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If you have sold or transferred all your shares in Regent Pacific Group Limited, you should, without delay, hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0575)

VERY SUBSTANTIAL TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES PROPOSED ACQUISITIONS OF CCEC AND CERTAIN PRC MINING ASSETS PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND PROPOSED SPECIFIC MANDATE TO ISSUE NEW SHARES

Financial Adviser to the Company

Morgan Stanley

Independent Financial Adviser to the Company

Quam Financial Services Group Quam Capital Limited

A letter from the Board is set out on pages 13 to 72 of this circular.

A letter from Quam Capital is set out on pages 73 to 87 of this circular.

A notice convening an EGM of Regent Pacific Group Limited to be held at Meeting Room 3, 1st Floor, Wynn Macau, Rua Cidade de Sintra, Nape, Macau on Saturday, 8 December 2007 at 11:00 a.m. is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy accompanying this circular in accordance with the instructions printed on it and return it to the Company Secretary at the Company's principal place of business in Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

22 November 2007

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In this circular, the following expressions have the following meanings unless the context requires otherwise:

"2006 General Mandate"	the general mandate granted by the Shareholders to the Directors to allot, issue and deal with up to 293,339,464 Shares by way of ordinary resolution passed at the annual general meeting of the Company held on 31 August 2006, which was exercised in full in the September Placing
"2007 General Mandate"	the general mandate granted by the Shareholders to the Directors to allot, issue and deal with up to 389,338,991 Shares by way of ordinary resolution passed at the annual general meeting of the Company held on 28 September 2007
"Account Payable"	has the meaning ascribed to it in the paragraph headed "Debts Treatment Program" in this circular
"ACIL"	Amerinvest Coal Industry Holding Company Limited
"ACIL Project"	Project 1, Project 2 and Project 3
"ACIL Project SPA"	the sale and purchase agreement dated 3 September 2007 between CCEC and the existing owners of ACIL and their guarantors in relation to the acquisition of the entire share capital in ACIL for US$24,380,065 and an interest free shareholder's loan for US$3,399,935 granted by CCAC to ACIL, together with the Possible Project 3 Further Acquisition, details of which have been set out in the paragraph headed "Details of the ACIL Project" of this circular
"ACIL Sellers"	(i) CCAC and (ii) Smart Way Resources Limited, being the sellers under the ACIL Project SPA
"ACMC"	Abagaqi Changjiang Mining Co., Ltd., a company registered in Abagaqi, Inner Mongolia
"ACMC Sellers"	(i) Chen Minhua, (ii) Li Yun and (iii) Zhang Xiuhe, being the sellers under the Ji Ri Ga Lang Project SPA
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Additional Consideration Shares"	up to 293,328,570 new Shares to be issued by the Company at the Issue Price as part of the Total Consideration pursuant to the Offer as a result of CCEC's Post-Signing Placing

"Amendment Agreement"	the amendment agreement executed on 14 September 2007 between, among others, the Sellers, the Company and CCEC under which the parties have agreed to amend certain terms of CCEC's Post-Signing Placing under the Share Purchase Agreement
"Authorised Share Capital"	the authorised share capital of the Company
"Authorised Share Capital Increase"	the proposed increase in the Authorised Share Capital from US$55,500,062.50 to US$105,500,062.50
"Average Closing Price"	HK$1.114, being the average closing price of Shares on the Stock Exchange for the last five trading days immediately preceding the date of the VSA Announcement
"BMO"	BMO Nesbitt Burns Inc., a North American investment firm, which is part of the BMO Financial Group whose shares are listed on the Toronto Stock Exchange and the New York Stock Exchange under stock code BMO
"Board"	the board of Directors
"Business Day"	a day on which banks are open for business in both Hong Kong and the PRC (excluding Saturdays, Sundays and public holidays in either Hong Kong or in the PRC)
"CCAC"	China Capital Advisors Corporation, a company incorporated in the Cayman Islands and which is wholly-owned by Sing Wang
"CCEC"	CCEC Ltd., a company incorporated in the British Virgin Islands and which is wholly-owned by the Sellers and the Investors as at: (i) the date of execution of the Share Purchase Agreement; and (ii) the Latest Practicable Date
"CCEC's July Placing"	has the meaning ascribed to it in the paragraph headed "Details of CCEC" in this circular
"CCEC's Post-Signing Placing"	has the meaning ascribed to it in the paragraph headed "The Offer to Investors" in this circular
"Company"	Regent Pacific Group Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Stock Exchange and the OTC market (Freiverkehr) of the Frankfurt Stock Exchange

"Completion"	completion of the sale and purchase of: (i) 42,800 Sale Shares from the Sellers as contemplated under the Share Purchase Agreement; and (ii) 167,200 Sale Shares and 53,242 (rounded up) new CCEC shares issued pursuant to CCEC's Post-Signing Placing (other than to the Excluded Investors), from the Investors as contemplated under the Offer
"Completion Date"	the date on which the Completion occurs
"Concert Party Group"	certain Directors comprising James Mellon, Jayne Sutcliffe and Anderson Whamond who are regarded as acting in concert for the purpose of the Takeovers Code and have registered the combined voting rights of the Company held by them (being 473,489,090 Shares in aggregate) with the SFC under the transitional provisions in Rule 26.6 of the Takeovers Code
"Conditions"	the conditions set out in the paragraph headed "The Share Purchase Agreement — Conditions" in this circular
"connected person"	has the meaning ascribed to it in the Listing Rules
"Consideration Shares"	up to 1,156,968,141 new Shares to be issued by the Company at the Issue Price as part of the Total Consideration pursuant to the Share Purchase Agreement and the Offer
"control"	has the meaning ascribed to it under the Takeovers Code
"Convertible Bonds"	the US$20 million 12 per cent. guaranteed convertible bonds of the Company due 2009, details of which have been set out in the announcement issued by the Company on 30 March 2006
"Deferred Share(s)"	non-voting convertible deferred share(s) of US$0.01 par value each in the share capital of the Company
"Directors"	the directors of the Company, including the independent non-executive directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held on Saturday, 8 December 2007 to consider and approve the ordinary resolutions included in the notice of EGM enclosed in this circular, details of which have been set out in this circular
"Enlarged Group"	the Group as enlarged by the Transaction (which includes CCEC, ACIL, ACMC and Yuke Coal)

"Enlarged Share Capital"	the issued ordinary share capital of the Company, as enlarged by the issue of the Shares under the Proposed Specific Mandate, the Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares, assuming the full acceptance of the Offer
"Examination Opinion"	has the meaning ascribed to it under the paragraph headed "Details of the Ji Ri Ga Lang Project — The Ji Ri Ga Lang Project SPA" in this circular
"Exchange Ratio"	has the meaning ascribed to it in the paragraph headed "The Offer to Investors" in this circular
"Excluded Investors"	Angstrom Capital Ltd., The Beck Family 2001 Trust, Chiropo Company S.A., The Dattels Family Trust, Dragonhill International Ltd., GCM, Logic System, Michael S. Vitton, Nemo Asset Management Ltd., RAB, Rig II Fund Limited and Stephen Beck
"Existing Share Capital"	the existing issued ordinary share capital of the Company as at the Latest Practicable Date
"Existing Report"	has the meaning ascribed to it under the paragraph headed "Details of the Ji Ri Ga Lang Project — The Ji Ri Ga Lang Project SPA" in this circular
"Finder's Fee Agreement"	the agreement entered into on 5 September 2007 between Stephen Dattels and the Company pursuant to which, subject to the terms and conditions set out therein, the Company has agreed to issue the Finder's Fee Shares by way of consideration for Stephen Dattels introducing the Transaction to the Company
"Finder's Fee Shares"	75,000,000 new Shares to be issued by the Company to Stephen Dattels under the Finder's Fee Agreement
"First-Stage ACMC Acquisition"	has the meaning ascribed to it in the paragraph headed "The Ji Ri Ga Lang Project SPA" in this circular
"GCM"	Global Coal Management plc., a London-based resource development company listed on the Alternative Investment Market (AIM) of the London Stock Exchange, being a shareholder of CCEC
"Group"	the Company together with its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Inner Mongolia"	Inner Mongolia Autonomous Region, the PRC
"Investors"	the remaining shareholders of CCEC (not including the Sellers) to whom the Offer was sent, details of which have been set out in the paragraph headed "Details of the Sellers and the Investors" in this circular
"Issue Price"	HK$1.07 per Consideration Share, being the average closing price of Shares on the Stock Exchange for the five consecutive trading days ending on the trading day immediately preceding the last trading day before the date of the execution of the Share Purchase Agreement
"Ji Ri Ga Lang Coal Mine"	the Ji Ri Ga Lang coal mine in Bayanchagan Town, Abagaqi, Inner Mongolia
"Ji Ri Ga Lang Project"	the exploration business conducted by Abagaqi Changjiang Mining Co., Ltd., pursuant to an exploration licence of the Ji Ri Ga Lang Coal Mine
"Ji Ri Ga Lang Project SPA"	the sale and purchase agreement dated 2 November 2007 which amended and restated prior agreements signed on 27 June 2007 and 30 July 2007 between CCEC and the existing owners of the Ji Ri Ga Lang Project in relation to the acquisition of the Ji Ri Ga Lang Project (including the guarantee on the payment of the Account Payable) for RMB180,000,000, details of which have been set out in the paragraph headed "Details of the Ji Ri Ga Lang Project" in this circular
"JORC Code"	Australasian Code For Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004)
"Latest Practicable Date"	20 November 2007, being the latest practicable date for ascertaining certain information contained in this circular
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Logic System"	Logic System Limited, a company wholly-owned by Steve Bywater (a director of CCEC), being a shareholder of CCEC
"MLR"	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"Morgan Stanley"	Morgan Stanley Asia Limited, the financial adviser to the Company in the Transaction

"Manitu Coal Mine"	the Manitu coal mine in Manitu, Inner Mongolia
"Nuenco"	Nuenco Limited, a limited liability company incorporated in the British Virgin Islands
"Nuenco Loan Agreement"	the loan agreement entered into between CCEC and Nuenco on 24 August 2007, pursuant to which CCEC has agreed to provide Nuenco with a loan totalling US$2,650,000 for the purpose of paying a deposit in respect of Nuenco's proposed acquisition of an interest or interests in one or more of the companies owning the Wuxiang Project
"Offer"	the offer made by the Company to the Investors in respect of: (i) the Sale Shares; and (ii) the new CCEC shares issued pursuant to CCEC's Post-Signing Placing, held by them
"Options"	the options granted and exercisable under the Share Option Scheme
"Possible Project 3 Further Acquisition"	the possible acquisition of a direct or indirect equity interest by CCEC, ACIL or entities controlled by them of up to a maximum of 45 per cent. in Project 3 (inclusive of the existing effective 3.29 per cent. interest held through ACIL and Project 1) at a maximum consideration of US$76.86 million and a further US$5 million payable to CCAC under the ACIL Project SPA
"PRC"	the People's Republic of China
"PRC Government"	the Government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
"Project 1"	Qujing Dawei Coking & Gas Company Limited (or otherwise known as West China Coking & Gas Company Limited), a sino-foreign joint venture company established in the PRC
"Project 2"	Yunnan Dawei Coking Co., Ltd., a PRC limited liability company
"Project 3"	Yunnan Dawei Ammonia Co., Ltd., a PRC limited liability company
"Projects"	the ACIL Project, the Ji Ri Ga Lang Project and the Yuke Project, some or all of which will be acquired by CCEC or entities controlled by CCEC pursuant to the Project SPAs

"Project SPAs"	the ACIL Project SPA, the Ji Ri Ga Lang Project SPA and the Yuke Option Agreements and any amendments thereto, including any other transaction or definitive agreements entered into or to be entered into in connection therewith
"Proposed Specific Mandate"	the proposed specific mandate to be granted by the Shareholders (other than Stephen Dattels, Adrian Lungan, the Directors (including the Concert Party Group) and their respective associates) to the Directors to allot, issue and deal with up to 4,000,000,000 Shares, representing 196.24 per cent. of the Existing Share Capital or 52.88 per cent. of the Enlarged Share Capital, to be passed by way of ordinary resolution at the EGM
"Quam Capital"	Quam Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, the independent financial adviser to the Shareholders (other than Stephen Dattels, Adrian Lungan, the Directors (including the Concert Party Group) and their respective associates) on the terms of the Proposed Specific Mandate
"Qujing"	Qujing Development and Investment Co., Ltd, a state-owned policy investment company, being a shareholder of Project 1 and Project 2
"Redeemable Convertible Preference Share(s)"	redeemable convertible preference share(s) of US$0.01 par value each in the share capital of the Company, details of which have been set out in the announcement issued by the Company on 7 September 2006
"RAB"	RAB Special Situations (Master) Fund Limited, being a shareholder of CCEC
"RMB"	Renminbi, the lawful currency of the PRC
"SACMS"	State Administration of Coal Mine Safety of the PRC
"Sale Shares"	210,000 shares of no par value in CCEC, being the entire issued share capital of CCEC as at the date of the VSA Announcement
"SD Existing Shares"	the 49,775,534 Shares currently held by Stephen Dattels in the Existing Share Capital
"SD Consideration Shares"	the 106,881,819 Consideration Shares to be issued under the Offer to Chiropo Company S.A. in which Stephen Dattels is potentially interested

"Second-Stage ACMC Acquisition"	has the meaning ascribed to it in the paragraph headed "The Ji Ri Ga Lang Project SPA" in this circular
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Sellers"	the sellers who have agreed to sell their Sale Shares on and subject to the terms of the Share Purchase Agreement (not including the Investors), details of which have been set out in the paragraph headed "Details of the Sellers and the Investors" in this circular
"September Placing"	the Company's placing of 293,339,464 Shares pursuant to the September Placing Agreement, details of which have been set out in the announcement issued by the Company on 18 September 2007
"September Placing Agreement"	the placing agreement entered into on 18 September 2007 between the Company and Morgan Stanley & Co. International plc in respect of the September Placing
"SFC"	Securities and Futures Commission of Hong Kong
"Shandong Parties"	(i) Shandong Institute of Surveying and Mapping of Geology and (ii) Shandong Geological Printing Ltd., being the sellers under the Yuke Coal Acquisition Agreement
"Shandong Exploration Licences" or "Zhun Dong Project"	has the meaning ascribed to it in the paragraph headed "The Yuke Coal Acquisition Agreement" in this circular
"Shanxi"	Shanxi Province, the PRC
"Shareholders"	the shareholders of the Company
"Share(s)"	ordinary share(s) of US$0.01 each in the share capital of the Company
"Share Option Scheme"	the Company's existing share option scheme named the Share Option Scheme (2002)
"Share Purchase Agreement"	the conditional share purchase agreement entered into on 4 September 2007 (as amended by the Amendment Agreement entered into on 14 September 2007) between, among others, the Sellers, the Company and CCEC under which the parties agree to proceed with the Transaction

