IN SUBSIDIARIES

Company

	2013 US$'000	2012 US$'000
Investments – unlisted shares, at cost	52,316	52,316
Less: Provision for impairment	(50,703)	(50,703)
	1,613	1,613

No impairment has been recognised for investments in subsidiaries during the years ended 31 December 2013 and 2012 as their recoverable amount, which is determined with reference to the net assets value of these subsidiaries, is considered to be above the carrying value.

Particulars of the principal subsidiaries as at 31 December 2013 are as follows:

Name of subsidiary	Country/Place of incorporation/operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activity
			Direct	Indirect	
Alphorn Management Limited*	Cayman Islands	Ordinary share of US$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company (BVI) Limited*	British Virgin Islands	Ordinary share of US$1	—	100%	Investment holding
Amerinvest Coal Industry Holding Company Limited*	British Virgin Islands	Ordinary shares of US$10,000	—	100%	Investment holding
AstroEast.com Limited*	Cayman Islands	Ordinary shares of US$280,222	—	51%	Investment holding
Interman Holdings Limited*	British Virgin Islands	Ordinary shares of US$41,500	100%	—	Investment holding
Interman Limited*	Isle of Man	Ordinary shares of GBP436,152	—	100%	Investment holding
MinMetallurgical Consultants Limited*	British Virgin Islands	Ordinary share of US$1	100%	—	Provision of mill expansion services
Regent (Australia) Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding
Regent Coal (Holdings) Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding
Regent Corporate Finance Limited*	Cayman Islands	Ordinary shares of US$2	100%	—	Corporate finance

14. 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 and provision of administrative and management services to related companies
Regent Fund Management (Asia) Limited*	Cayman Islands	Ordinary shares of US$100	100%	—	Asset management
Regent Fund Management Limited*	Cayman Islands	Ordinary shares of US$150,000	—	100%	Asset management
Regent (Indonesia II) Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Provision of metallurgical services
Regent Metals Australia Pty Limited*	Australia	Ordinary share of A$1	—	100%	Investment holding
Regent Metals Holdings Limited*	British Virgin Islands	Ordinary shares of US$10,000	100%	—	Investment holding
Regent Pacific Group (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$5 million	100%	—	Provision of management services
Regent Pilbara II Pty Limited*	Australia	Ordinary share of A$1	—	100%	Investment holding
Regent Pilbara Pty Limited*	Australia	Ordinary share of A$1	—	100%	Investment holding
RPG (Bahamas) Limited*	Bahamas	Ordinary shares of US$134,220	100%	—	Investment holding
RPG Investments I Limited*	Cayman Islands	Ordinary share of US$1	100%	—	Investment holding

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

* The statutory financial statements of these subsidiaries for the year ended 31 December 2013 were not audited by BDO Limited.

15. INTERESTS IN ASSOCIATES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Investments – unlisted shares, at cost less impairment	—	—	2,000	2,000
Share of net assets – unlisted	19,672	21,112	—	—
	19,672	21,112	2,000	2,000
Impairment	(10,538)	(9,338)	—	—
	9,134	11,774	2,000	2,000

Share of associates' tax credit for the year ended 31 December 2013 of US$72,000 (2012: US$64,000) is included in the consolidated statement of comprehensive income as share of results of associates.

Particulars of the associates as at 31 December 2013 are as follows:

Name of associate	Country of incorporation	Kind of legal entity	Issued and fully paid share capital held in associate	Percentage of equity interest attributable to the Company		Principal activity
				Direct	Indirect	
Regent Markets Holdings Limited*	British Virgin Islands	International Business Company	Ordinary shares of US$99,800	49.9%	—	Online betting
West China Coking & Gas Company Limited*	PRC	Sino-foreign Joint Venture Company	Injected capital of RMB79,910,000	—	25%	Production, processing and sale of coal, coke, gas and coal chemicals

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

During the year ended 31 December 2013, an impairment loss of US$1,200,000 (2012: US$9,338,000) has been recognised in the profit or loss for the Group's interests in an associate which is engaged in the coking coal production business. Coking coal produced is mainly sold to its parent company at a price as determined by the parent company, with reference to the coal market price with a discount. Based on an impairment assessment, the recoverable amount, being its value in use, of the relevant asset is less than the carrying amount as a result of a significant increase in costs of production due to unstable supply of raw materials and production lines laying idle as the result of local government's tightened safety requirement on coal mines in the nearby regions. The recoverable amount of the interests in the associate is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates and growth rates, while coking coal and its related products are sold to its parent company for production. Growth rates are assumed to remain constant during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the coking coal business. The growth rates are based on coking coal production growth forecasts. Changes in the coking coal prices are based on expectations of the future changes in the market.

15. INTERESTS IN ASSOCIATES (Continued)

The recoverable amount of the interests in the associate is calculated based on cash flow forecasts covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 1% (2012: 1%). The rate used to discount the forecast cash flows is 15% (2012: 15%).

