Regent Pacific Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 575

2007 Annual Report

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

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

Financial Results

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

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

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

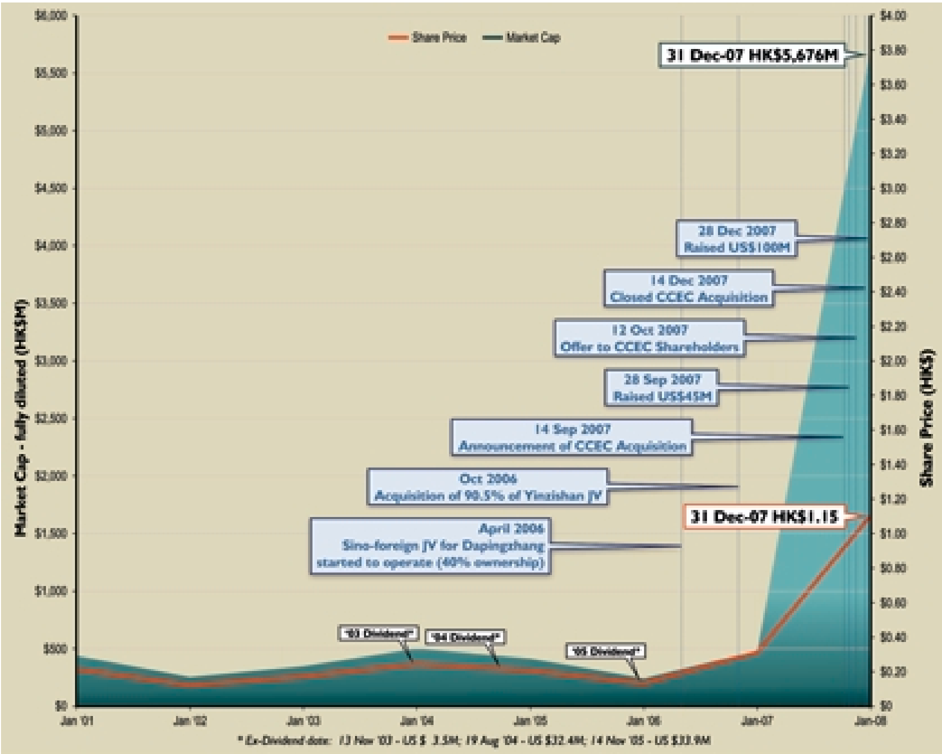
We foresee a stronger year in terms of production and commodities sold, with a major increase in production in 2009, when we will benefit from a full year of production from Dapingzhang (production of separate copper and zinc concentrates), Ji Ri Ga Lang (thermal coal) and Amerinvest Coal Industry Holding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

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

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

Financial Results (Continued)

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



Share Price & Market Capitalisation - Annual Growth

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

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

Operational Performance

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

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

Mine Exploration and Reserves

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

Regional Exploration

Our regional search for new volcanic massive sulphide ("**VMS**") orebodies has commenced successfully with our first discovery. The mineralisation is of the ancient sea floor 'black smoker' – type as mined at Dapingzhang. The new discovery called Rongfa 1 is significant because it means copper-zinc mineralisation is now known over a 'camp-sized' 6km strike length and is open to the north. We have started the drilling at Rongfa 1 with two drill rigs with an initial drill programme of 3,000 metres in 20 holes.

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

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

Corporate Governance

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

Outlook

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

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

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

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

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

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

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

James Mellon
Co-Chairman

17 April 2008

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

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

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

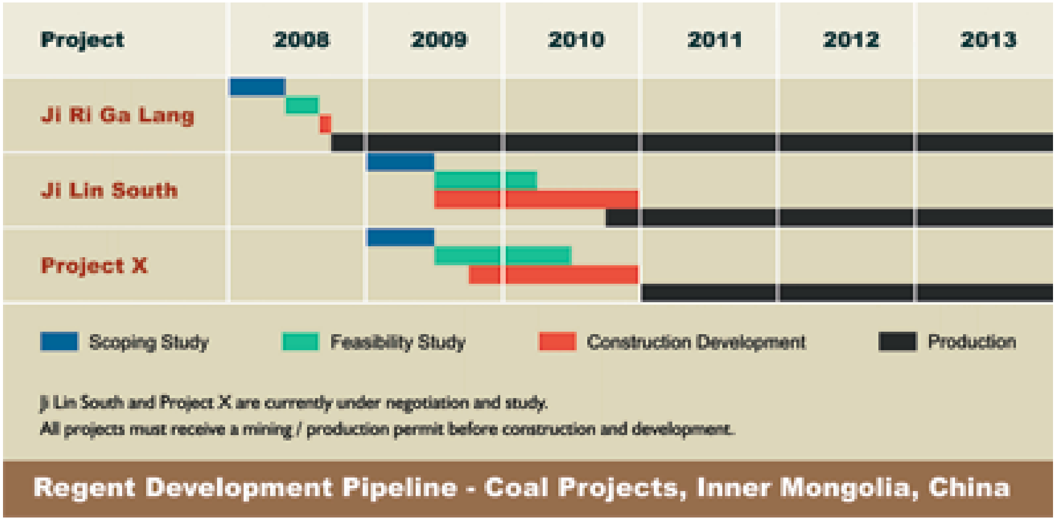
Our commodities of choice are coal, coking coal (and their related by-products such as coke, methanol and ammonia), copper and zinc. These are all commodities that we produce or will shortly produce and are those which we believe have strong supply demand fundamentals.