"Sing Wang"	Mr. Sing Wang, a high net worth individual who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and connected persons of the Company and its subsidiaries, and who is also the guarantor of CCAC under the ACIL Project SPA
"SRK Reports"	independent technical reports published by SRK dated 18 October 2007 set out in "Appendix VI — Technical Information"
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended from time to time
"Total Consideration"	the total consideration for the acquisition of the entire share capital of CCEC payable or deliverable to the Sellers under the Share Purchase Agreement and to the Investors under the Offer
"Transaction"	(i) the acquisition by the Company of the entire share capital of CCEC (including the Sale Shares and the CCEC shares issued pursuant to CCEC's Post-Signing Placing) under the Share Purchase Agreement and the Offer; (ii) the execution and performance of the Finder's Fee Agreement; (iii) the issuance of the Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares; and (iv) the consummation by CCEC or entities controlled by it of any and all transactions contemplated in (a) the ACIL Project SPA (including the Possible Project 3 Further Acquisition), (b) the Ji Ri Ga Lang Project SPA, (c) the Yuke Coal Option Agreement and (d) the Yuke Coal Acquisition Agreement
"Transfer Price"	has the meaning ascribed to it in the paragraph headed "The Yuke Coal Acquisition Agreement" in this circular
"US"	the United States of America
"US$"	US dollars, the lawful currency of the US
"VSA Announcement"	the announcement dated 14 September 2007 of the Company setting out details of the Transaction
"Willie International"	Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability and whose ordinary shares are listed on the Stock Exchange

"Wuxiang Project"	the Wuxiang project, which comprises a coal mine, associated wash/coke plant, coke production plant and magnesium smelter, which are owned and operated by three operating entities registered in the Wuxiang County, Shanxi, being Shanxi Xianghui Huayuan Coking Company Limited, Shanxi Wuxiang Xianghui Coking Company Limited and Wuxiang County Hongshui Town Zhaipingun coal mine
"Xinjiang"	Xinjiang Autonomous Region, the PRC
"Yuke Coal"	Yuke Coal Limited, a company incorporated in Hong Kong which is established to hold the rights of certain coal exploration and/or mining licences in Xinjiang, the PRC
"Yuke Coal Acquisition Agreement"	has the meaning ascribed to it in the paragraph headed "Details of the Yuke Project" in this circular
"Yuke Coal Loan Agreement"	has the meaning ascribed to it under the paragraph headed "Details of the Yuke Project — The Yuke Coal Loan Agreement" in this circular
"Yuke Coal Option Agreement"	the option agreement entered into on 31 August 2007 which amended and restated prior agreements signed on 3 February 2007 and 24 August 2007 between CCEC and Mr. Yan pursuant to which CCEC is granted an option to purchase the entire share capital in Yuke Coal
"Yuke Exploration"	Yuke Exploration Limited, a company incorporated in Hong Kong which is established to hold the rights of certain coal exploration and/or mining licences at Abagaqi, Inner Mongolia
"Yuke Exploration Loan Agreement"	has the meaning ascribed to it under the paragraph headed "Details of the Yuke Project — The Yuke Exploration Loan Agreement" in this circular
"Yuke Exploration Option Agreement"	the option agreement entered into on 31 August 2007 (amended on 16 November 2007) which amended and restated a prior agreement signed on 20 April 2007 between CCEC and Mr. Yan pursuant to which CCEC is granted an option to purchase the entire share capital in Yuke Exploration
"Yuke Project"	the proposed acquisitions of Yuke Coal and Yuke Exploration pursuant to the Yuke Coal Option Agreement and the Yuke Exploration Option Agreement
"Yuke Option Agreements"	the Yuke Coal Option Agreement and the Yuke Exploration Option Agreement

"Yunnan"	Yunnan Province, the PRC
"Yunnan Coal"	Yunnan Coal Chemical Industry Group Co., Ltd., being a shareholder of Project 3
"Yunnan Yunwei"	Yunnan Yunwei Joint Stock Co., Ltd., a public listed company with its shares listed on the Shanghai Stock Exchange, being a shareholder of Project 1 and Project 2
"Yunnan Yunwei Group"	Yunnan Yunwei Group Co., Ltd., a state-owned company and the parent company of Yunnan Yunwei
"%"	per cent.

For reference only, the figures in RMB referred to in this circular have been translated into Hong Kong dollars on the basis of assumed exchange rates of US$1 = HK$7.8 and US$1 = RMB7.5.

EXPECTED TIMETABLE OF THE TRANSACTION

Set out below is an indicative timetable for the Transaction. **The timetable is subject to change due to various factors, such as regulatory approvals, market conditions and commercial decisions. The Company will notify the Shareholders of any material change to the expected timetable as and when appropriate.**

4 September 2007	Signing of the Share Purchase Agreement
14 September 2007	Signing of the Amendment Agreement
28 September 2007	Completion of the September Placing
3 October 2007	Completion of CCEC's Post-Signing Placing
5 October 2007	Completion of the ACIL Project SPA
12 October 2007	Making of the Offer
22 November 2007	Despatch of this circular setting out further details of the Transaction
8 December 2007	EGM
In or around mid-December 2007	Completion and issuance of the Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares
In or around mid-December 2007	The Company's placing under the Proposed Specific Mandate

REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0575)

Executive Directors:
Jamie Gibson *(Chief Executive Officer)*
Clara Cheung

Non-Executive Directors:
James Mellon *(Chairman)*
David Comba#
Julie Oates#
Patrick Reid#
Mark Searle#
John Stalker
Jayne Sutcliffe
Dr. Youzhi Wei
Anderson Whamond

 # Independent Non-Executive Directors

Registered Office:
Ugland House
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Grand Cayman
Cayman Islands

Principal place of business in Hong Kong:
Suite 1401
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5 Queen's Road Central
Hong Kong

22 November 2007

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES PROPOSED ACQUISITIONS OF CCEC AND CERTAIN PRC MINING ASSETS PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND PROPOSED SPECIFIC MANDATE TO ISSUE NEW SHARES

INTRODUCTION

On 14 September 2007, the Company announced that it will acquire CCEC and certain PRC mining assets, details of which have been set out in the VSA Announcement. The Company issued further announcements on 18 September 2007 (regarding the September Placing), 28 September 2007 (regarding the unaudited financial information on ACIL and completion of the September Placing), 3 October 2007 (regarding CCEC's Post-Signing Placing), 5 October 2007 (regarding the delay in despatch of this circular), 12 October 2007 (regarding the despatch of the Offer) and 16 November 2007 (regarding the further delay in despatch of this circular) to update the Shareholders in connection with the Transaction.

On 28 September 2007, the Company completed the placing of 293,339,464 Shares under the 2006 General Mandate to raise net proceeds of approximately HK$333.23 million (approximately US$42.72 million) with a view to helping CCEC meet its capital commitments for the Projects after Completion. On 3 October 2007, CCEC's Post-Signing Placing of 53,242 (rounded up) new CCEC shares completed, pursuant to which CCEC raised net proceeds of approximately HK$333.81 million (approximately US$42.79 million) to finance certain of its capital commitments for the Projects.

On 12 October 2007, Morgan Stanley, the financial adviser to the Company in respect of the Transaction, made the Offer on behalf of the Company to the Investors to acquire 167,200 Sale Shares and 53,242 (rounded up) CCEC shares (issued pursuant to CCEC's Post-Signing Placing) held by them by issuing 921,167,015 Consideration Shares and 293,328,570 Additional Consideration Shares upon full acceptance of the Offer. As at the Latest Practicable Date, the Company has received irrevocable undertakings from the Excluded Investors (other than RAB) that they will accept the Offer in respect of 95,200 Sale Shares beneficially owned by them (approximately 36.16 per cent. of the existing share capital of CCEC). In addition, the Company has received acceptances of the Offer in respect of 37,347 (rounded up) CCEC shares (approximately 14.19 per cent. of the existing share capital of CCEC), excluding the Sale Shares subject to the irrevocable undertakings from the Excluded Investors (other than RAB). Taking into account 42,800 Sale Shares to be acquired by the Company under the Share Purchase Agreement, accordingly, as at the Latest Practicable Date, the Company has secured rights to acquire altogether 175,347 CCEC shares or 66.61 per cent. of the existing share capital of CCEC.

The Company also entered into the Finder's Fee Agreement on 5 September 2007 with Stephen Dattels, existing chairman and director of CCEC, pursuant to which the Company has agreed to issue 75,000,000 Shares by way of consideration for Stephen Dattels introducing the Transaction to the Company. The issuance of the Finder's Fee Shares shall be subject to Completion and the satisfaction of the Conditions.

CCEC has entered into the ACIL Project SPA, the Ji Ri Ga Lang Project SPA and the Yuke Option Agreements, which, upon consummation, shall give CCEC rights to acquire interests (both operational and economic) in several coal and coal related projects in Yunnan, Inner Mongolia and Xinjiang. The Company will seek separate Shareholders' approvals at the EGM under Rule 14.76(2) of the Listing Rules in relation to the consummation of each of the Yuke Coal Option Agreement (but not the Yuke Exploration Option Agreement) and the Possible Project 3 Further Acquisition. Since Yuke Coal has entered into a legally binding agreement to acquire the Shandong Exploration Licences, upon exercise of the option under the Yuke Coal Option Agreement, the Company (through CCEC and Yuke Coal) will acquire the Shandong Exploration Licences in accordance with the terms of the Yuke Coal Acquisition Agreement.

Given CCEC's on-going capital needs for acquiring interests in and developing the Projects as well as future projects, the Company wishes to seek a specific mandate from the Shareholders to authorise the Directors to issue and allot up to 4,000,000,000 new Shares (i.e. the Proposed Specific Mandate), representing approximately 196.24 per cent. of the Existing Share Capital or approximately 52.88 per cent. of the Enlarged Share Capital.

Following Completion and taking into account the Finder's Fee Shares and Shares subject to outstanding Options, Convertible Bonds and Redeemable Convertible Preference Shares of the Company, only 767,389,414 Shares of the Authorised Share Capital remain unissued and available for further allotment and issue by the Company. In order to provide the Company with greater flexibility to raise future equity capital by allotting and issuing Shares, the Directors propose to increase the Authorised Share Capital from US$55,500,062.50 to US$105,500,062.50 by the addition of US$50,000,000, divided into 5,000,000,000 new Shares.

The purpose of this circular is to provide the Shareholders with further information relating to the Transaction, the Proposed Specific Mandate and the Authorised Share Capital Increase.

THE SHARE PURCHASE AGREEMENT

Date

4 September 2007

Parties

Seller:	the Sellers
Purchaser:	the Company
Sellers' Guarantors:	Adrian Lungan and Rick Lu

CCEC

Interests to be Acquired

42,800 Sale Shares held by the Sellers

Total consideration under the Share Purchase Agreement

The total consideration under the Share Purchase Agreement shall be paid or delivered to the Sellers by way of issuance of 235,801,126 Consideration Shares at the Issue Price of HK$1.07. Based on the Issue Price, such consideration shall have a value of approximately HK$252.31 million (being approximately US$32.35 million). The Issue Price represents a discount of 3.95 per cent. to the Average Closing Price of HK$1.114, a discount of 11.57 per cent. to the closing price of Shares of HK$1.21 on the Stock Exchange on 31 August 2007 (being the last trading day of the Shares preceding the date of the VSA Announcement), a discount of 22.46 per cent. to the closing price of Shares of HK$1.38 on the Stock Exchange on the Latest Practicable Date and a premium of 923.92 per cent. over the audited net asset value of the Company per Share (being US$0.0134, approximately HK$0.1045) as at 31 March 2007.

If, before 28 February 2008 (or otherwise agreed among the parties), the Sellers deliver, or cause to be delivered, to the Company evidence (satisfactory to the Company) that the relevant Conditions have been met, the Company will issue to each Seller 117,900,563 Consideration Shares, consistent with the Exchange Ratio (further described in the paragraph headed "The Offer to Investors" set out below).

Conditions

Completion is conditional upon fulfilment or, to the extent capable of being waived, waiver of, *inter alia*, the following conditions:

(i) the passing of an ordinary resolution by the Shareholders approving the Transaction (including the issue of the Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares pursuant to a specific mandate to be sought at the EGM) pursuant to the Listing Rules;

(ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares;

(iii) the ACIL Project SPA having closed in accordance with its terms;

(iv) the exploration licence/permit of ACMC remaining valid and of full force and effect and any and all licence/permit renewal or reissuance fees or use fees in respect of the same having been paid in full;

(v) the representations and warranties contained in the Share Purchase Agreement remaining true and correct in all material respects at Completion and the Sellers being in material compliance with their obligations thereunder;

(vi) all regulatory approvals of the Sellers required under the Share Purchase Agreement having been obtained and remaining in full force and effect;

(vii) all contracts between CCEC and counter parties in respect of the Wuxiang Project (other than the Nuenco Loan Agreement) having been terminated or assigned;

(viii) the execution of service contracts by certain key management staff of CCEC with a member of the Group (to include CCEC post Completion) on terms satisfactory to them;

(ix) no event, circumstance or development or combination of events, circumstances or developments occurring that, individually or in the aggregate, has had or will have a material adverse effect on CCEC or the Projects;

(x) the Company having received PRC legal opinions, endorsing, among other things, the legality and enforceability of the Ji Ri Ga Lang Project SPA;

(xi) the Offer remaining open for acceptance for not less than 20 US business days (being days which are not a Saturday, a Sunday or a public holiday in the US) and the subsequent completion of the transactions contemplated in the Offer; and

(xii) the consultancy agreement between CCEC and GCM dated 1 May 2007 having been amended to limit the participation right or right of first refusal of GCM in any coal related projects (of which CCEC has the right of first refusal under the Share Purchase Agreement, for details, please refer to the paragraph headed "Right of First Refusal" below) to only one project identified and selected by the Company and GCM, on terms satisfactory to the Company and GCM.

In relation to condition (iii), given the capital commitments of CCEC upon completion of the Project SPAs, all parties agreed that it would be in the best interests of CCEC and the Company to acquire the interests in the Projects in stages. As the business of Project 1 has been in operation since 2004 (while most of the other Projects are either exploration projects or undergoing construction), the parties decided to complete the ACIL Project SPA before Completion (which has now taken place), and made this a condition precedent to Completion. For details, please refer to the paragraph headed "Expected Timetable of the Transaction" of this circular.

As at the Latest Practicable Date, conditions (iii), (iv), (v), (vi), (vii), (ix) and (xii) have been satisfied. In respect of conditions (iv), (v), (vi) and (ix), the Company will seek further confirmation of their satisfaction again at Completion, together with satisfying or, if applicable, waiving the remaining conditions.

Termination

In certain circumstances, the Share Purchase Agreement provides for either the Company or the Sellers to have the right to terminate before Completion if there has been a material breach of certain warranties and obligations set out in the Share Purchase Agreement.