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

	2013 US$'000	2012 US$'000
Share of the associates' loss for the year	(420)	(1,430)
Share of the associates' other comprehensive income	26	(700)
Share of the associates' total comprehensive income	(394)	(2,130)
Aggregate carrying value of the Group's interest in the associates	9,134	11,774

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

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
At 1 January	5,279	9,287	5,279	9,287
Additions	14	2,678	14	2,678
Disposals	(2,787)	—	(2,787)	—
Change in fair value	338	(1,471)	338	(1,471)
Impairment loss	(510)	(5,215)	(510)	(5,215)
At 31 December	2,334	5,279	2,334	5,279

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

Available-for-sale financial assets include the following:

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Unlisted securities				
Club debenture, at cost	19	19	19	19
Equity security, at cost	1,706	4,594	1,706	4,594
	1,725	4,613	1,725	4,613
Listed securities				
Equity security, at fair value	609	666	609	666
	2,334	5,279	2,334	5,279

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

During the year ended 31 December 2013, an impairment loss of US$510,000 (2012: US$6,686,000) was charged to profit or loss. The impairment loss charged to profit or loss comprised change in fair value loss of US$510,000 (2012: US$1,471,000) recognised in the investment revaluation reserve and also impairment of Nil (2012: US$5,215,000) directly charged to profit or loss.

During the year ended 31 December 2013, a fair value loss of US$510,000 (2012: US$1,471,000) has been recognised in the investment revaluation reserve in equity. Due to the significant decline in the fair value of such investment during the year, the same amount of fair value loss recognised in equity has been transferred out of the investment revaluation reserve and recognised in the profit or loss as an impairment loss.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
At 1 January	119,058	126,026	118,319	124,438
Additions	23,499	25,840	23,052	25,840
Disposals	(90,069)	(34,706)	(89,258)	(34,706)
Change in fair value - unrealised portion	(14,674)	1,898	(14,552)	2,747
At 31 December	37,814	119,058	37,561	118,319

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Held for trading – overseas				
– Listed equities, at fair value	37,814	119,058	37,561	118,319

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

Certain financial assets at fair value through profit or loss of approximately US$6.97 million as at 31 December 2013 (2012: Nil) have been charged in relation to a legal case as further detailed on note 36.

Certain of the Company's financial assets at fair value through profit or loss, namely its equity interests in Australian listed shares including holdings in Venturex Resources Limited, Bannerman Resources Limited and Tigers Realm Coal Limited, and whose market value at 31 December 2013 was approximately US$6.96 million (or equivalent to A$7.10 million), were secured to the Australian Commissioner of Taxation against an assessment issued by the same. Further details of this assessment and the security given by the Company are set out in note 28 and the section headed "Charge on Assets" in the "Management's Discussion and Analysis of the Group's Performance".

One of the Group's strategic investments is a 33.47% interest in Venturex Resources Limited. This company is not accounted for on an equity method as the Group does not have the power to participate in the Company's operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Particulars of the Group's investment in listed equities as at 31 December 2013 disclosed pursuant to Section 129 of the Companies Ordinance are as follows:

Name of company	Country of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company	Carrying value at 31 December 2013
Venturex Resources Limited	Australia	518,103,930 ordinary shares	33.47%	US$4,625,000
Plethora Solutions Holdings plc	United Kingdom	57,500,000 ordinary shares	13.85%	US$12,026,000
Trinity Exploration & Production plc	United Kingdom	3,909,850 ordinary shares	4.12%	US$9,019,000

18. CASH AND BANK BALANCES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Cash and balances with banks	1,201	5,606	704	5,062
Money at call and short notice	7,854	5,841	7,618	5,593
	9,055	11,447	8,322	10,655

One of the Group's subsidiaries maintains trust accounts with banks as part of its then normal business transactions in prior years. While such business was discontinued some years ago, at 31 December 2013, included in the Group's cash at banks were trust account balances of US$29,000 (2012: US$29,000).

As at 31 December 2013, included in cash and balances with banks were bank balances of US$8,000 (2012: US$26,000) which were placed with banks in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

19. LOAN RECEIVABLES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Loan receivables	3,915	3,915	—	—
Interest receivables	430	430	—	—
Impairment	(4,345)	(4,345)	—	—
	—	—	—	—

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
At 1 January	4,345	4,345	—	—
Provision for impairment	—	—	—	—
At 31 December	4,345	4,345	—	—

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

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Prepayments, deposits and other receivables#	2,100	1,343	1,715	966
Amount due from an associate*	1,497	1,098	1,497	1,098
	3,597	2,441	3,212	2,064

Included in the balance of prepayments, deposits and other receivables was a margin deposit of US$1,382,000 (2012: US$591,000) placed with broker firms for the trading of derivatives.

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

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

The balance outstanding as at 31 December 2013 was neither past due nor impaired.

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Trade payables	100	96	—	—
Deposit received, accruals and other payables	3,205	3,278	2,915	2,922
	3,305	3,374	2,915	2,922

At 31 December 2013 and 2012, the ageing analysis of the trade payables was as follows:

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Due within 1 month or on demand	—	—	—	—
More than 6 months	100	96	—	—
	100	96	—	—

Included in trade payables were those payables placed in trust accounts amounting to US$29,000 as at 31 December 2013 (2012: US$29,000) (refer to note 18 for further details).

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

22. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2013 US$'000	2012 US$'000
Amounts due from subsidiaries	82,945	72,882
Less: Provision for impairment	(67,541)	(67,541)
	15,404	5,341
Amount due to subsidiaries	(14,503)	(14,519)

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

	Company	
	2013 US$'000	2012 US$'000
At 1 January	67,541	44,951
Provision for impairment	—	22,590
At 31 December	67,541	67,541

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

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

23. DISCONTINUED OPERATIONS

On 21 December 2011, the JRGL Coal Project, which constituted the Group's business of coal mining, was disposed of to the purchasers for a total consideration of RMB115 million (or equivalent to approximately US$18.20 million), payable in cash. In the financial statements, the segment of coal mining was presented as discontinued operations. The disposal of the JRGL Coal Project was completed on 17 January 2012.