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

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

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

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



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

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

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

Jamie Gibson

17 April 2008

REVENUE AND PROFITS

The Group recorded a profit after tax and minority interests of US$1.60 million for the nine months ended 31 December 2007.

The jointly controlled entity and the associate of the Group, Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**") and Regent Markets Holdings Limited ("**Regent Markets**"), contributed a share of profit of US$7.07 million and US$0.40 million respectively to the Group for the nine months ended 31 December 2007. YSSCCL recorded a profit of RMB133.96 million (equivalent to US$17.67 million) for the nine months ended 31 December 2007.

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

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

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

The main elements of the profit are analysed as follows:

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

BALANCE SHEET

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

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

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

FUNDING

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

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

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

FUNDING (Continued)

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

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

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

MANAGEMENT OF RISK

In 2008, the most significant risk affecting the profitability and viability in respect of the Group is the continued success and revenue derived from its 40% interest in YSSCCL, a Sino-foreign equity joint venture enterprise that produces a copper concentrate and a zinc concentrate with gold and silver credits. There are also risks affecting the Group's profitability and viability in 2008 in respect of the Group's interest in Abagaqi Changjiang Mining Company Limited ("**ACMC**" or the "**Ji Ri Ga Lang Coal Project**") and West China Coke. Risks relating to the Group's interests include:

Price Risk

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

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

MANAGEMENT OF RISK (Continued)

Co-operation of the Joint Venture Partners

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

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

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

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

Operational Risks

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

Uncertainties Related to Exploration

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

MANAGEMENT OF RISK (Continued)

Licence Period of Exploration and Mining Rights

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

Capital Requirements and Funding Sources

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

Potential Cost Overruns on Expansion

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

Operational Costs

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

Government Regulations

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

MANAGEMENT OF RISK (Continued)

Political and Economic Considerations

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

Legal Considerations

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

Competition for Resources

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

Foreign Exchange Risk

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

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

MANAGEMENT OF RISK (Continued)

Credit Risk

YSSCCL is subject to credit risk through trade receivables. YSSCCL has two customers for its concentrates, Yunnan Yimen Jingyi Industry & Trading Limited and Yunnan Yuntong Zinc Company Limited. Credit risk is mitigated through the use of provisional payment arrangements whereby 100% is paid within five business days after the issuance of the monthly provisional delivery notice.

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

Interest Rate Risk

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

Environmental Risk

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

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

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

MANAGEMENT OF RISK (Continued)

Environmental Risk (Continued)

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

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

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

Accidents and Insufficient Insurance Coverage

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

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

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

MANAGEMENT OF RISK (Continued)

West China Coke

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

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

MANAGEMENT OF RISK (Continued)

Cyclical Nature of Coal Markets and Fluctuations in Coal Prices

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

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

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

Maximum Foreign Equity Holding Permitted in Coal Exploration and Mining

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

MANAGEMENT OF RISK (Continued)

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

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

FINANCIAL INSTRUMENTS

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

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

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

EMPLOYEES

The Group, including subsidiaries but excluding associates and a jointly controlled entity, employed approximately 40 employees at 31 December 2007. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below Board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the remuneration committee of the Board. In all cases, grants of share options will be agreed by the Board as a whole. During the period and up to the date of this report, options in respect of an aggregate of 126,038,000 ordinary shares in the Company were granted to eligible participants in which, an option in respect of 7,000,000 ordinary shares lapsed.

Regent Pacific Group Limited
Suite 1401, Henley Building
5 Queen's Road Central
Hong Kong
Telephone (852) 2514 6111
Facsimile (852) 2810 4792
Email info@regentpac.com

Website www.regentpac.com