Where the Share Purchase Agreement is terminated (absent the fault of the Company), CCEC undertakes to pay or procure the payment to the Company (in lieu of all other rights or remedies available to the Company) a reimbursement fee of up to US$3,000,000 to reimburse the Company for its actual costs and expenses incurred in connection with the Transaction if, and only if:

(i) at or before the termination of the Share Purchase Agreement, CCEC or any Seller is in breach of its obligations not to solicit competing proposals from other interested buyers; and

(ii) during the period of 12 months from the date of the Share Purchase Agreement, any Seller, CCEC, ACMC or Project 1 or any of their respective affiliates enter into any arrangement or agree to enter into any arrangement in respect of a competing proposal.

Completion

Completion will take place on the second Business Day after the Conditions have been fulfilled or, where capable, waived and in any event by 28 February 2008 (or such date as may be agreed between the parties).

The parties under the Share Purchase Agreement have agreed that completion of the transactions contemplated under both the Share Purchase Agreement and the Offer shall be inter-conditional and shall be completed simultaneously on the Completion Date.

Completion is not conditional upon the consummation of the Project SPAs (other than the ACIL Project SPA).

Right of First Refusal

CCEC and the Sellers have agreed to give the Company a right of first refusal in respect of certain specific coal related projects (including the Projects and the Wuxiang Project, whether directly or indirectly through Nuenco or such other entity holding the interest in the Wuxiang Project) they have been investigating in the PRC. As at the Latest Practicable Date, save for the ACIL Project, the Ji Ri Ga Lang Project and the Yuke Project as disclosed in this circular (please refer to pages 22 to 44 of this circular), no binding definitive agreements have been entered into by CCEC nor has the Company carried out any due diligence in respect of such possible projects (apart from the Wuxiang Project). However, should the Company or any entity controlled by it exercise any such right of first refusal and enter into definitive agreements in respect of the same (post Completion), the Company will fully comply with the Listing Rules.

By way of background, CCEC had considered acquiring the Wuxiang Project earlier this year and in connection therewith the Company had separately (together with its advisers) in January 2007 commenced due diligence on the Wuxiang Project. However, the independent due diligence exercise carried out by the Company and its advisers has revealed certain legal and regulatory issues associated with the Wuxiang Project that would require resolution prior to any indirect acquisition by the Company (acting through CCEC).

Accordingly, the Company and the Sellers have agreed that, while still an attractive investment opportunity, the acquisition plan in respect of the Wuxiang Project shall be put on hold for now, pending resolution of the legal and regulatory issues so identified to the Group's satisfaction.

The Amendment Agreement

On 14 September 2007, the parties entered into the Amendment Agreement pursuant to which the parties have agreed to amend certain provisions in respect of CCEC's Post-Signing Placing (as defined below) set out in the original Share Purchase Agreement. For details, please refer to the paragraph headed "The Offer to Investors" below.

THE OFFER TO INVESTORS

As disclosed in the VSA Announcement, the Company announced that it intended to make the Offer (through Morgan Stanley, its financial adviser) to the Investors to acquire 167,200 Sale Shares owned by them. Assuming full acceptance of the Offer, the Company will issue 921,167,015 Consideration Shares as consideration for 167,200 Sale Shares.

As further disclosed in the VSA Announcement, it was CCEC's stated intention to raise additional funding by placing new CCEC shares to the Investors (other than the Excluded Investors) in order to finance certain of CCEC's capital commitments for the Projects ("**CCEC's Post-Signing Placing**"). Under the Share Purchase Agreement and the Amendment Agreement, CCEC's Post-Signing Placing (or any other such interim financing) was subject to the Company's prior consent, was only to be raised from the Investors (other than the Excluded Investors) and was to take place at or around the same time as a capital raising by the Company upon exercising its 2006 General Mandate. The purpose of such arrangement was to facilitate both the Company and CCEC raising the same or similar amount of funds to finance certain of CCEC's capital commitments for the Projects such that CCEC had sufficient funds to acquire its interest in Project 1 and sufficient working capital for its operations.

As set out in the Company's announcement dated 28 September 2007, the Company completed the September Placing by placing 293,339,464 Shares to not less than six independent placees, through Morgan Stanley & Co., International plc as the placing agent, to raise net proceeds of approximately HK$333.23 million (approximately US$42.72 million).

As set out in the Company's announcement dated 3 October 2007, CCEC completed CCEC's Post-Signing Placing by placing 53,242 (rounded up) new CCEC shares to the Investors (other than the Excluded Investors), through BMO as the placing agent, raising approximately HK$333.81 million (approximately US$42.79 million) in cash net of placing commission and estimated expenses.

As CCEC's Post-Signing Placing has now completed, the consideration payable by the Company under the Offer shall increase and be satisfied by way of issuance of the Additional Consideration Shares.

As at the date of the execution of the Share Purchase Agreement, if all the Investors accept the Offer, subject to Completion, the Company will issue 1,156,968,141 Consideration Shares for the 210,000 Sale Shares held by the Sellers and the Investors, equating to an exchange ratio of 5,509.3721 Shares per CCEC share (the "**Exchange Ratio**"). The number of the Additional Consideration Shares to be issued under the Offer will be determined on the basis of the Exchange Ratio.

Pursuant to the terms of the Share Purchase Agreement and the Amendment Agreement, the parties have agreed that the number of Additional Consideration Shares to be issued by the Company under the Offer will not be more than the number of new Shares issued by the Company upon its exercise of the 2006 General Mandate which allowed the Company to issue up to 293,339,464 Shares as at the date of the execution of the Amendment Agreement. As the Exchange Ratio is fixed, this effectively meant that CCEC could not issue more than 53,243 new CCEC shares pursuant to CCEC's Post-Signing Placing. The parties have also agreed that the gross proceeds raised pursuant to CCEC's

Post-Signing Placing on a per CCEC share basis was to be approximately equivalent to the product of: (i) 5,509.3721; and (ii) the gross proceeds per Share raised by the Company upon exercising the 2006 General Mandate, and that the proceeds raised by CCEC would only be used to discharge the capital commitment under the ACIL Project SPA, the Ji Ri Ga Lang Project SPA and for general working capital requirements.

Since the Company exhausted all of the 2006 General Mandate in the September Placing and that CCEC raised approximately the same amount so raised by the Company through the issuance of 53,242 (rounded up) new CCEC shares, assuming full acceptance of the Offer, the Company would issue 293,328,570 Additional Consideration Shares as consideration for the new CCEC shares issued under CCEC's Post-Signing Placing.

On 12 October 2007, Morgan Stanley, the financial adviser to the Company in respect of the Transaction, made the Offer on behalf of the Company to the Investors to acquire 167,200 Sale Shares and 53,242 (rounded up) CCEC shares (issued pursuant to CCEC's Post-Signing Placing) held by them which, together with 42,800 Sale Shares held by the Sellers, represent all of the issued and outstanding share capital of CCEC as at: (i) the date of the making of the Offer; and (ii) the Latest Practicable Date. In this connection, assuming full acceptance of the Offer by the Investors, the Company will issue 921,167,015 Consideration Shares and 293,328,570 Additional Consideration Shares to the Investors to be allocated among the Investors in accordance with the Exchange Ratio. The Issue Price under the Share Purchase Agreement and the Offer are the same. Accordingly, the consideration for 167,200 Sale Shares and 53,242 (rounded up) CCEC shares under the Offer shall have a value of approximately HK$1.30 billion (being approximately US$166.67 million), based on the Issue Price.

As at the date of the Latest Practicable Date, the Company has received irrevocable undertakings from the Excluded Investors (other than RAB) that they will accept the Offer in respect of 95,200 Sale Shares beneficially owned by them (approximately 36.16 per cent. of the existing share capital of CCEC). In addition, the Company has received acceptances of the Offer in respect of 37,347 (rounded up) CCEC shares) (approximately 14.19 per cent. of the existing share capital of CCEC), excluding the Sale Shares subject to the irrevocable undertakings from the Excluded Investors (other than RAB). Taking into account 42,800 Sale Shares to be acquired by the Company under the Share Purchase Agreement, accordingly, as at the Latest Practicable Date, the Company has secured rights to acquire altogether 175,347 CCEC shares or 66.61 per cent. of the existing share capital of CCEC. The irrevocable undertakings will lapse if: (i) the Offer is not made on or before 15 January 2008; or (ii) the Offer lapses or is withdrawn without having become wholly unconditional.

The Offer is conditional upon, *inter alia*, fulfilment or, to the extent capable of being waived, waiver of: (i) the passing of ordinary resolutions by the Shareholders approving: (a) the acquisition of the issued shares in CCEC in respect of which the Offer has been made; (b) the specific mandate necessary to enable the Company to issue, *inter alia*, the Consideration Shares and Additional Consideration Shares to the Investors; and (c) if, and to the extent required under the Listing Rules or otherwise by the Stock Exchange, the entry into and performance of any other transactions contemplated in the Offer; (ii) completion of the Share Purchase Agreement (subject only to completion of the Offer); and (iii) the Company having received by the close of the Offer, valid acceptances (satisfactory to the Company) in respect of such number of issued shares in CCEC which, when taken together with the Sale Shares to be acquired by the Company under the Share Purchase Agreement, will result in the Company holding shares in CCEC carrying not less than 90 per cent. of the voting rights attributable to the issued share capital of CCEC at Completion.

The Offer shall lapse upon the termination of the Share Purchase Agreement.

Taking into account the Share Purchase Agreement, the acceptance level of the Offer and the irrevocable undertakings given by the Excluded Investors (other than RAB) that they will accept the Offer, the Company will proceed with the acquisition of CCEC, subject to satisfaction or, if applicable, waiver of the conditions under the Share Purchase Agreement and the Offer including, among others, Shareholders' approval at the EGM.

BASIS OF TOTAL CONSIDERATION

The Total Consideration was determined on the basis of normal commercial terms and arm's length negotiations between the parties with reference to, *inter alia*, the value of CCEC's contractual rights to acquire interests in the Projects, the technical expertise of the CCEC management team and their intention to stay with CCEC post Completion, an assessment of the future business potential of the Projects and the outlook for thermal coal, coking coal and certain coal related by-products in the PRC. Notwithstanding the uncertainties concerning the completion of the Project SPAs (other than the ACIL Project SPA, which has closed), the Directors still believe that the Total Consideration is fair and reasonable and in the interest of Shareholders because the Directors expect that at the very least the completion of the First-Stage ACMC Acquisition will happen.

DETAILS OF CCEC

CCEC is an investment holding company incorporated in the British Virgin Islands on 27 July 2006. As at the Latest Practicable Date, the Sellers and the Investors collectively own 263,242 (rounded up) CCEC shares, being 100 per cent. of the issued and outstanding share capital in CCEC. CCEC is principally engaged in seeking investment opportunities in businesses that are engaged in the full life-cycle of exploration, extraction and sale of thermal coal and coking coal and in addition the operation of coke and chemical works in the PRC. CCEC's investment strategy focuses on high-quality, low capital coal operations in each of the three regions designated as regional coal development centres in the 11th Five Year Plan in the PRC. Stephen Dattels, existing chairman and director of CCEC, has 20 years' relevant experience in financing mining ventures.

CCEC issued: (i) 60,000 shares to some of the Investors in July 2007 ("**CCEC's July Placing**"); and (ii) 53,242 (rounded up) shares to the Investors (other than the Excluded Investors) pursuant to CCEC's Post-Signing Placing in October 2007, through BMO as the placing agent, to raise approximately US$20 million (approximatley HK$156 million) cash (gross proceeds) and approximately US$42.79 million (approximately HK$333.81 million) cash (net of placing commission and estimated expenses for the placing), respectively. The proceeds of such CCEC placings are intended to finance developing and consummating the proposed investments in the Projects.

Information on the Sellers and the Investors is set out in the paragraph headed "Details of the Sellers and the Investors" in this circular.

CCEC has entered into the ACIL Project SPA and the Ji Ri Ga Lang Project SPA with the existing owners of the ACIL Project and the Ji Ri Ga Lang Project on 3 September 2007 and 2 November 2007 (which amended and restated prior agreements dated 27 June 2007 and 30 July 2007) respectively, pursuant to which CCEC has the right to acquire some or all of the equity interests or assets in the ACIL Project and the Ji Ri Ga Lang Project. In addition, CCEC has entered into the Yuke Option Agreements with the existing owner of Yuke Coal and Yuke Exploration which provide CCEC with options to acquire the Yuke Project. Upon the exercise of such options, CCEC will acquire the Yuke Project and will succeed Yuke Coal's right to acquire the Shandong Exploration Licences (as defined below under the Yuke Coal Acquisition Agreement). Consummation of the Project SPAs (other than the ACIL Project SPA, which has closed) and the Yuke Coal Acquisition Agreement will not be conditional upon Completion.

Brief details of the Projects and the Project SPAs are set out below:

DETAILS OF THE ACIL PROJECT

ACIL was incorporated on 2 January 2003 and is an investment holding company set up for the purpose of exploring and investing in coking and chemical projects in the PRC. Before completion of the ACIL Project SPA, the shareholders of ACIL (each as to 50 per cent.) were CCAC and Smart Way Resources Limited, whose ultimate beneficial owner is Willie International (a company listed on the Stock Exchange having Stock Code 273). As set out in the Company's announcement dated 5 October 2007, CCEC became the sole shareholder of ACIL at completion of the ACIL Project SPA on 5 October 2007.

ACIL owns a 25 per cent. equity interest in Project 1, a Sino-foreign equity joint venture company registered in Huashan Town, Zhanyi County, Qujing Municipality, Yunnan. Project 1 was incorporated in 2001 and acquired its business licence as a Sino-foreign equity joint venture company on 8 December 2004.

The total investment of Project 1 is RMB461.54 million, and its registered capital was RMB164.64 million as at 31 December 2006 which had been fully paid up. At present, Project 1's shareholding structure is as follows: (i) Yunnan Yunwei holds 54.8 per cent. of the equity interest; (ii) Qujing holds 20.2 per cent. of the equity interest; and (iii) ACIL holds 25 per cent. of the equity interest. To the best of the Company's knowledge, having made reasonable enquiry, Qujing is a state-owned policy investment company and Yunnan Yunwei is a public listed company with its shares listed on the Shanghai Stock Exchange. The parent company of Yunnan Yunwei is Yunnan Yunwei Group, a state-owned company.

The business scope of Project 1 is the production, processing and sale of coal, coke, gas and coal chemicals (excluding supply of gas for inhabitants) (where a specific approval is required, being an Operational Permit of Coal (煤炭經營資格證) and a Production Permit of Industrial Products (工業產品生產許可), Project 1 shall conduct business according to the contents of the approval).