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

	Note	2012 US$'000
Revenue/Turnover:		—
Expenses:		—
Operating loss	6	—
Gain on disposal of the JRGL Coal Project		4,409
Profit before taxation		4,409
Taxation		(991)
Profit for the year from discontinued operations		3,418
Profit for the year from discontinued operations attributable to:		
Shareholders of the Company		3,418
Non-controlling interests		—
		3,418

The cash flows from the discontinued operations are as follows:

	2012 US$'000
Net cash used in operating activities	—
Net cash used in investing activities	—
Net cash from financing activities	—
Effect of foreign exchange rates	—
Net	—

Detailed of the assets and liabilities of the JRGL Coal Project at the date of disposal are set out in note 27.

24. 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 2013 and 31 December 2012	10,000,000,000	100,000	550,000,000	5,500	10,550,000,000	105,500

Issued and fully paid:	Total number of shares	Total US$'000
At 1 January 2012, 31 December 2012 and 2013	3,485,730,523	34,857

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

As at 1 January 2013, the total issued ordinary share capital of the Company consisted of 3,485,730,523 shares. During the year ended 31 December 2013 and prior to the date of this report, no new shares were issued and allotted by the Company, and no shares were repurchased by the Company.

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

1. Share Option Scheme (2002)

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

Upon adoption of the Long Term Incentive Plan 2007 (as referred to in note 24.2) on 8 December 2007, no further options under the Share Option Scheme (2002) were granted.

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

24. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

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

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

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

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

24. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

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

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

As at 1 January 2013, under the Share Option Scheme (2002) there were outstanding and vested options entitling the holders to subscribe for an aggregate of 150,366,132 ordinary shares (1 January 2012: 153,866,132 shares) at exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 4.31% (1 January 2012: 4.41%) of the Company's then issued ordinary share capital and 4.14% (1 January 2012: 4.23%) of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 150,366,132 shares or 100% were vested (1 January 2012: all the outstanding options in respect of an aggregate of 153,866,132 shares or 100%).

During the year ended 31 December 2013:

- No new options were granted (2012: nil);
- No vested options were exercised (2012: nil);
- Outstanding options in respect of an aggregate of 28,000,000 shares lapsed on 30 June 2013 upon termination of the employment of four employees (being: (i) three outstanding options granted on 4 April 2006 in respect of an aggregate of 17,500,000 shares at the exercise price of HK$0.300 per share; and (ii) two outstanding options granted on 2 October 2007 in respect of an aggregate of 10,500,000 shares at the exercise price of HK$1.152 per share) (2012: an outstanding option in respect of 3,500,000 shares lapsed upon termination of the employment of an employee); and
- No options were cancelled (2012: nil).

24. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

Accordingly, as at 31 December 2013, under the Share Option Scheme (2002) there were outstanding options entitling the holders to subscribe for an aggregate of 122,366,132 ordinary shares (31 December 2012: 150,366,132 shares) at exercise prices ranging from HK$0.266 to HK$1.152 per share, representing 3.51% (31 December 2012: 4.31%) of the Company's then issued ordinary share capital and 3.39% (31 December 2012: 4.14%) of the enlarged ordinary share capital. All the outstanding options in respect of an aggregate of 122,366,132 shares or 100% were vested (31 December 2012: all the outstanding options in respect of an aggregate of 150,366,132 shares or 100%). Exercise in full of the outstanding options would result in the issue of 122,366,132 additional ordinary shares for aggregate proceeds, before expenses, of HK$80,567,528 (approximately US$10,329,170).

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

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 2013, outstanding and vested options in respect of an aggregate of 87,600,000 shares were held by the Chief Executive Officer (also the Executive Director) and other Directors, details of which are set out below:

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

During the year ended 31 December 2013 and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled.

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

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

24. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

ii. Full-time employees

As at 1 January 2013, outstanding and vested options in respect of an aggregate of 48,766,132 shares were held by the full-time employees of the Group (excluding the Directors of the Company), details of which are set out below:

1. An option, which was granted on 9 September 2004, entitling a full-time employee of the Group to subscribe, in stages, for 100,000 ordinary shares at the exercise price of HK$0.266 per share;
2. Options, which were granted on 4 April 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 22,024,000 ordinary shares at the exercise price of HK$0.300 per share;
3. Options, which were granted on 14 December 2006, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 4,104,000 ordinary shares at the exercise price of HK$0.325 per share; and
4. Options, which were granted on 2 October 2007, entitling the full-time employees of the Group to subscribe, in stages, for an aggregate of 22,538,132 ordinary shares at the exercise price of HK$1.152 per share.

During the year ended 31 December 2013, no new options were granted; no vested options were exercised; and no outstanding options were cancelled. Outstanding options in respect of an aggregate of 28,000,000 shares lapsed on 30 June 2013 upon termination of the employment of four employees (being: (i) three outstanding options granted on 4 April 2006 in respect of an aggregate of 17,500,000 shares at the exercise price of HK$0.300 per share; and (ii) two outstanding options granted on 2 October 2007 in respect of an aggregate of 10,500,000 shares at the exercise price of HK$1.152 per share).

Accordingly, as at 31 December 2013, 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 20,766,132 shares at exercise prices ranging from HK$0.266 to HK$1.152 per share.

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

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 2013 or prior to the date of this report.

24. SHARE CAPITAL (Continued)

I. Share Option Scheme (2002) (Continued)

iv. Suppliers of goods and services

As at 1 January 2013, outstanding and vested options in respect of an aggregate of 14,000,000 shares were held by the service providers, details of which are set out below:

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

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

During the year ended 31 December 2013 and prior to the date of this report, no new options were granted; no vested options were exercised; and no outstanding options lapsed or were cancelled.

v. Other participants

No options were granted to or held by participants other than those referred to in sub-paragraphs (i) to (iv) above at any time during the year ended 31 December 2013 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:

	2013		2012	
	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
Outstanding at 1 January	150,366,132	0.651	153,866,132	0.663
Forfeited	(28,000,000)	0.620	(3,500,000)	1.152
Outstanding at 31 December	122,366,132	0.658	150,366,132	0.651

24. SHARE CAPITAL (Continued)

1. Share Option Scheme (2002) (Continued)

No option has been exercised during the year ended 31 December 2013 and 2012. All remaining share options as at 31 December 2013 have been accounted for under HKFRS 2. The number of options exercisable at the reporting dates are as follows:

	2013		2012	
Exercisable beginning in financial year	Number	Weighted average exercise price HK$	Number	Weighted average exercise price HK$
– 31 December 2012	122,366,132	0.658	150,366,132	0.651
Outstanding at 31 December	122,366,132	0.658	150,366,132	0.651

The weighted average remaining contractual life of the outstanding options as of 31 December 2013 is 2.80 years (2012: 3.80 years).

In total, Nil (2012: Nil) of employee share-based payment and Nil (2012: Nil) of non-employee share-based payment in relation to share options granted have been included in the consolidated statement of comprehensive income for the year ended 31 December 2013. No liabilities were recognised due to share-based payment transactions.

2. Long Term Incentive Plan 2007

The Company adopted a new long term incentive plan, named "Long Term Incentive Plan 2007" (the "**Long Term Incentive Plan 2007**"), with shareholders' approval at the Company's extraordinary general meeting held on 8 December 2007. The plan was terminated on 31 May 2013 pursuant to the rules of the plan with all outstanding units under the plan duly vested to the respective unitholders before the termination.

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 24.1) were granted.

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

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

24. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

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

i. Grant and vesting of units

As at 1 January 2013, under the Long Term Incentive Plan 2007 there were outstanding units in respect of an aggregate of 67,900,000 ordinary shares (1 January 2012: 236,700,000 shares), which were granted on 20 November 2012 to James Mellon and Jamie Gibson and were to be vested in three equal tranches on 3 April 2013, 3 April 2014 and 3 April 2015, providing that all the shares (then remaining outstanding) would be vested in full on the happening of the "trigger event" (as referred to in the offer letters dated 20 November 2012), representing 1.95% (1 January 2012: 6.79%) of the Company's then issued ordinary share capital.

During the year ended 31 December 2013:

- An aggregate of 67,900,000 shares were vested, being: (i) 10,000,000 shares and 12,633,333 shares (in respect of the units granted on 20 November 2012) vested to James Mellon and Jamie Gibson respectively on 3 April 2013; and (ii) 20,000,000 shares and 25,266,667 shares (in respect of the units granted on 20 November 2012 then remaining outstanding) vested to James Mellon and Jamie Gibson respectively on 30 May 2013 in accordance with the rules of the plan and as approved by the Remuneration Committee (2012: an aggregate of 317,799,999 shares);
- No new units were granted (2012: units in respect of an aggregate 296,000,000 shares);
- No outstanding units lapsed (2012: units in respect of an aggregate of 17,000,001 shares upon termination of the employment of three employees); and
- No outstanding units were cancelled (2012: units in respect of an aggregate of 130,000,000 shares upon mutual agreement between the Company and the unitholders).

On 31 May 2013, the Long Term Incentive Plan 2007 was terminated pursuant to its rules with all outstanding units under the plan duly vested to the respective unitholders before the termination.

Accordingly, as at 31 December 2013, there were no outstanding units under the Long Term Incentive Plan 2007 (31 December 2012: 67,900,000 shares, which were to be vested to the respective eligible participants in accordance with their respective vesting schedules, representing 1.95% of the Company's then issued ordinary share capital).

24. SHARE CAPITAL (Continued)

2. Long Term Incentive Plan 2007 (Continued)

ii. Acquisition of shares

As at 1 January 2013, an aggregate of 67,900,000 shares were held by the trustee appointed by the Company for the plan (1 January 2012: 236,700,000 shares), which were acquired by the trustee from the market during previous periods and were to be vested to James Mellon and Jamie Gibson in accordance with their vesting schedules.

During the year ended 31 December 2013:

- An aggregate of 67,900,000 shares were vested, being: (i) 10,000,000 shares and 12,633,333 shares (in respect of the units granted on 20 November 2012) vested to James Mellon and Jamie Gibson respectively on 3 April 2013; and (ii) 20,000,000 shares and 25,266,667 shares (in respect of the units granted on 20 November 2012 then remaining outstanding) vested to James Mellon and Jamie Gibson respectively on 30 May 2013 in accordance with the rules of the plan and as approved by the Remuneration Committee (2012: 317,799,999 shares); and
- No shares were acquired from the market (2012: 148,999,999 shares).

Upon the termination of the plan, the related trust was closed and the relevant trust deed was terminated on 31 May 2013.