Project 1 has a name plate (i.e. design capacity) annual production capacity of 1,050,000 tonnes of coke, 80,000 tonnes of methanol, 30,000 tonnes of coal tar, 9,000 tonnes of crude benzene, and 8,000 tonnes of ammonium sulfate.

Project 1 has a 5.45 per cent. interest in Project 2, a limited liability company established in the PRC. Yunnan Yunwei and Qujing own 90.91 per cent. and 3.64 per cent. of Project 2, respectively. The business scope of Project 2 is washing, selection and wholesale of coal products and production of coke. Project 2 has been designed for annual production of 2.24 million tonnes of coke, 97,500 tonnes of coke tar, 209,000 tonnes of methanol and 85,000 tonnes of benzene. Project 2's facilities will include coal gas purification, utility and support facilities, a thermal power station, a waste water treatment plant and air separation. It is expected that the construction work of Project 2's facilities will be completed by December 2007, with commissioning to commence shortly thereafter.

Project 1 has a 13.14 per cent. interest in Project 3, a limited liability company established in the PRC. Yunnan Coal and Yunnan Yunwei Group own the remaining 86.86 per cent. of Project 3. Project 3 has been designed for annual production of 500,000 tonnes of synthetic ammonium. It is expected that construction work of Project 3's facilities will be completed by December 2007, with commissioning to commence shortly thereafter.

To the best of the Directors' knowledge, information and belief, having made reasonable enquiry, each of the existing shareholders of Project 1, Project 2 and Project 3 and their respective ultimate beneficial owners, respectively, is a third party independent of the Company and connected persons of the Company and its subsidiaries.

The ACIL Project SPA (completed on 5 October 2007)

As set out in the Company's announcement dated 5 October 2007, the ACIL Project SPA completed on 5 October 2007, and CCEC is now the sole shareholder of ACIL. For historical reference purposes, please see below for a summary of the material terms of the ACIL Project SPA.

Date

3 September 2007

Parties

Seller:	CCAC and Smart Way Resources Limited, (i.e. the ACIL Sellers)
Purchaser:	CCEC
Sellers' Guarantors:	Sing Wang and Willie International

To the best of the Directors' knowledge, information and belief, having made reasonable enquiry, each of the ACIL Sellers and their respective guarantor and ultimate beneficial owners, respectively, is a third party independent of the Company and connected persons of the Company and its subsidiaries.

Share Transfer and Purchase Price

CCEC acquired from the ACIL Sellers the entire issued share capital of ACIL for a total amount of US$24,380,065 in cash and an interest free shareholder's loan granted by CCAC to ACIL with an amount of US$3,399,935 in cash, paid in the following manner:

1. a non-refundable deposit of US$250,000 was paid to ACIL as agent for and on behalf of the ACIL Sellers;

2. a deposit of US$5,000,000 was paid to ACIL as agent for and on behalf of the ACIL Sellers;

3. an amount of US$19,130,065 was paid to the ACIL Sellers on a *pro rata* basis on the closing of the ACIL Project SPA in respect of ACIL's 25 per cent. equity interest in Project 1; and

4. an amount of US$3,399,935 was paid to CCAC in respect of the interest free shareholder's loan granted by CCAC to ACIL.

CCEC was legally responsible for the funding of the consideration payable pursuant to the ACIL Project SPA. CCEC used its internal cash resources and funding raised in CCEC's Post-Signing Placing to meet (in full) its payment obligations under the ACIL SPA. For further details, please refer to the paragraph headed "Financing of the Projects" in this circular.

To the best of the Company's knowledge, having made reasonable enquiry, the consideration for the 100 per cent. interest in ACIL was negotiated between the ACIL Sellers and CCEC on an arm's length basis, with reference to the net asset value and net profit attributable to ACIL's 25 per cent. direct interest in Project 1 as at 31 July 2007. However, the Company wishes to stress that the Company is not a party to the ACIL Project SPA.

Shareholder's Loan

CCEC has also acquired from CCAC the interest free shareholder's loan granted by it to ACIL, for US$3,399,935 (its face value), paid in cash on closing of the ACIL Project SPA.

Possible Acquisition of a Further Interest in Project 3

The Company understands that ACIL, Yunnan Coal, Yunnan Yunwei Group and Project 1 are discussing the possibility of increasing the registered capital of Project 3 by subscribing for new registered capital in Project 3. No definitive agreement on the proposed capital increase in Project 3 (including the relevant proportions) has been entered into between the above parties.

ACIL's potential indirect interest in Project 3 (through Project 1 as an associated company of ACIL) may increase as a result of such subscription. Moreover, and subject to the conclusion of the discussions between the above mentioned parties, under the ACIL Project SPA, CCEC, ACIL or any entities controlled by them may in its/their sole discretion: (i) determine whether or not to negotiate and conclude such negotiations in respect of any possible further acquisition and (ii) elect to enter into definitive and legally binding sale and purchase agreements (or other related acquisition or joint venture documentation) in respect thereof, in each case in relation to any further acquisition of a direct or indirect equity interest of up to a maximum of 45 per cent. in Project 3 (inclusive of the existing effective 3.29 per cent. interest held through ACIL and Project 1) by way of a capital contribution in Project 3 and/or purchase of an equity interest from an existing shareholder of Project 3. Sing Wang, as a director and for and on behalf of ACIL, will continue to negotiate the Possible Project 3 Further Acquisition with a view to executing definitive documentation within the next 4 months, at all times within the commercial parameters set out and agreed in the ACIL Project SPA, principally in respect of price and the stake to be acquired (being not more than US$76.86 million for up to a 45 per cent. interest in Project 3 (inclusive of the existing effective 3.29 per cent. interest held through ACIL and Project 1)).

The Company expects that the rights and obligations of the shareholders of Project 3 in respect of any further capital contribution will be the subject of further definitive documents or amendments to existing contractual arrangements governing the relationship among such shareholders, to include terms and conditions customary for an equity acquisition of this type (such as conditions precedent to closing, representations and warranties, indemnities and possible management participation rights). Upon execution of any such agreement, the Company will make all requisite disclosures in compliance with the Listing Rules.

In the event that a maximum 45 per cent. equity interest in Project 3 (inclusive of the existing effective 3.29 per cent. interest held through ACIL and Project 1) becomes available by way of a capital contribution in Project 3 and/or purchase of an equity interest from an existing shareholder of Project 3, under the ACIL Project SPA, a maximum additional amount of US$76.86 million shall be payable by CCEC, ACIL or any entities controlled by them. Should (i) such capital contribution in Project 3 and/or purchase of an equity interest from an existing shareholder of Project 3 be agreed at such price (on a dollar per percentage point interest) between the relevant counterparties (including CCEC); and (ii) CCEC be willing to pay such amount, a further US$5 million is payable by CCEC, ACIL or any entities controlled by them to CCAC. To the best of the Company's knowledge, having made reasonable enquiry, the consideration for the Possible Project 3 Further Acquisition under the ACIL Project SPA was negotiated between CCEC and CCAC on an arm's length basis, with reference to CCEC management's assessment (based on its expertise, knowledge and experience in the PRC mining industry) of Project 3's designed annual production capacity and construction progress. However, the Company wishes to stress that the Company was not a party to the ACIL Project SPA and was not involved in the assessment made by CCEC management. The Company will seek Shareholders' approval at the EGM in respect of the Possible Project 3 Further Acquisition. Information on Project 3 has been set out in this circular for Shareholders' information.

Upon consummation of the Possible Project 3 Further Acquisition under the ACIL Project SPA, CCEC will be legally responsible for the funding of the consideration. CCEC will first use its internal cash resources and funding raised in CCEC's Post-Signing Placing to meet its payment obligations. Failing which, after Completion, the Company will use its internal cash resources and funding to be raised in the exercise of the Proposed Specific Mandate to cover the shortfall.

For details of Project 3's financial information, including the audited net asset value, revenue and profit or loss information, please refer to Appendix II.E to this circular.

Project 3 is a new plant designed for annual production of 500,000 tonnes of synthetic ammonium and is being constructed by an experienced management team led by Yunnan Yunwei Group. The Company understands that Project 3 may commence operation in the near future. The Directors therefore consider the Possible Project 3 Further Acquisition to be an attractive investment opportunity for the Company and is consistent with the Company's known strategy of acquiring quality mining or mining related assets. The Directors believe that the terms of the Possible Project 3 Further Acquisition under the ACIL Project SPA are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company believes that the terms of the Possible Project 3 Further Acquisition (particularly the identity of the parties and the possible acquisition price — the actual monetary value of the total consideration payable) and relevant information on Project 3 and its assets (including, but not limited to, Project 3's accountants' report and pro forma financial information) has been sufficiently set out in this circular to enable Shareholders to reach an informed decision.

To facilitate the fund raising requirements of the Company, the Company will not seek to consummate the Possible Project 3 Further Acquisition under the ACIL Project SPA until the Proposed Specific Mandate has been approved at the EGM and sufficient funds raised following exercise thereof. For details of the Proposed Specific Mandate, please refer to the paragraph headed "Financing of the Projects and the Proposed Specific Mandate" in this circular.

It is the intention of the Company that, following Completion and the placing under the Proposed Specific Mandate, the Company (through CCEC) will consummate the Possible Project 3 Further Acquisition as soon as possible. Subject to a successful placing under the Proposed Specific Mandate, the Company currently contemplates the above possible acquisition will be consummated within 4 months of the despatch of this circular. In light of this expected completion date and the fact that all the material terms and information of this transaction have been disclosed in this circular, the Directors believe that it is unlikely that there will be any material change in any relevant facts at the time of consummation of the possible acquisition. To the extent there is material change in terms or circumstances at the time of the consummation of the Possible Project 3 Further Acquisition, the Company undertakes to re-comply with the applicable Listing Rules including obtaining any requisite Shareholders' approval, as applicable.

The Company will issue announcement(s) upon consummation of the above possible acquisition and all the material terms will be set out in such announcement(s).

The likely consideration for the Possible Project 3 Further Acquisition was reached through arm's length negotiations between CCEC and CCAC, after consultation with the existing vendors of Project 3, and was based on the prospects and net assets value of Project 3 as at 31 July 2007.

Should the above possible acquisition consummate, CCEC will be legally responsible for the funding in accordance with the consideration formula set out above. CCEC will use its internal cash resources and funding raised in CCEC's Post-Signing Placing and to the extent there is shortfall, the Company will, subject to Completion, provide funding through its internal cash resources and proceeds from its equity fund raising activities. For further details, please refer to the paragraph headed "Financing of the Projects" in this circular.

Upon consummation of the Possible Project 3 Further Acquisition, Project 3 will become an associated company of the Enlarged Group.

Conditions Precedent

Completion of the acquisition of ACIL is conditional upon fulfilment of, *inter alia*, the following conditions:

1. CCEC shall have passed at a board meeting a resolution to approve the acquisition of 100 per cent. of the equity interest of ACIL;

2. CCEC shall have obtained funding of not less than US$20,000,000;

3. all regulatory approvals of the ACIL Sellers and ACIL shall have been obtained and all such approvals shall remain in full force and effect;

4. CCEC shall have received a written legal opinion from PRC legal counsel, dated as of the closing date of the ACIL Project SPA confirming that Project 1: (i) has been properly established as a Sino-foreign joint venture enterprise of limited liability, having independent legal person status under PRC law; and (ii) has obtained a business licence and capital verification report;

5. the representations and warranties contained in the ACIL Project SPA shall remain true and correct in all material respects at closing and the ACIL Sellers shall be in material compliance with their obligations thereunder;

6. no event, circumstance or development shall have occurred which in CCEC's sole discretion materially and adversely affects ACIL and the ACIL Project;

7. CCEC shall have been given reasonable access to conduct due diligence on ACIL and shall be satisfied with such due diligence;

8. any and all agreements and arrangements of an ongoing or recurrent nature entered into or subsisting in respect of the operating expenses of ACIL shall have been terminated, extinguished or repaid (as the case may require); and

9. CCEC and the ACIL Sellers shall have executed a disclosure letter (no later than 15 business days from the execution date of the ACIL Project SPA).

At closing of the ACIL Project SPA on 5 October 2007, all the above conditions were satisfied.

Despite the issues discussed in the paragraph headed "Certain Risks Factors Relating to the Projects" in this circular, the Company and CCEC consider that conditions (3) to (7) were satisfied for the following reasons: (i) in relation to condition (3), the Company understands from its PRC legal adviser that completion of the ACIL Project SPA does not require regulatory approvals; (ii) in relation to condition (4), CCEC has received a satisfactory PRC legal opinion from the ACIL Sellers' PRC legal counsel covering the matters requested; (iii) in relation to condition (5), both the Company and CCEC were of the view that, after reviewing the PRC legal opinion issued by the ACIL Sellers' lawyers and advice received from the Company's PRC legal adviser, the risks that the PRC regulatory issues regarding the ACIL Project referred to in this circular present were commercially acceptable (when considered in light of the business potential of the ACIL Project and the customary market practice of the coal mining industry in the PRC) and in any event, such risks have been disclosed in the ACIL Sellers' disclosure letter (which qualified the representations and warranties set out in the ACIL Project SPA); and (iv) in relation to conditions (6) and (7), other than the issues disclosed in the paragraph headed "Certain Risks Factors Relating to the Projects" in this circular, the Company (and its PRC adviser) and CCEC have not identified any event, circumstance or development which materially affects ACIL or the ACIL Project in the course of the due diligence exercise.

In light of the above, and despite the fact that the Company was not a party to the ACIL Project SPA, the Directors believe that the terms of the ACIL Project SPA are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Termination

In certain circumstances, the ACIL Project SPA provided for either CCEC or the ACIL Sellers to have the right to terminate prior to its closing if there has been a material breach of certain warranties and obligations set out in the ACIL Project SPA. As the ACIL Project SPA has now closed, these termination rights are no longer relevant.

Right of First Refusal

The ACIL Sellers have agreed to give CCEC a right of first refusal in respect of certain specific coal related projects they have been investigating in the PRC. As at the Latest Practicable Date, to the best of the Company's knowledge, having made reasonable enquiry, no definitive agreements have been entered into by the ACIL Sellers. However, should CCEC exercise any such right of first refusal and enter into definitive agreements in respect of the same, the Company will comply with the relevant Listing Rules as and when appropriate.

DETAILS OF THE JI RI GA LANG PROJECT

The Ji Ri Ga Lang Project envisages the acquisition of ACMC. ACMC is currently engaged in exploration activities and the sale of calcium carbonate products. ACMC owns the exploration licence of the Ji Ri Ga Lang Coal Mine in Abagaqi, Inner Mongolia.

ACMC holds an exploration licence for conducting geological exploration over the Ji Ri Ga Lang Coal Mine with a term from 27 July 2007 to 9 June 2009 which covers an exploration area of 132.23 square kilometres.