Accordingly, as at 31 December 2013, no shares were held by the trustee (31 December 2012: 67,900,000 shares, which were to be vested to the respective eligible participants in accordance with their respective vesting schedules).

25. RESERVES

	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Statutory reserve US$'000	Shares held for share award scheme US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Group									
At 1 January 2012	(195,086)	333,825	3,667	8,228	—	981	(7,754)	3,306	147,167
Foreign currency translation adjustment	—	—	—	—	—	—	—	(67)	(67)
Share of reserves of associates	—	—	(8)	—	—	(805)	—	105	(708)
Reclassified to profit or loss on disposal of the JRGL Coal Project	—	—	—	—	—	—	—	(110)	(110)
Shares purchased for share award scheme	—	—	—	—	—	—	(4,814)	—	(4,814)
Distribution of shares awarded	(844)	—	(9,508)	—	—	—	10,352	—	—
Change in fair value of availaibe-for-sale financial assets	—	—	—	—	(1,471)	—	—	—	(1,471)
Impairment on available-for-sale financial assets	—	—	—	—	1,471	—	—	—	1,471
Share-based payment	—	—	9,827	—	—	—	—	—	9,827
Share options forfeited	88	—	(88)	—	—	—	—	—	—
Share awards forfeited	—	—	(65)	—	—	—	—	—	(65)
Loss for the year	(44,854)	—	—	—	—	—	—	—	(44,854)
At 31 December 2012	(240,696)	333,825	3,825	8,228	—	176	(2,216)	3,234	106,376
Foreign currency translation adjustment	—	—	—	—	—	—	—	433	433
Share of reserves of associates	—	—	—	—	—	—	—	26	26
Distribution of shares awarded	(430)	—	(1,786)	—	—	—	2,216	—	—
Dividend payment	—	(58,436)	—	—	—	—	—	—	(58,436)
Change in fair value of availaibe-for-sale financial assets	—	—	—	—	(172)	—	—	—	(172)
Impairment on available-for-sale financial assets	—	—	—	—	510	—	—	—	510
Share-based payment	—	—	969	—	—	—	—	—	969
Share options forfeited	477	—	(477)	—	—	—	—	—	—
Loss for the year	(25,636)	—	—	—	—	—	—	—	(25,636)
At 31 December 2013	(266,285)	275,389	2,531	8,228	338	176	—	3,693	24,070

25. RESERVES (Continued)

	Accumulated losses US$'000	Share premium US$'000	Share-based payment reserve US$'000	Capital redemption reserve US$'000	Investment revaluation reserve US$'000	Shares held for share award scheme US$'000	Foreign currency exchange reserve US$'000	Total US$'000
Company								
At 1 January 2012	(212,863)	336,090	3,497	8,228	—	(7,754)	1	127,199
Foreign currency translation adjustment	—	—	—	—	—	—	(1)	(1)
Share purchased for share award scheme	—	—	—	—	—	(4,814)	—	(4,814)
Distribution of shares awarded	(844)	—	(9,508)	—	—	10,352	—	—
Change in fair value of availaibe-for-sale financial assets	—	—	—	—	(1,471)	—	—	(1,471)
Impairment on available-for-sale financial assets	—	—	—	—	1,471	—	—	1,471
Share-based payment	—	—	9,827	—	—	—	—	9,827
Share options forfeited	—	—	(88)	—	—	—	—	(88)
Share awards forfeited	—	—	(65)	—	—	—	—	(65)
Loss for the year	(44,711)	—	—	—	—	—	—	(44,711)
At 31 December 2012	(258,418)	336,090	3,663	8,228	—	(2,216)	—	87,347
Distribution of shares awarded	(430)	—	(1,786)	—	—	2,216	—	—
Change in fair value of availaibe-for-sale financial assets	—	—	—	—	(172)	—	—	(172)
Impairment on available-for-sale financial assets	—	—	—	—	510	—	—	510
Share-based payment	—	—	969	—	—	—	—	969
Dividend payment	—	(58,436)	—	—	—	—	—	(58,436)
Share options forfeited	477	—	(477)	—	—	—	—	—
Loss for the year	(11,978)	—	—	—	—	—	—	(11,978)
At 31 December 2013	(270,349)	277,654	2,369	8,228	338	—	—	18,240

26. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

	2013		2012	
Total derivatives	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Foreign exchange traded futures and options	14	437	304	—
Equity and stock index futures and options	492	—	1,267	—
Total derivatives	506	437	1,571	—

At 31 December 2013, there were outstanding forwards, futures and contract-for-difference contracts amounting to approximately US$12,665,000 (2012: US$33,045,000) undertaken by the Group in the foreign exchange and equity markets. At 31 December 2013, there was an unrealised loss of US$983,000 (2012: US$404,000) in respect of open derivative contracts.

In the course of the Group's normal trading in derivatives, margin deposits of varying currencies of cash are held by the Group's brokers. As at 31 December 2013, the amount of these margin deposits was US$1,382,000 (2012: US$591,000).

27. DISPOSAL OF SUBSIDIARIES

On 17 January 2012, the Group disposed of its entire equity interest in its subsidiaries, Regent Coal (BVI) Limited ("**RC(BVI)**") and Abagaqi Changjiang Mining Company Limited ("**ACMC**"), which held the JRGL Coal Project in Inner Mongolia, PRC. This transaction and gain on disposal was recorded in the Group's results for the year ended 31 December 2012, further details of which are set out in note 23.