Upon issuance of the business licence and mining permit, ACMC (which will be wholly owned by CCEC at this time) will proceed with the development of an open pit coal mine. Assuming that ACMC receives its permit by 31 March 2008, it is possible for first coal to be produced during the last quarter of 2008. Should ACMC commence production of coal in the last quarter of 2008, the Company understands that ACMC's target (albeit a preliminary target) is to work towards an annual mining production rate of approximately 3 million tonnes of coal per year commencing from 2009.

As at the Latest Practicable Date, no mining licence has been issued in respect of the Ji Ri Ga Lang Coal Mine.

Financial information of ACMC has been set out in Appendix II.C to this circular. The net liabilities as at 31 July 2007 were approximately US$636,000. The Directors expect that such net liabilities position will be resolved upon repayment of the Account Payable of approximately RMB42.6 million (approximately US$5.68 million), the repayment of which has been guaranteed by CCEC. For details, please refer to the paragraph headed "Debts Treatment Program" in this circular.

The Ji Ri Ga Lang Project SPA

Date

2 November 2007 (which further amended and restated prior agreements dated 27 June 2007 and 30 July 2007)

On 30 July 2007, the parties entered into the first amended and restated agreement (amending and restating a prior agreement dated 27 June 2007) pursuant to which, among other changes, the per cent. interest to be acquired under the First-Stage ACMC Acquisition was increased from 49 per cent. to 51 per cent. such that ACMC will be consolidated into CCEC's accounts after completion of the First-Stage ACMC Acquisition.

On 2 November 2007, the parties entered into the second amended and restated agreement (amending and restating the 30 July 2007 iteration) pursuant to which, among other changes, the consideration for the Ji Ri Ga Lang Project of RMB180 million was split into: i) CCEC's payment of RMB137.4 million; and ii) CCEC's guarantee of ACMC's payment of the Account Payable of RMB42.6 million. For details, please refer to the paragraph headed "Share Transfer and Purchase Price" of this circular. The Directors stress that the total consideration payable by CCEC for the Ji Ri Ga Lang Project remains the same (i.e. RMB180 million) both before and after such amendment.

Parties

Seller:	Chen Minhua, Li Yun and Zhang Xiuhe (i.e. the ACMC Sellers)
Purchaser:	CCEC

To the best of the Directors' knowledge, information and belief, having made reasonable enquiry, each of the ACMC Sellers and their ultimate beneficial owners is a third party independent of the Company and connected persons of the Company and its subsidiaries.

Share Transfer and Purchase Price

CCEC will acquire from the ACMC Sellers a 100 per cent. equity interest in ACMC for approximately RMB137,400,000 (approximately US$18,320,000) in cash, without taking into account CCEC's guarantee on the Account Payable of approximately RMB42,600,000 (approximately US$5,680,000). The acquisition shall be carried out through two stages:

Stage I:	CCEC shall pay approximately RMB58,300,000 (approximately US$7,770,000) in cash to the ACMC Sellers to acquire a 51 per cent. equity interest in ACMC (the "**First-Stage ACMC Acquisition**").
Stage II:	CCEC shall pay approximately RMB79,100,000 (approximately US$10,550,000) in cash to the ACMC Sellers to acquire the ACMC Sellers' remaining 49 per cent. equity interest in ACMC (the "**Second-Stage ACMC Acquisition**").

To the best of the Company's knowledge, having made reasonable enquiry, the consideration for the 100 per cent. interest in ACMC was negotiated between the ACMC Sellers and CCEC on an arm's length basis, with reference to the valuation of the exploration licence of the Ji Ri Ga Lang Coal Mine on the basis of the amount of the coal deposit in the exploration area, the type of coal and the costs required for converting the exploration licence into a mining licence as estimated by CCEC management. However, the Company wishes to stress that the Company was not a party to the Ji Ri Ga Lang Project SPA and was not involved in the valuation prepared by CCEC management. The valuation of the ACMC's assets only includes the exploration licence over the Ji Ri Ga Lang Coal Mine and does not include other assets of ACMC (i.e. the exploration licence of the Manitu Coal Mine and the assets of the crushing plant under construction). For details, please refer to the paragraph headed "Treatment of Other Assets" below.

As at the Latest Practicable Date, neither the First-Stage ACMC Acquisition nor the Second-Stage ACMC Acquisition has been completed.

CCEC has also guaranteed that ACMC shall pay the Account Payable in the sum of approximately RMB42,600,000 (approximately US$5,680,000) (i.e. the Account Payable) as part of the total consideration payable for acquiring the Ji Ri Ga Lang Project. For further details, please refer to the paragraph headed "Debts Treatment Program" below. Taking this payment guarantee into account, the total consideration for the Ji Ri Ga Lang Project is approximately RMB180,000,000 (approximately US$24,000,000).

Conditions Precedent

Completion of the acquisition of ACMC is conditional upon fulfilment of, *inter alia*, the following conditions:

1. CCEC shall have conducted the due diligence studies as set forth in the agreement and shall have received satisfactory reports;

2. CCEC shall have been provided with financial documents of ACMC and shall have been satisfied with their contents;

3. The contents of the exploration licence held by ACMC in connection with the Ji Ri Ga Lang Coal Mine are reasonably satisfactory to CCEC;

4. the ACMC Sellers shall have provided all existing exploration documents/reports conducted by the ACMC Sellers or ACMC in connection with the Ji Ri Ga Lang Coal Mine (the "**Existing Report**") to CCEC and CCEC shall have been satisfied with the contents of the Existing Report;

5. the contract and the articles of association of the Sino-foreign equity joint venture company shall have been approved by the relevant authorities;

6. the conversion of ACMC into a Sino-foreign equity joint venture company and the transfer of a 51 per cent. equity interest in ACMC shall have been approved by the relevant authorities;

7. the directors and management personnel of the Sino-foreign equity joint venture company that CCEC is entitled to appoint or nominate shall have been duly appointed and the ACMC Sellers shall have obtained resignation letters from their appointees and nominees from the corresponding positions;

8. the Sino-foreign equity joint venture company shall have received its approval certificate and business licence;

9. no material change in any relevant laws, regulations or policies shall have occurred that materially and adversely affects ACMC;

10. the parties shall not have materially breached any of their respective obligations and undertakings under the agreement and other transaction documents; and

11. all of the representations and warranties contained in the agreement shall remain true and authentic.

ACMC has renewed the exploration licence in connection with the Ji Ri Ga Lang Coal Mine with a term from 27 July 2007 to 9 June 2009. As at the Latest Practicable Date, conditions 2 and 3 mentioned above have been satisfied.

The Existing Report mentioned in condition (4) above refers to all existing exploration documents/reports that the ACMC Sellers and ACMC have in connection with the exploration activities conducted over the Ji Ri Ga Lang Coal Mine. The Company understands that the most important document among the reports is the Mineral Resource Reserve Examination Opinion of the Detailed Exploration Report of the Ji Ri Ga Lang Coal Mine, Abagaqi, Inner Mongolia Autonomous Region (《內蒙古自治區阿巴嘎旗吉日嘎郎礦區煤炭詳查報告》礦產資源儲量評審意見書) (the "**Examination**

Opinion") issued by Beijing Zhongkuanglian Consulting Center (北京中礦聯諮詢中心) on 15 May 2007. According to the Examination Opinion, prepared in accordance with the Chinese resource classification scheme, the discovered type of mineral in the Ji Ri Ga Lang Coal Mine is lignite and the estimated resource is approximately 99,000,000 tonnes.

Detailed Exploration

Under the Ji Ri Ga Lang Project SPA:

1. Prior to the First-Stage ACMC Acquisition and subject to the condition that there is no breach of the Ji Ri Ga Lang Project SPA, the ACMC Sellers shall procure ACMC to carry out detailed exploration over the Ji Ri Ga Lang Coal Mine in accordance with the detailed exploration programme provided by CCEC (the "**Detailed Exploration**");

2. a reserve report (the "**Reserve Report**") shall be issued and shall meet the requirements of the State Standards of Coal Industry of China after the completion of the Detailed Exploration; and

3. in the event that the resources that will be set out in the Reserve Report are 5 per cent. less than that of the Existing Report, then CCEC has the right to re-negotiate the transfer price for the Second-Stage ACMC Acquisition.

No price re-negotiation mechanism has been provided in the Ji Ri Ga Lang Project SPA. Nevertheless, after completion of the First-Stage ACMC Acquisition, CCEC may elect not to proceed with the Second-Stage ACMC Acquisition if the re-negotiated price is not fair and reasonable and in the interests of the shareholders of CCEC as a whole. In the event that CCEC decides to re-negotiate the transfer price for the Second-Stage ACMC Acquisition, the Company will comply with Rule 14.36 of the Listing Rules when and as appropriate.

Completion of the First-Stage ACMC Acquisition

Completion of the First-Stage ACMC Acquisition is subject to the ACMC Sellers' delivery of the following documents to CCEC:

1. the approval certificate for the conversion of ACMC from a domestic company into a Sino-foreign equity joint venture company;

2. the business licence for the Sino-foreign equity joint venture company;

3. the list of assets and data as set forth in the agreement in a form and substance satisfactory to CCEC;

4. all exploration licences and mining licences of ACMC; and

5. all the originals of all other licences, permits, certificates and documents of ACMC and all the seals of ACMC, including but not limited to all items and documents included in the list of assets and data.

Upon completion of the First-Stage ACMC Acquisition, ACMC will become a 51 per cent. owned subsidiary of CCEC.

Completion of the Second-Stage ACMC Acquisition

The Second-Stage ACMC Acquisition is conditional upon fulfilment of, *inter alia*, the following conditions:

1. the resources in the Reserve Report shall not be less than that of the Existing Report by 5 per cent. or more;

2. the Sino-foreign equity joint venture company shall have obtained a mining licence in respect of the Ji Ri Ga Lang Coal Mine;

3. the relocation of villagers within the affected area, if necessary, shall have been completed and ACMC shall have received all relevant plans and effective agreements;

4. the relevant authority shall have approved the Second-Stage ACMC Acquisition and the conversion of the Sino-foreign equity joint venture company into a wholly foreign-owned company;

5. the business licence of the wholly foreign-owned company shall have been issued by the relevant authority; and

6. the parties shall not have materially breached any of their respective obligations and undertakings under the agreement and other transaction documents.

Upon completion of the Second-Stage ACMC Acquisition, ACMC will become a wholly-owned subsidiary of CCEC.

Conversion of an Exploration Licence into a Mining Licence in respect of the Ji Ri Ga Lang Coal Mine

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. As part of the preparation work of such conversion application, the deposit under the Ji Ri Ga Lang Coal Mine has been drilled under the supervision of CCEC from August 2007 to October 2007. The aim of the infill drilling programme is to gain a more developed understanding of and confidence in the resources and its geology (including any upgrades) in compliance with the relevant PRC requirements and the JORC Code.

If the Group does not receive the mining licence for the Ji Ri Ga Lang Coal Mine, the potential open pit coal mine could not be brought into production which would have a material adverse effect on the Group's financial condition and its operations.

Debts Treatment Program

Since the incorporation of ACMC, most of its operational costs including those incurred for carrying out exploration activities and obtaining exploration certificates have been funded by the ACMC Sellers through provision of shareholders' loans (the "**Account Payable**") rather than by way of equity capital contribution. As at 31 July 2007, ACMC has an account payable to the ACMC Sellers in a total amount of approximately RMB42,600,000 (approximately US$5,680,000) (i.e. the Account Payable). CCEC guarantees that ACMC shall pay the Account Payable in two instalments:

First Instalment: CCEC guarantees that ACMC shall repay to the ACMC Sellers approximately RMB21,700,000 (approximately US$2,893,333) as soon as reasonably practicable after completion of the First-Stage ACMC Acquisition.

Second Instalment: CCEC guarantees that ACMC shall repay to the ACMC Sellers approximately RMB20,900,000 (approximately US$2,786,667) as soon as reasonably practicable after completion of the Second-Stage ACMC Acquisition.

Capital Increase

CCEC and the ACMC Sellers agree that ACMC will require further capital contribution in accordance with its business development. CCEC may, by written notice to the ACMC Sellers, increase the registered capital of ACMC by an amount as determined by CCEC in its sole discretion. However, such capital increase shall be completed as soon as reasonably practicable after completion of the First-Stage ACMC Acquisition and the Second-Stage ACMC Acquisition, respectively, and shall not be less than RMB22,000,000 (approximately US$2,933,333) for each capital increase.

Treatment of Other Assets

During the course of the audit carried out by the reporting accountants in respect of the preparation of the accountants' report for ACMC, it was discovered that, from the very beginning, certain assets (including the exploration licence of the Manitu Coal Mine and the assets of the crushing plant under construction) were acquired and held by ACMC for the benefit of Mr. Zhang Xiuhe, one of the ACMC Sellers. Mr. Zhang Xiuhe has since confirmed (consistent with the Ji Ri Ga Lang Project SPA) that he has taken up and assumed all costs and expenses in respect of these assets to date and has further confirmed that he will bear all costs and expenses that may be incurred by ACMC and all liabilities (actual or contingent, past and present) that it may arise in respect of such assets going forward on a fully indemnified basis. As such assets have been held by ACMC for the benefit of Mr. Zhang Xiuhe (at all times), they do not qualify (from an accounting treatment prospective) to be recognised as ACMC's assets and, accordingly, have been omitted from the management accounts of ACMC. The reporting accountants confirmed that such assets do not qualify to be recognised in the books of ACMC for accounting purpose. Accordingly, such assets have not been included in the accountants' report set out in Appendix II.C to this circular.

Consistent with above due diligence findings uncovered during the above mentioned audit, the parties agreed that such assets are not within the scope of the assets of ACMC for the purpose of the equity transfer contemplated by the Ji Ri Ga Lang Project SPA. Since the separation of assets involves complicated regulatory procedures in the PRC, the parties agree that such separation will not occur by completion of the Second-Stage ACMC Acquisition. Upon the completion of the Second-Stage ACMC Acquisition, the ACMC Sellers shall propose a reasonable plan for the separation of such assets from ACMC and the transfer of them to the ACMC Sellers or their duly appointed party. ACMC shall review the plan and, subject to full compliance with all requirements under all applicable laws, take necessary actions and execute necessary documents to effect such separation and transfer.

Termination

The Ji Ri Ga Lang Project SPA can be terminated upon agreement by the parties. Furthermore, either party may terminate the agreement if any of the following circumstances arises:

1. any of the conditions precedent have not been satisfied or waived within 180 days of the date of the agreement;

2. the other party is in breach of its obligations and undertakings under the agreement and fails to remedy them within three months of receipt of a notice from the non-defaulting party about such breach;

3. the other party has lost the ability to fulfil its obligations under the agreement;

4. force majeure; and

5. the other party is in material breach of the agreement which renders it impossible to achieve the purpose of the agreement.