The net assets of the disposed subsidiaries at their respective date of disposal were as follows:

	2012 RC(BVI) and ACMC US$'000
Goodwill	7,393
Exploration and evaluation assets	9,999
Property, plant and equipment	9
Prepayments and other receivables	185
Cash and bank balances	142
Accruals	(380)
Provision for legal claims	(3,269)
Non-controlling interests	(1,092)
Exchange reserve	(110)
Net assets disposed of	12,877
Gain on disposal of subsidiaries	4,409
Finder fee paid during the period	910
Total consideration	18,196
Satisfied by:	
Deposit received in prior year	3,634
Cash received during the year	14,562
Total cash	18,196
Net cash inflow arising on disposal:	
Cash consideration	18,196
Deposit received in prior year	(3,634)
Finder fee paid	(910)
Cash and bank balances transferred	(142)
Cash received during the year	13,510

28. DEFERRED TAX

The movements in deferred tax liabilities and (assets) during the year are as follows:

Group and Company	2013 US$'000	2012 US$'000
At the beginning of the year	7,197	—
(i) (Reversal)/Provision of CGT on realised/unrealised gain of BCI shares	(11,681)	13,273
(ii) Reversal/(Recognition) of deferred tax asset arising from unrealised capital loss on Venturex Resources Limited ("**Venturex**") shares	5,347	(6,076)
Net (credit)/charge to profit or loss for the year	(6,334)	7,197
(iii) Exchange gain arising from movement in A$ versus US$	(863)	—
At the end of the year	—	7,197
Representing:		
Deferred tax asset: Fair value loss on overseas securities	—	(6,076)
Deferred tax liability: Fair value gain on overseas securities	—	13,273
	—	7,197

(i) The deferred tax charge for the year ended 31 December 2012 arose from the potential CGT payable on the unrealised gain of the Company's interests in equity shares of BCI in the amount of A$12,783,976 (approximately US$13,274,000). The Company subsequently sold its BCI shares on 16 January 2013, and the Australian Taxation Office ("**ATO**") considered that CGT was payable in relation to the realised gain on such disposal. On 24 January 2013, the Company received orders from the Federal Court of Australia in relation to a notice of assessment issued by the ATO ("**Assessment**") for the amount referred to above. The amount of the potential tax was expressed to due and payable on 2 December 2013, and the orders provided that the Company must not remove from Australia or dispose of, deal with or diminish the value of its assets in Australia up to the unencumbered value of the amount assessed. The Company sought external professional advice in relation to the orders and assessment and understands that the ultimate determination of the potential taxation liability will be subject to a valuation of BCI's real property (including mining tenements) and non-real property assets. In light of the Assessment and orders, the Directors considered it appropriate to make a provision for CGT as per the Assessment as at 31 December 2012 pending a final report and conclusion by the Company's professional advisors on this matter.

During the year, the Company received independent valuation advice from its professional advisors indicating that, based on a valuation of BCI's real property (including mining tenements) and non-real property assets, the Company has strong and compelling grounds to challenge the Assessment in its entirety. As a consequence of the advice received, the Company has written back the provision for CGT made in the previous year on the gain on BCI shares (which was shown under deferred tax as explained above) amounting to US$11,681,000 for the year ended 31 December 2013.

28. DEFERRED TAX (Continued)

(ii) At 31 December 2012 the Company recognised a CGT credit or deferred tax asset arising on the unrealised capital loss on its investment in another Australian equity investment, Venturex. CGT credits may only be recognised or utilised to the extent the Company has CGT charges it can be used to offset against, such as the unrealised gain on BCI shares. Accordingly the Company recognised a deferred tax asset in respect of CGT for Venturex of US$6,076,000 at 31 December 2012.

During the year ended 31 December 2013, because of the sale of BCI shares in January 2013, there were no other potential CGT charges against which the Company could offset its CGT credits arising from the unrealised losses on its Venturex investment. Consequently, the Directors were not able to indicate with certainty that the Company would have future taxable capital gains to utilise the CGT credits on Venturex and the deferred tax asset arising from the unrealised capital loss on Venturex carried forward from the previous year was reversed.

(iii) During the year ended 31 December 2013, the Company recognised an exchange gain of approximately US$1,592,000 in relation to the potential CGT arising on the gain of BCI shares (as explained in (i) above) and an exchange loss of approximately US$729,000 in relation to the potential deferred tax assets on the unrealised loss of Venturex shares (as explained in (ii) above) respectively, as a consequence of the depreciation of the A$ against the US$ of approximately 14% during the year. In aggregate, there was a net exchange gain of approximately US$863,000.

29. RETIREMENT BENEFIT OBLIGATIONS

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

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees under Plan A who leave the scheme prior to vesting fully in the contributions. During the year ended 31 December 2013, there were no forfeited contributions (2012: Nil) and the Group's contribution was US$22,000 (2012: US$22,000).

30. OPERATING LEASE COMMITMENTS

Group

	2013 US$'000	2012 US$'000
At 31 December 2013 and 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Property:		
– within 1 year	490	842
– in the 2nd to 5th year, inclusive	8	479
	498	1,321
Equipment:		
– within 1 year	5	5
– in the 2nd to 5th year, inclusive	8	13
	13	18
	511	1,339

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.

31. CAPITAL COMMITMENTS

The Group and the Company have no material capital commitments as at 31 December 2013 and 2012.

32. CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 31 December 2013 and 2012.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Foreign currency risk

Currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has not taken any currency hedge as the management is not aware of any material foreign currency risk against its investments in financial assets.

The Group has exposure to currency risk as some of its financial assets and liabilities are denominated in currencies other than the financial currencies of the group companies.

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

31 December 2013

	Group				Company			
	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD
Cash and bank balances	8	—	187	—	—	—	179	—
Financial assets at fair value through profit or loss	—	26,441	7,267	3,224	—	26,441	7,267	2,971
Prepayments, deposits and other receivables	—	61	223	69	—	61	223	69
Accruals and other payables	—	(7)	(34)	—	—	(7)	(34)	—
Current net exposures	8	26,495	7,643	3,293	—	26,495	7,635	3,040

31 December 2012

	Group				Company			
	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD	US$'000 RMB	US$'000 GBP	US$'000 AUD	US$'000 CAD
Cash and bank balances	26	—	4,595	—	—	—	4,595	—
Financial assets at fair value through profit or loss	—	2,153	105,073	10,457	—	2,153	105,073	9,718
Prepayments, deposits and other receivables	2	1	—	—	—	—	—	—
Accruals and other payables	—	—	—	—	—	—	—	—
Current net exposures	28	2,154	109,668	10,457	—	2,153	109,668	9,718

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

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

	Group		Company	
	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit US$'000	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in net profit US$'000
As at 31 December 2013				
If US$ weaken against RMB	5	—	5	—
If US$ strengthen against RMB	(5)	—	(5)	—
If US$ weaken against GBP	5	1,325	5	1,325
If US$ strengthen against GBP	(5)	(1,325)	(5)	(1,325)
If US$ weaken against AUD	5	382	5	382
If US$ strengthen against AUD	(5)	(382)	(5)	(382)
If US$ weaken against CAD	5	165	5	152
If US$ strengthen against CAD	(5)	(165)	(5)	(152)
As at 31 December 2012				
If US$ weaken against RMB	5	1	5	—
If US$ strengthen against RMB	(5)	(1)	(5)	—
If US$ weaken against GBP	5	108	5	108
If US$ strengthen against GBP	(5)	(108)	(5)	(108)
If US$ weaken against AUD	5	5,483	5	5,483
If US$ strengthen against AUD	(5)	(5,483)	(5)	(5,483)
If US$ weaken against CAD	5	523	5	485
If US$ strengthen against CAD	(5)	(523)	(5)	(485)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group's investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

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

Liquidity risk

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

	Group					Company				
2013	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 6 months or on demand US$'000	6 to 12 months US$'000	1 to 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 6 months or on demand US$'000	6 to 12 months US$'000	1 to 5 years US$'000
Trade payables	100	100	100	—	—	—	—	—	—	—
Accruals and other payables	3,205	3,205	3,205	—	—	2,915	2,915	2,915	—	—
Amounts due to subsidiaries	—	—	—	—	—	14,503	14,503	14,503	—	—
	3,305	3,305	3,305	—	—	17,418	17,418	17,418	—	—
Derivative financial instruments	437	437	437	—	—	437	437	437	—	—

	Group					Company				
2012	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 6 months or on demand US$'000	6 to 12 months US$'000	1 to 5 years US$'000	Carrying amount US$'000	Total contractual undiscounted cash flow US$'000	Within 6 months or on demand US$'000	6 to 12 months US$'000	1 to 5 years US$'000
Trade payables	96	96	96	—	—	—	—	—	—	—
Accruals and other payables	3,278	3,278	3,278	—	—	2,922	2,922	2,922	—	—
Amounts due to subsidiaries	—	—	—	—	—	14,519	14,519	14,519	—	—
	3,374	3,374	3,374	—	—	17,441	17,441	17,441	—	—

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The Group enjoyed a healthy financial position at the end of 2013, with cash and cash equivalents amounting to US$9,055,000 as at 31 December 2013 (2012: US$11,447,000).

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

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

Commodity price risk

The Group's exposure to commodity price risk relates principally to the market price fluctuation in coking coal which can affect the Group's share of results from its associate.

Interest rate risk

The Group has no long-term external borrowings which bear floating interest rates. The Group's exposure to market risk for changes in interest rate related primarily to cash balances with banks.

Sensitivity analysis

At 31 December 2013, 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$103,000 (2012: US$114,000). The general increase/decrease in interest rate would have no significant impact on other components of consolidated equity.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Fair value measurements recognised in the consolidated statement of financial position

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

At 31 December 2013

		The Group				The Company			
	Notes	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets									
Listed securities held for trading	(a)	37,814	—	—	37,814	37,561	—	—	37,561
Derivative financial instruments	(b)&(c)	14	492	—	506	14	492	—	506
Available-for-sale financial assets	(d)	609	—	—	609	609	—	—	609
		38,437	492	—	38,929	38,184	492	—	38,676

At 31 December 2012

		The Group				The Company			
	Notes	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets									
Listed securities held for trading	(a)	119,058	—	—	119,058	118,319	—	—	118,319
Derivative financial instruments	(b)&(c)	519	1,052	—	1,571	519	1,052	—	1,571
Available-for-sale financial assets	(d)	666	—	—	666	666	—	—	666
		120,243	1,052	—	121,295	119,504	1,052	—	120,556

There have been no significant transfers among levels of the fair value hierarchy during the reporting periods.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value estimation (Continued)

(a) Listed securities held for trading

The listed equity securities are denominated in US dollars, British pounds, Canadian and Australian dollar. Fair values have been determined by reference to the last quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(b) Derivatives

Where derivatives are not traded either on exchanges or liquid over-the-counter markets, the fair value is determined with reference to the market price of equity shares to which the derivatives are linked to using pricing models.

(c) Derivatives

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date.

(d) Available-for-sale financial assets

The available-for-sale financial assets are denominated in Australian dollar. Fair values have been determined by reference to the last quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include listed equity securities amounting to US$37,814,000 classified as financial assets at fair value through profit or loss (2012: US$119,058,000).

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

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

At 31 December 2013, if equity prices had increased/decreased by 20% and all other variables were held constant, profit for the year would increase/decrease by US$7,563,000 (2012: US$23,812,000). The above analysis has been determined assuming that the reasonably possible changes in the stock market price or other relevant risk variables had occurred at the reporting date and had been applied to the exposure to equity price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual reporting date.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Summary of financial assets and liabilities by category

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

	Group		Company	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
(i) Financial assets				
Non-current assets				
Available-for-sale financial assets	2,334	5,279	2,334	5,279
Current assets				
Financial assets at fair value through profit or loss	37,814	119,058	37,561	118,319
Derivative financial instruments	506	1,571	506	1,571
Loans and receivables:				
– Cash and bank balances	9,055	11,447	8,322	10,655
– Amounts due from subsidiaries	—	—	15,404	5,341
– Prepayments, deposits and other receivables	3,597	2,441	3,212	2,064
	50,972	134,517	65,005	137,950
	53,306	139,796	67,339	143,229
(ii) Financial liabilities				
Current liabilities				
Derivative financial instruments	437	—	437	—
Financial liabilities measured at amortised cost:				
– Trade payables, accruals and other payables	3,305	3,374	2,915	2,922
– Dividend payable	—	—	—	—
– Amounts due to subsidiaries	—	—	14,503	14,519
	3,742	3,374	17,855	17,441

34. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's management objectives are:

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

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

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

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

Management regards equity attributable to the Company's owners as capital, for capital management purpose. The amount of capital as at 31 December 2013 amounted to approximately US$58,927,000 (2012: US$141,233,000), which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

35. MATERIAL RELATED PARTY TRANSACTIONS

The Group had no material related party transactions for the years ended 31 December 2013 and 2012.

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

36. LITIGATION

As announced by the Company on 28 January 2013, 18 April 2013 and 23 August 2013, the Company received orders from the Federal Court of Australia in relation to an assessment issued by the Commissioner of Taxation in the amount of A$12.78 million following completion of the sale of its securities in BCI for gross proceeds of A$81.6 million (the "**Assessment**"). The amount of potential capital gains tax assessed was expressed to be due and payable on 2 December 2013.

Following consultation with the Commissioner of Taxation and pursuant to the terms of the Settlement Deed (as defined in the announcement dated 18 April 2013), the Company agreed to grant The Commonwealth of Australia, represented by the Commissioner of Taxation, a specific security deed (as amended by way of a deed of amendment dated 27 November 2013) (together, the "**Specific Security Deed**") in respect of certain of the Company's investments in entities listed on the Australian Securities Exchange, as security against the Assessment, in consideration of the Commissioner of Taxation taking steps to discontinue the Court orders within 7 days of the date of the Specific Security Deed and staying recovery action in respect of the Assessment until the matter is resolved within the time provided for in any relevant law following the Final Determination of Objection (as defined in the announcement dated 18 April 2013).

Having executed the Settlement Deed and Specific Security Deed, the Company has, together with its external advisers, continued to focus on the merits of the Assessment. From advice received, the Company understands that the ultimate determination of the potential taxation liability will be subject to a valuation of BCI's real property (including mining tenements) and non-real property assets.

To this end, the Company has received independent valuation advice indicating that, based on a valuation of BCI's real property (including mining tenements) and non-real property assets at the relevant time, the Company has strong and compelling grounds based on current law in Australia to challenge the Assessment in its entirety.

Accordingly, the provision of A$12.78, million (or approximately US$11.65 million) in respect of the potential Australian taxation liability in relation to the realised gain on disposal of the Company's investment in BCI was written back in the financial statements for the half-year ended 30 June 2013 (as announced on 23 August 2013) and, prior to 2 December 2013, the Company filed a formal notice of objection with The Commonwealth of Australia, represented by the Commissioner of Taxation, objecting to the assessment.

The Company is continuing to work closely with its Australian advisers to determine the most appropriate course of action in respect of resolving the matter with the Commissioner of Taxation.

36. LITIGATION (Continued)

The Company and its advisers are also closely monitoring any developments in Australian taxation law that may be relevant to its analysis and position and should any change or development take place the Company will, following advice, revisit its treatment of the potential Australian tax should the need arise. In this respect, should any change to Australian law or the interpretation thereof render the approach adopted by the Company and its external advisers in relation to this matter as being no longer correct or consistent with the relevant change or development, whether in whole or part, the calculations supporting the Company's position (with respect to the value ascribed to BCI's real property (including mining tenements) and non-real property assets at the relevant time) may change and potentially have a material and adverse effect on the Company's accounts going forward.

Except for the above mentioned, the Directors are not aware of any litigation or claims of material importance pending or threatened against the Company or any subsidiary of the Group.

37. POST BALANCE SHEET EVENTS

Save for the events disclosed in previous notes, there is no significant event took place subsequent to 31 December 2013.

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