The ACMC Sellers are entitled to terminate the Ji Ri Ga Lang Project SPA if CCEC has failed to pay the purchase price payable under the agreement after the purchase price falls due for over 30 days, or if ACMC has failed to pay the Account Payable to the ACMC Sellers after such payment falls due for over 30 days.

Breach and Indemnification

The consequences of a breach of the Ji Ri Ga Lang Project SPA are as follows:

1. if CCEC fails to pay the purchase price payable under the agreement on time, or ACMC fails to pay the Account Payable to the ACMC Sellers on time, CCEC is liable to pay penalty interest for the late payment at the rate of 0.05 per cent. per day;

2. CCEC may sell the equity interest back to the ACMC Sellers at the original transfer price plus the amount of capital increase (if any) and the ACMC Sellers shall also pay CCEC liquidated damages calculated at the rate of 0.05 per cent. per day using the original price or the amount of the capital increase as the principal for the period from the date of

payment by CCEC of the original transfer price or the amount of the capital increase until the date on which it is returned to CCEC in the case of any representations and warranties made by the ACMC Sellers being untrue, inaccurate, misleading or incomplete or a violation by the ACMC Sellers of any of their undertakings or obligations under the agreement which may have material adverse effect on ACMC or may impact on the transfer price; and

3. either party in breach of any representation, warranty, and undertaking shall indemnify the other non-defaulting party against all direct economic losses, expenses and liabilities (excluding any indirect and consequential damages or liabilities) arising from such breach.

DETAILS OF THE YUKE PROJECT

Pursuant to the Yuke Option Agreements, CCEC holds options to acquire the entire issued share capital of Yuke Coal and Yuke Exploration. Yuke Coal is party to an agreement (the "**Yuke Coal Acquisition Agreement**") whereby four Shandong Exploration Licences (the details of which are set out below under the paragraph headed "The Yuke Coal Acquisition Agreement") held by Shandong Institute of Surveying and Mapping of Geology and Shandong Geological Printing Ltd., each of them and their respective beneficial owners is a third party independent of the Company and connected persons of the Company and its subsidiaries, are to be transferred to Yuke Coal or its nominee. CCEC has agreed to provide Yuke Coal with a loan in order to satisfy certain amounts payable under the Yuke Coal Acquisition Agreement and has entered into an agreement to this effect, the details of which are set out below under the paragraph headed "The Yuke Coal Loan Agreement". CCEC has also agreed to provide Yuke Exploration with a loan in order to finance the costs involved in seeking investment opportunities in the mining sector in the PRC, the details of which are set out below under the paragraph headed "The Yuke Exploration Loan Agreement". The Company understands that the purpose of the loans to Yuke Coal and Yuke Exploration was to enable each such company to meet certain payment obligations in respect of the underlying PRC mining projects to facilitate the development of the same. The Company also understands that these loan agreements provide the lender (CCEC) with the right to seek appropriate security at a later date if it was thought necessary. Accordingly, following Completion, the Company will assess the status of these loans against the status of the exercise of the options to acquire such companies and determine, at that time, whether appropriate security arrangements should be put in place. The Directors believe that the Transaction is fair and reasonable and in the interests of the Company and the Shareholders despite the existence of such loans. Upon Completion, when CCEC becomes a subsidiary of the Company, the Company will issue an announcement regarding such loans pursuant to Rule 13.13 of the Listing Rules if applicable.

The exercise of the rights under the Yuke Option Agreements are at CCEC's sole discretion and subject to Completion. The Company will seek Shareholders' approval at the EGM in respect of the exercise of the option under the Yuke Coal Option Agreement. Information on Yuke Coal has been set out in this circular. In respect of the option under the Yuke Exploration Option Agreement, the Company will comply with the applicable Listing Rules including Chapter 14 and Chapter 18 on the exercise of such option by the Company or its subsidiaries.

The Company believes that the terms of the exercise of the option under the Yuke Coal Option Agreement (particularly the identity of the parties and the exercise price — the acutal monetary value of the total consideration payable) and relevant information on Yuke Coal and its assets (including, but not limited to, Yuke Coal's accountants' report, pro forma financial information, management discussion and analysis on Yuke Coal and Chapter 18 report on the Shandong Exploration Licences) has been sufficiently set out in this circular to enable Shareholders to reach an informed decision.

To facilitate the funding requirements of the Company, the Company will not seek to exercise the option under the Yuke Coal Option Agreement until the Proposed Specific Mandate has been approved at the EGM and sufficient funds raised following the exercise thereof. For details of the Proposed Specific Mandate, please refer to the paragraph headed "Financing of the Projects and the Proposed Specific Mandate" in this circular.

It is the intention of the Company that, following Completion and the placing of the Proposed Specific Mandate, the Company (through CCEC) will exercise the option under the Yuke Coal Option Agreement as soon as possible. Subject to a successful placing under the Proposed Specific Mandate, the Company currently contemplates the above possible acquisition will be consummated within 4 months of the despatch of this circular. In light of this expected completion date and the fact that all the material terms and information of this transaction have been disclosed in this circular, the Directors believe that its is unlikely that there will be any material change in any relevant facts at the time of exercise of the option. To the extent there is material change in terms or circumstances at the time of exercise of the option under the Yuke Coal Option Agreement, the Company undertakes to re-comply with the applicable Listing Rules including obtaining any requisite Shareholders' approval, as applicable.

The Company will issue announcement(s) upon consummation of the above possible acquisition and all the material terms will be set out in such announcement(s).

To the best of the Company's knowledge, having made reasonable enquiry, the consideration for the Yuke Option Agreements and the Yuke Coal Acquisition Agreement was negotiated between Mr. Yan and CCEC on an arm's length basis, with reference to the valuation of the Shandong Exploration Licences under the Yuke Coal Option Agreement on the basis of the amount of the coal deposit in the exploration area, the type of coal and the costs required for converting the exploration licence into a mining licence as estimated by CCEC management. However, the Company wishes to stress that the Company was not a party to the Yuke Option Agreements or the Yuke Coal Acquisition Agreement and was not involved in the valuation prepared by CCEC management.

The Yuke Coal Option Agreement

Date

31 August 2007 (which amended and restated prior agreements dated 3 February 2007 and 24 August 2007)

The purpose of the amended and restated agreements dated 24 August 2007 and 31 August 2007 was to rectify certain typographical errors and to include the correct parties to the Yuke Coal Option Agreement.

Parties

Vendor: Mr. Yan Ping ("**Mr. Yan**")

Purchaser: CCEC

Mr. Yan is a consultant in the mining business with experience in the PRC and Europe. Mr. Yan is the sole beneficial owner of Yuke Coal and Yuke Exploration since incorporation.

To the best of the Directors' knowledge, information and belief, having made reasonable enquiry, Mr. Yan is a third party independent of the Company and connected persons of the Company and its subsidiaries.

Grant of Option and Consideration Price

Mr. Yan has granted to CCEC, for a nominal price of US$1.00, an option to purchase the entire share capital in Yuke Coal, exercisable within the period of two years from the date of the agreement. Subject to CCEC being satisfied that completion will take place, the consideration payable on exercise of the option is the US$ equivalent of RMB20,000,000, payable one month after completion or discharge of all of the financial obligations agreed to in the Yuke Coal Acquisition Agreement, irrespective of whether or not the period within which CCEC may exercise the option has expired.

Upon exercise of the option under the Yuke Coal Option Agreement, CCEC will be legally responsible for the funding of the option exercise price of RMB20,000,000. CCEC will first use its internal cash resources and funding raised in CCEC's Post-Signing Placing to meet its payment obligations. Failing which, after Completion, the Company will use its internal cash resources and funding to be raised in the exercise of the Proposed Specific Mandate to cover the shortfall.

Yuke Coal is an investment holding company incorporated in Hong Kong. Yuke Coal is engaged in seeking investment opportunities in the coal mining sector in the PRC. The Company understands that Yuke Coal currently does not have any assets, liabilities (apart from a loan currently totaling approximately US$4.62 million that was provided by CCEC pursuant to the Yuke Coal Loan Agreement) and operations. Yuke Coal has entered into the Yuke Coal Acquisition Agreement under which Yuke Coal will acquire the Shandong Exploration Licences permitting exploration of coal deposits in Xinjiang. For details, please refer to the paragraph headed "The Yuke Coal Acquisition Agreement" set out in this circular below.

For details of Yuke Coal's financial information, including the audited net asset value, revenue and profit or loss information, please refer to Appendix II.D to this circular. The net liabilities as at 31 July 2007 were approximately US$21,000. The Directors consider such net liabilities to be minimal and immaterial.

To the best of the Company's knowledge, having made reasonable enquiry, the consideration was negotiated between CCEC and Yuke Coal on an arm's length basis, with reference to CCEC management's assessment (based on its expertise, knowledge and experience in the PRC mining industry) of the value and business potential of the Shandong Exploration Licences and the stated coal resources of 653 million tonnes for one of the coal seams. However, the Company wishes to stress that it was not a party to the Yuke Coal Option Agreement or the Yuke Coal Acquisition Agreement and was not involved in the assessment made by CCEC management.

In light of the Shandong Exploration Licences that Yuke Coal will acquire under the Yuke Coal Acquisition Agreement in respect of coal deposits in Xinjiang, the Directors consider the exercise of the option and subsequent acquisition of Yuke Coal, a company seeking investment opportunities in the coal mining sector in the PRC, to be an attractive investment opportunity for the Company and is consistent with the Company's known strategy of acquiring quality mining or mining related assets. After considering the foregoing and despite the fact that the Company was not a party to the Yuke Coal Option Agreement, the Directors believe that the terms of the Yuke Coal Option Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Due Diligence

During the two years in which the option is exercisable, CCEC has the right to conduct due diligence on Yuke Coal.

Completion

Completion is to take place within 2 business days of the issuance of a business licence for the Chinese wholly owed foreign enterprise entity that is required to be established under the Yuke Coal Acquisition Agreement, irrespective of whether or not the period within which CCEC may exercise the option has expired.

The Yuke Exploration Option Agreement

Date

31 August 2007 (amended on 16 November 2007) which amended and restated a prior agreement dated 20 April 2007

The iteration of the agreement on 31 August 2007 rectified certain typographical errors included in the 20 April 2007 iteration of the same and included the correct parties to the Yuke Exploration Option Agreement.

On 16 November 2007, the parties further amended the agreement to provide Mr. Yan with a refundable deposit of RMB8 million. Upon exercise of the option under the Yuke Exploration Option Agreement, the option exercise price may be paid by way of set off against such refundable deposit. For details, please refer to the paragraph headed "Grant of Option and Consideration Price" of this circular.

Parties

Vendor:	Mr. Yan
Purchaser:	CCEC

Grant of Option and Consideration Price

Mr. Yan has granted to CCEC, for a refundable deposit of RMB8,000,000, an option to purchase the entire issued share capital in Yuke Exploration, exercisable within the period of two years from the date of the agreement. Subject to CCEC being satisfied that completion will take place, the consideration payable on exercise of the option may be paid by way of set off against the refundable deposit. As at the Latest Practicable Date, CCEC has instructed the payment of RMB8,000,000 as a refundable deposit to Mr. Yan.

Yuke Exploration is an investment holding company incorporated in Hong Kong on 1 December 2006. Yuke Exploration is engaged in seeking investment opportunities in the coal mining sector in the PRC. The Company understands that Yuke Exploration currently does not have any assets, liabilities (apart from a loan currently totaling approximately US$0.14 million that was provided by CCEC pursuant to the Yuke Exploration Loan Agreement) and operations.

To the best of the Company's knowledge, having made reasonable enquiry, the consideration was negotiated between CCEC and Yuke Exploration on an arm's length basis, with reference to the possibility of acquiring exploration licences in Xinjiang. However, the Company wishes to stress that it was not a party to the Yuke Exploration Option Agreement and was not involved in the valuation prepared by CCEC management.

Due Diligence

During the two years in which the option is exercisable, CCEC has the right to conduct due diligence on Yuke Exploration.

Completion

Completion is to take place within 2 business days of the earlier of either the execution of a formal equity transfer agreement in respect of the Yuke Exploration shares, or the issuance of a business licence for a foreign investment enterprise entity.

The Yuke Coal Acquisition Agreement

Date

8 August 2007

Parties

Sellers:	Shandong Institute of Surveying and Mapping of Geology and Shandong Geological Printing Ltd. (i.e. the Shandong Parties)
Purchaser:	Yuke Coal

To the best of the Directors' knowledge, information and belief, having made reasonable enquiry, each of the Shandong Parties and their respective beneficial owners is a third party independent of the Company and connected persons of the Company and its subsidiaries.

Exploration Licences

Under the Yuke Coal Acquisition Agreement, the Shandong Parties shall transfer to Yuke Coal or its nominees the following licences issued by the Land and Resources Department of Xinjiang Uygur Autonomous Region for exploration of coal deposits at Mulei-Qitai Kazak Autonomous County, Changji Hui Autonomous Prefecture, Xinjiang Uygur Autonomous Region (the "**Shandong Exploration Licences**"):

Licence Number	Licence Holder	Project Name	Exploration Area	Term
6500000731298	Shandong Institute of Surveying and Mapping of Geology	General exploration of Buo Ta Muo Yun Coal Mine, Mulei County	29.71 square kilometres	From 26 April 2007 to 26 April 2008
6500000731299	Shandong Institute of Surveying and Mapping of Geology	General exploration of Ku Lan Ka Zi Gan Coal Mine, Mulei County	29.43 square kilometres	From 26 April 2007 to 26 April 2008
6500000624285	Shandong Geological Printing Ltd.	General exploration of Suo Er Ba Si Tao Coal Mine, Mulei County	29.40 square kilometres	From 29 December 2006 to 29 September 2007*
6500000624286	Shandong Geological Printing Ltd.	General exploration of Ku Lan Ka Zi Gan Northwest Coal Mine, Mulei County	29.44 square kilometres	From 29 December 2006 to 29 September 2007*

* The Company understands that Shandong Geological Printing Ltd. has submitted applications for renewal of the two licences. The Land and Resources Department of Xinjiang has posted information about the application for the renewal of the two licences on its website and the Company understands that the Land and Resources Department in Xinjiang is in the course of reviewing the applications. The Company's PRC legal adviser has advised that the recent regulatory development of the Catalogue (details of which are set out in the paragraph headed "Maximum foreign equity holding permitted in coal exploration and mining") would not impact such renewal applications as Shandong Geological Printing Ltd. is a PRC entity.

According to the SRK Report relating to the Zhun Dong Project, the estimated coal resources of one of the coal seams under the Shandong Exploration Licences is 653,000,000 tonnes for classification 333 of the Chinese standard. Yuke Coal will register a foreign invested company ("**FIC**") in the Uygur Autonomous Region and may require the Shandong Parties at any time after the registration of FIC to transfer the Shandong Exploration Licences to FIC or Yuke Coal or affiliate(s) of Yuke Coal. As at the Latest Practicable Date, the FIC has been formed and registered for the above purpose.

Transfer Price

The total transfer price for the Shandong Exploration Licences is RMB158,000,000 (the "**Transfer Price**"), payable in the following manner:

1. RMB30,000,000 or equivalent in foreign exchange shall be paid to the Shandong Parties within five working days after the Yuke Coal Acquisition Agreement is formally executed;

2. within three working days after the relevant government authorities approve the transfer of each of the Shandong Exploration Licences and each Shandong Exploration Licence has been transferred to FIC or Yuke Coal or Yuke Coal's affiliate(s), Yuke Coal shall pay to the Shandong Parties RMB30,000,000 for each of the Shandong Exploration Licence, making a total consideration of RMB120,000,000 payable for the four Shandong Exploration Licences;

3. a deposit of RMB5,000,000 paid by Yuke Coal to the Shandong Parties before the execution of the Yuke Coal Acquisition Agreement shall be counted toward the Transfer Price upon the payment of the last instalment of RMB30,000,000 as provided in the preceding paragraph; and

4. within one month upon the completion of the transfer of all Shandong Exploration Licences, Yuke Coal shall pay the Shandong Parties RMB3,000,000.

As at the Latest Practicable Date, RMB30,000,000 and a deposit of RMB5,000,000 has been paid by Yuke Coal as referred in paragraphs (1) and (3) above.

To the best of the Company's knowledge, having made reasonable enquiry, the consideration was negotiated between Yuke Coal and the Shandong Parties on an arm's length basis, with reference to Yuke Coal management's assessment (based on its expertise, knowledge and experience in the PRC mining industry) of the value and business potential of the Shandong Exploration Licences and the stated coal resources of 653 million tonnes for one of the coal seams. However, the Company wishes to stress that it was not a party to the Yuke Coal Acquisition and was not involved in the valuation prepared by Yuke Coal.

Yuke Coal is legally responsible for the funding of the consideration under the Yuke Coal Acquisition Agreement. Upon exercise of the Yuke Coal Option Agreement, Yuke Coal will become a wholly-owned subsidiary of CCEC. It is contemplated that CCEC will first use its internal cash resources and funding raised in CCEC's Post-Signing Placing to meet its payment obligations. Failing which, after Completion, the Company will use its internal cash resources and funding to be raised in the exercise of the Proposed Specific Mandate to cover the shortfall.

In light of the Shandong Exploration Licences in respect of coal deposits in Xinjiang, the Directors consider the Yuke Coal Acquisition Agreement to be an attractive investment opportunity for the Company and is consistent with the Company's known strategy of acquiring quality mining or mining related assets. After considering the foregoing and despite the fact that the Company was not a party to the Yuke Coal Acquisition Agreement, the Directors believe that the terms of the Yuke Coal Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will seek Shareholders' approval at the EGM in respect of the acquisition of the Shandong Exploration Licences under the Yuke Coal Acquisition Agreement. Information on the Shandong Exploration Licences has been set out in this circular for Shareholders' information.

The Responsibilities of the Parties

The Shandong Parties' responsibilities primarily include:

1. transferring the Shandong Exploration Licences to FIC, Yuke Coal or Yuke Coal's affiliate(s) and taking all steps necessary to maintain compliance with the terms and conditions associated with the Shandong Exploration Licences;

2. obtaining all approvals, permits, rights and licences necessary and desirable for the performance of the Yuke Coal Acquisition Agreement, and submitting to the relevant government authority the necessary documents in connection with the transfer of the Shandong Exploration Licences;

3. providing necessary help for communication and coordination with the relevant authorities to ensure Yuke Coal and its exploration team will be able to conduct confirmatory drilling in the relevant exploration area smoothly;

4. providing and explaining all related policies and regulations on coal mine exploration and exploitation issued by the state, the autonomous region or local government, and providing necessary consultation; and

5. providing all domestically available geological and geophysical data relating to the relevant exploration area and the Shandong Exploration Licences.

Yuke Coal's responsibilities include:

1. providing for all funds required for carrying out the confirmatory drilling in the relevant exploration area; and

2. at the request of the Shandong Parties, assisting the Shandong Parties in the obtaining of all documents as may be necessary to enable the Shandong Parties to exercise their rights and/or carry out their obligations under the terms of the Yuke Coal Acquisition Agreement.

Termination

The Yuke Coal Acquisition Agreement can be terminated upon agreement by the parties. Under any of the following circumstances, either party has the right to commence procedures to terminate by giving 30 days' prior written notice to the other party:

1. a party materially breaches the Yuke Coal Acquisition Agreement, and such breach or violation is not remedied within 30 days of written notice to the breaching party from the non-breaching party;

2. a party is declared bankrupt, or is the subject of proceedings for bankruptcy, dissolution or liquidation, or becomes unable to pay its debts as they become due;

3. if there is any change in PRC law or regulations which causes any significant adverse economic effect to either or all parties; and

4. if the Shandong Exploration Licences are unable to be transferred, due to the Shandong Parties' faults, to FIC, Yuke Coal or Yuke Coal's affiliate(s) within the period as provided under the Yuke Coal Acquisition Agreement; or the Yuke Coal Acquisition Agreement could not be approved in the period set by the parties.

Breach of Contract and Indemnification

A party shall be in breach of the Yuke Coal Acquisition Agreement if any of its warranties is not true and accurate or is misleading, or if it fails to perform in any material respect its obligations.

If either party incurs any costs or expenses or additional obligations, including any obligation to pay money, or suffers any loss of profits, as a result of a breach of the Yuke Coal Acquisition Agreement by the other party, the defaulting party shall indemnify the other party.

In addition to the indemnification obligations as provided in the preceding paragraph, if the defaulting party is the Shandong Parties, the Shandong Parties shall pay to Yuke Coal an amount twice the deposit that Yuke Coal has paid to the Shandong Parties as compensation to Yuke Coal; and if the defaulting party is Yuke Coal, the Shandong Parties do not need to return the deposit.

The Yuke Coal Loan Agreement

On 24 August 2007, CCEC has agreed to provide Yuke Coal with a loan totalling US$5,000,000, provided in instalments, for the purpose of paying a portion of the Transfer Price under the Yuke Coal Acquisition Agreement. Interest on the loan is charged at 6-month LIBOR plus 3 per cent., or at 10 per cent. in the event of default. The loan and interest is payable on demand or otherwise in instalments within 12 months from being drawn down. Security for the loan is to be provided if requested by CCEC. As well as standard events of default, in the event that Yuke Coal receives any portion of the Transfer Price back as a result of the transfer of the Shandong Exploration Licences not proceeding or any other reason whatsoever, the loan becomes immediately due and payable. As at the Latest Practicable Date, Yuke Coal has drawn down approximately US$4.62 million of the loan.

The Yuke Exploration Loan Agreement

On 14 September 2007, CCEC has agreed to provide Yuke Exploration with a loan totalling US$2,000,000, provided in instalments, for the purpose of financing the costs involved in seeking investment opportunities in the mining sector in the PRC. Interest on the loan is charged at 6-month LIBOR plus 3 per cent., or at 10 per cent. in the event of default. The loan and interest is payable on demand or otherwise in instalments within 12 months from being drawn down. Security for the loan is to be provided if requested by CCEC. As at the Latest Practicable Date, Yuke Exploration has drawn down approximately US$0.14 million of the loan.

OTHER CCEC MATERIAL CONTRACTS

The Nuenco Loan Agreement

On 24 August 2007, CCEC has agreed to provide Nuenco with a loan totalling US$2,650,000 for the purpose of paying a deposit in respect of Nuenco's proposed acquisition of an interest or interests in one or more of the companies owning the Wuxiang Project.

Interest on the loan is charged at 6-month LIBOR plus 2.5 per cent., or at 10 per cent. in the event of default. The loan and interest is payable on demand or otherwise within 12 months of the drawdown date, being 17 August 2007. Security for the loan is to be provided if requested by CCEC. As well as standard events of default, in the event that Nuenco receives any portion of the deposit back as a result of the proposed acquisition of an interest or interests in one or more of the companies owning the Wuxiang Project not proceeding or any other reason whatsoever, the loan becomes immediately due and payable. The Company understands that the purpose of the loan to Nuenco was to enable such company to meet certain payment obligations in respect of the Wuxiang Project, to facilitate the development of the same. The Company also understands that the loan agreement provides the lender (CCEC) with the right to seek appropriate security at a later date if it was thought necessary. Accordingly, following Completion, the Company will assess the status of the loan against the status of the right of first refusal to acquire the Wuxiang Project and determine, at that time, whether appropriate security arrangements should be put in place. As set out under the paragraph headed "Right of First Refusal" in this circular, the Wuxiang Project continues to represent an attractive investment opportunity for the Company, but that the acquisition plan for such project shall be put on hold, pending resolution of the legal and regulatory issues so identified by the Company. The

Directors believe the Transaction is fair and reasonable and in the interests of the Company and the Shareholders despite the existence of such loan. Upon Completion, when CCEC becomes a subsidiary of the Company, the Company will issue an announcement regarding such loan pursuant to Rule 13.13 of the Listing Rules (if appropriate).

Stephen Dattels' Service Agreement

Under the current service agreement between Stephen Dattels and CCEC, in recognition of services and expertise that Stephen Dattels may provide to CCEC and the Company in respect of business development and acquisition activities of CCEC, Stephen Dattels shall be entitled to an advisory fee from CCEC of up to 2.5 per cent. of the funds banked by the Company pursuant to any fund raising carried out by the Company before Completion, payable at the successful completion of such fund raising, provided that: (i) all Conditions under the Share Purchase Agreement have been satisfied or, where capable of waiver, waived; and (ii) the Company shall have banked not less than US$75 million from such fund raising activity, with the amount of such advisory fee to be proportionally adjusted (subject to the minimum floor raising of US$75 million mentioned above).

The service fee was negotiated between, the Company, CCEC and Stephen Dattels on an arm's length basis, with reference to Stephen Dattels' (i) role in respect of the business development and acquisition activities of CCEC; (ii) unique and specific knowledge of the Projects and the mining industry in the PRC; and (iii) experience and reputation in the mining industry and in raising corporate finance for mining ventures. In light of the foregoing, and despite the fact that the Company was not a party to the CCEC's service agreement with Stephen Dattels, the Directors believe that the service fee is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

GCM Consultancy Agreement

CCEC and GCM entered into a mining services, consultancy and collaboration agreement on 1 May 2007 (as amended by an amendment agreement dated 20 November 2007, in satisfaction of condition (xii) set out under the paragraph headed "The Share Purchase Agreement" in this circular), pursuant to which GCM has agreed to provide to CCEC, for a fee, geological, mining and coal marketing services. Under the agreement, GCM is provided a right to participate (whether directly or indirectly) in a mutually selected mining venture of CCEC (at that time), with such right to be an equity and management participation right, on terms to be agreed between CCEC and GCM.

BMO Agency Agreements

CCEC entered into agency agreements with BMO on 12 July 2007 (which amended and restated a prior agency agreement) and 2 October 2007 respectively, pursuant to which CCEC appointed BMO as its placing agent for CCEC's July Placing and CCEC's Post-Signing Placing. In consideration of the services rendered by BMO as CCEC's placing agent, BMO was entitled to and has been paid a cash commission equal to 5 per cent. of the gross proceeds realised by CCEC from CCEC's July Placing and CCEC's Post-Signing Placing. For details of CCEC's July Placing and CCEC's Post-Signing Placing, please refer to the sections headed "The Offer to Investors" and "Details of CCEC".

CCEC Subscription Agreements

CCEC entered into the subscription agreements with some of the Investors on 12 July 2007 and 2 October 2007 in respect of CCEC's July Placing and CCEC's Post-Signing Placing respectively. For details of CCEC's July Placing and CCEC's Post-Signing Placing, please refer to the sections headed "The Offer to Investors" and "Details of CCEC".

CERTAIN RISKS FACTORS RELATING TO THE PROJECTS

Certain PRC Regulatory Issues Relating to Project 1

CCEC has identified a few PRC regulatory issues relating to Project 1 during the due diligence exercise and the findings are summarised below for Shareholders' information.

ACIL acquired its 25 per cent. interest in Project 1 from the founding shareholders, Qujing and Qujing Fupai Industry Co., Ltd., both of whom the Company understands to be state-owned enterprises, by way of contract. A state-owned assets valuation was performed in relation to ACIL's acquisition and the results of the valuation have been filed with the relevant state assets supervision and administration authority in accordance with the relevant laws and regulations in the PRC. The Company further understands that transfers of state-owned equity interests are subject to certain requirements under the rules promulgated by the State Assets Supervision and Administration Commission including the need for such transfer to be conducted through an authorised equity exchange centre which may not have been strictly complied with, leaving such transfer open to possible challenges from the relevant state assets supervision and administration authority which may include the filing of a case with the People's Court to seek nullification of the transfer. The officials with the relevant state assets supervision and administration authority, upon inquiries made with them on a no-names basis, confirm this understanding but the Company also understands from them that, as far as the officials are aware, the relevant state assets supervision and administration authority has not sought nullification of any previous equity transfer transactions on this ground.

The coal production permit of Project 1 expired in March 2007. While the PRC national laws and regulations do not require Project 1's operations to have a coal production permit, the Company currently understands that the local regulations require such permit. The Company further understands that the local coal industry authority is considering amending its regulations to conform with the PRC national laws and regulations such that it will remove the licensing requirement for the coke production business. However, until such time as this requirement is removed or the requisite permit is reissued, strictly speaking, Project 1 will remain in breach.

Project 1 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 Project 1'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 Project 1. Such delay itself may have adverse knock-on consequences for Project 1, 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 Project 1. The Company understands that the environmental protection authority has the right to require Project 1 to suspend its production and to take certain remedial steps.

Limited Operating History

CCEC was established on 27 July 2006 and the Projects have limited operating history, which may impact your ability to evaluate their business and prospects. Please refer to the paragraph "Limited operating history" of the "Risk Factors" section of this circular for further information.

Land Use Rights and Building Ownership Rights

As of the Latest Practicable Date, Project 1 and Project 3 have not obtained land use rights and building ownerships to some of their sites and facilities. In this respect Shareholders shall note the following:

(i) Project 1 has not obtained building ownership certificates in respect of any of its buildings and facilities. Further, it 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; and

(ii) Some of the buildings and facilities constructed by Project 3 are located on a parcel of land with an area of approximately 200,000 m^2 to which Yunnan Yunwei Group, one of its major shareholders, has the land use rights. Project 3 will not be able to obtain the building ownership certificates in respect of such buildings unless it can obtain the land use rights in respect of the underlying parcel of land. Further, Project 3 has not obtained requisite construction work planning permits or construction commencement permits for any of the buildings constructed by it.

As the land use rights and buildings are the relevant project companies' 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 Project 1 and/or Project 3, as applicable, could be materially and adversely affected. In addition, there can be no assurance that Project 1 or Project 3 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.

ACMC, for the benefit of Mr. Zhang Xiuhe (one of the ACMC Sellers), is constructing a crushing plant on a parcel of land and has a limestone mining right certificate for conducting open-pit limestone mining over another parcel of land. According to CCEC's due diligence findings, neither ACMC nor Mr. Zhang Xiuhe appears to possess any land use rights in respect of the relevant parcels of land. The exploration licence of the Manitu Coal Mine and the assets of the crushing plant under construction are not within the scope of the assets of ACMC for the purpose of the acquisition of the Ji Ri Ga Lang Project SPA. Upon the completion of the Second-Stage ACMC Acquisition, the ACMC Sellers shall propose a reasonable plan for the separation of such assets from ACMC, pursuant to which ACMC will cease to hold titles in such assets (albeit for the benefit of Mr. Zhang Xiuhe) and Mr. Zhang Xiuhe will undertake steps to obtain the legal ownership in such assets. There can be no assurance that such asset separation will be completed as planned and that ACMC will not be subject to administrative penalties for violation of land administration/planning/construction requirements under the PRC law due to the above mentioned issues.

Despite the above land use rights and building ownership rights issues, the Company's PRC legal adviser has advised that the issues are capable of being rectified and that each of Project 1, Project 3 and ACMC is taking appropriate steps to rectify such issues. While the Company acknowledges that no assurance can be given that the issues will be rectified, the Directors believe that the Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Tax Treatment

Under the current laws of the PRC, each of ACMC, Project 1, Project 2 and Project 3 is subject to PRC income tax. The standard statutory PRC enterprise income tax rate is 33 per cent. of taxable income as determined in accordance with the relevant PRC income tax laws and regulations, which will be lowered to 25 per cent. upon the new PRC enterprise income tax law coming into effect on 1 January 2008. However, PRC tax laws and regulations provide for a number of preferential tax treatments applicable to different enterprises, industries and locations. ACMC is currently subject to an income tax rate of 33 per cent., while Project 1, Project 2 and Project 3, pursuant to the relevant tax incentive treatments, are currently subject to a reduced income tax rate of 15 per cent. until the end of 2010. There can be no assurance that Project 1, Project 2 and Project 3 will continue to benefit from preferential tax treatment currently enjoyed by them. Any change in, or termination of, preferential tax treatment may result in an increase in CCEC's or the relevant Projects' tax liability, which would have a negative impact on such entity's net profits.

In addition, most of the imported equipments currently used by Project 3 were imported under the name of Yunnan Yunwei Group, the parent company of Project 3, though Project 3 bore the cost for purchasing such equipment. As a result, no invoice in respect of such imported equipment was issued to Project 3. Without the relevant invoices, the relevant PRC tax authorities may challenge the validity of deducing the depreciation expenses in respect of such equipment from Project 3's taxable income.

Despite the above tax issues, the Company understands that the continuation of the above-mentioned preferential tax treatment is a universal systematic risk in the mining industry in the PRC. While the Company acknowledges the existence of such risks, the Directors understand the consequence is limited to the increase in tax payment but would not affect the legality of Project 3's operations and the underlying economic fundamentals of the operations of Project 1, Project 2 and Project 3. The Directors therefore believe that the Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Other Risks

The specific risks relating to the Transaction are set out as below. Additional risks and uncertainties that are not presently known to the Enlarged Group, or not expressed or implied below, or that it currently deems to be immaterial, could also have a material adverse effect on the Enlarged Group's business, financial condition and operational performance.

- As set out in the section headed "Risk Factors" the exploration and exploitation of coal reserves in the PRC are subject to the approval of, and registration with, the relevant PRC Government authorities. In seeking to obtain an exploration licence, a coal producer may either apply directly to the MLR or participate in a public bidding process. Once the exploration reveals a deposit worthy of development, the exploration licence holder must apply to the MLR in order to obtain a mining right permit. There is no assurance that CCEC or any of the Projects will be successful in procuring the necessary exploration rights that any exploration work will reveal a deposit worthy of development, or that CCEC will be successful in procuring the necessary mining right permit. Failure to procure exploration or exploitation and mining rights could have a material adverse effect on CCEC's or the relevant Projects' business and results of operations;

- The resources information set out in this circular represents estimates in accordance with the Chinese Resource and Reserves Standard. Coal resource estimates are inherently prone to variability and no assurance can be given that the inferred amounts of coal will be recovered. By nature, reserves and resources depend, to some extent, on interpretations and deductions that may prove to be inaccurate. The estimated coal resources may differ from the actual mine reserves in tonnage, quality and feasibility. One should not assume that the estimate of resources is capable of being directly classified as resources or reserves under the JORC Code. The inclusion of an estimate of resources should not be regarded as a representation that these amounts can be exploited economically. Any material discrepancies may adversely affect the profitability of the Enlarged Group's operations.

- Exploration for coal resources is speculative in nature, so substantial expenses may be incurred from initial drilling to production. There is also no assurance that exploration can lead to the discovery of economically feasible reserves. If reserves are developed, it may take a number of years and substantial expenditure from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change.

- The profitability of the Enlarged Group's operations may be affected by fluctuations in the market price of coal, coking coal and by-products, such as methanol and synthetic ammonia, copper, zinc, lead, gold and silver. These fluctuations may be influenced by numerous factors which are beyond the control of the Enlarged Group, including global demand and supply and global macroeconomic conditions. These factors leading to volatility in the commodity prices may have an adverse effect on the profitability of the Enlarged Group. In addition, commodity prices in the PRC are highly influenced by fluctuations in international commodity prices, which is beyond the control of the Enlarged Group.

- The Enlarged Group's operations are subject to a variety of regulations in the PRC. These regulations affect many aspects of the Enlarged Group's operations, including industry-specific taxes (resource tax) and fees, custom duties, business qualifications and environmental and safety standards. As a result, the Enlarged Group may face significant constraints on its ability to implement its business strategies, develop or expand its business operations or maximise its profitability. Its operations may also be materially and adversely affected by future changes in regulations and policies of the PRC government.

- The business of mining is generally subject to a number of risks and hazards, including industrial accidents, unusual or unexpected geological conditions, technical failure, inclement weather and other natural phenomena such as excessive rain. 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.

- The mining and exploration business requires timely supply of various raw materials and electricity. There is no assurance that interruptions or shortage of such supplies will not occur in the future. In addition, an increase in the price of such raw materials and/or electricity may have an adverse impact on the operations of the Enlarged Group.

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

- The Enlarged Group's mining operations are subject to a number of operating risks and hazards including unexpected maintenance and technical problems, industrial accidents, periodic interruptions due to hazardous weather conditions and natural disasters, fires, earthquakes, flooding and unusual or unexpected variations in mineralization, geological or mining conditions. Such risks and hazards could result in disruptions to the mining operations, delay production and delivery of saleable goods or increase the costs of mining and processing operations or personal injuries and therefore adversely effect the Enlarged Group's financial condition and operational results.

- Any occurrence of accidents may disrupt the mining operation of the Enlarged Group and may result in mandatory suspension of the operations, financial losses, compensatory claims, fines, penalties or damage to the reputation of the Enlarged Group.

- 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 Enlarged Group 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 Enlarged Group.

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

- The Enlarged Group's mining operations are subject to PRC environmental laws and regulations. Any failure to comply with the environmental laws and regulations or the occurrence of any unanticipated environmental effect resulting from the Enlarged Group's mining operations could subject the Enlarged Group to governmental measures and penalties, including warnings, orders to carry out remedial actions within a prescribed period, orders to suspend production and operation, closure of business and civil claims for losses suffered.

Your attention is particularly drawn to the paragraphs headed "Maximum foreign equity holding permitted in coal exploration and mining" and "Change in regulations to exploitation of resources by the State Investment Catalogue". Notwithstanding the potential risks set out in these paragraphs, the Company is advised by its PRC legal adviser that the new restriction on "special and scarce coals" is unlikely to adversely affect the Ji Ri Ga Lang Project and the Zhun Dong Project and that the ACIL Project is not subject to such regulations. In addition, the Directors are currently not aware of any further change in the categorisation of "prohibited" category and will closely monitor the PRC regulatory environment in order to make all necessary steps to mitigate such investment risks. In light of the above and irrespective of the existence of such risks, the Directors believe that the Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

For other risks relating to China's coal industry and the existing or proposed businesses of CCEC and the Projects, please refer to the section headed "Risk Factors" of this circular for reference.

The PRC is the world's largest consumer of coal. There is a known shortage of this form of energy. In light of the foregoing facts and given the rapid economic growth in the PRC, the Directors believe that the Company's focus on strengthening its position in the PRC mining industry is in the best interests of the Company. There are risks and uncertainties associated with any investment, including investment in the PRC mining industry. The Company is aware of the importance of identifying and managing risks and the Directors believe that the management teams of both the Company and CCEC are well placed to deal with the challenge ahead. Based on the value and business potential of the Projects, the Directors believe that the advantages of the Transaction out-weigh its risks and believe the Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

MANAGEMENT OF CCEC

CCEC has entered into service agreements with each of the following members of the management team of CCEC. None of such service agreements (i) is for a duration that may exceed three years; or (ii) in respect of any purported termination, expressly requires the Company or CCEC to give a period of notice of more than one year or to pay compensation or make other payments equivalent to more than one year's emoluments. Going forward, if CCEC revises the terms of the directors' service contracts, the Company will comply with Rule 13.68 of the Listing Rules if applicable.

The management team of CCEC consists of:

Mr. Stephen Dattels — chairman

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 finance a number of mining ventures, including UraMin Inc, which was sold to AREVA NP, the French state owned nuclear company for approximately US$2.5 billion in cash in August 2007 and founded several junior exploration companies. Mr. Dattels has a bachelor of arts degree from McGill University, a law degree (cum laude) from the University of Western Ontario and has completed the Program for Management Development at Harvard University.

Mr. Stephen Bywater — deputy chairman

Mr. Bywater has had a successful career in the resources industry including operating a number of large-scale open pit mining operations. Previously, he was chief operating officer for Rio Tinto Coal Australia, a wholly-owned subsidiary of Rio Tinto plc. In this position Mr. Bywater oversaw seven mining operations, producing 60 million tonnes of saleable coal a year. He was previously general manager operations for Robe River Mining, which subsequently became a subsidiary of Rio Tinto plc in 2000. He was also general manager, mine operations, for Hamersley Iron Limited and general manager at Mount Isa Mines in both mining and metallurgical operations. His position at Robe River Mining included management of both the port and rail facilities. Mr. Bywater has a B.Sc. in Engineering Geology and Geotechnics from Portsmouth University and an M.Sc. in Rock Mechanics and Excavation Engineering from Newcastle-upon-Tyne University. Mr. Bywater is a fellow of both the AUSIMM (Australasian Institute of Mining and Metallurgy) and the AIM (Australian Institute of Management).

Mr. Adrian Lungan — managing director

Mr. Lungan has over twenty five years of exploration and mining experience specialising in gold, copper, diamond, uranium and base metals in Australia, Asia, China, Africa, South America and the Pacific Rim with particular experience in mineral property evaluation and acquisitions. He was a co-founder of UraMin Inc which was sold to AREVA NP, the French state owned nuclear company for approximately US$2.5 billion in cash in August 2007. Mr. Lungan has held senior and corporate management positions with certain mining companies including being an ex-director of Placer Dome/Placer Pacific J.V. (South East Asia).

Mr. Wu Yuan — director

Mr. Wu Yuan is the former president of China Shenhua Energy Co. (whose shares are listed on the Stock Exchange). Mr. Wu Yuan is credited with being responsible for implementing the successful growth strategy and development of Shenhua into the second largest coal company in the world. Prior to his retirement from Shenhua in September 2006, Mr. Wu Yuan was President and an executive director. Mr. Wu Yuan is chairman of Joy China.

Mr. Rick Lu — director

Mr. Lu graduated from the University of Toronto with a bachelor of Chemistry Science and a bachelor of Commerce. He was awarded with a master of business administration from the University of Windsor. Mr. Lu was initially involved in managing an established iron-ore steel and commodity company and later specialised in the acquisition of iron ore and other mineral properties. Mr. Lu has been focused mainly on gold, copper, nickel and coal property acquisitions in the last three years.

Mr. Graham Taggart — chief financial officer

Mr. Taggart, an Australian, is a qualified Chartered Accountant with twenty five years experience in the resources industry. He was previously chief financial officer and company secretary for Rio Tinto Coal Australia, a wholly-owned subsidiary of Rio Tinto plc., where he was responsible for a group producing some 60 million tonnes per annum of thermal and coking coal and general commercial manager and chief financial officer for PT Kaltim Prima Coal (producing some 20 million tonnes of thermal coal per annum), and before that he was finance director for PT Kelian Equatorial Mining (producing some 500,000 oz of gold per annum), both Indonesia based.

DETAILS OF THE SELLERS AND THE INVESTORS

Name of CCEC shareholders (as at the Latest Practicable Date)	No. of CCEC shares held	% of the CCEC share capital
The Sellers		
LL Arthur Ltd.	21,400	8.13%
Sishen Co. Ltd.	21,400	8.13%
The Investors (other than the Excluded Investors)		
Anglo Irish Bank (Suisse), S.A.	360	0.14%
Bershaw & Co.	4,300	1.63%
BMO Capital Markets fbo Tocqueville Gold Private Equity Fund, Ltd.	300	0.11%
BMO Nesbitt Burns I/T/F	347	0.13%
Centennial Assets Ltd.	1,200	0.46%
CR Intrinsic Investments, L.L.C.	4,991	1.90%
Crossway Partners	750	0.28%
Fitel Nominees Ltd. 54696	1,140	0.43%
GMP Securities I/T/F 7TO-2209-E	300	0.11%
Goldman Sachs & Co.	1,100	0.42%
Harris Nesbitt Corp. (ITF Endeavor Mining Capital Corp.)	650	0.25%
Highbridge Asia Opportunities Master Fund L.P.	3,600	1.37%
Highbridge International L.L.C.	2,400	0.91%
Investors Bank & Trust	1,500	0.57%
Investor Company c/o Account 5J5335	100.61843278	0.04%
King Street Capital, L.P.	4,576.28338445	1.74%
King Street Capital, Ltd.	9,724.60219197	3.69%
Knotfloat & Co.	6,687.66624966	2.54%
Lion Hill Capital Limited	1,500	0.57%
Old Lane Cayman Master Fund, L.P.	4,363.78230455	1.66%
Old Lane GMA Master Fund, L.P.	383.86737167	0.15%
Old Lane HMA Master Fund L.P.	1,349.45214975	0.51%
Old Lane US Master Fund, L.P.	2,433.81588060	0.92%
The Ospraie Portfolio Ltd.	4,719.23107200	1.79%
Ospraie Special Opportunities Master Holdings Ltd.	4,719.23107200	1.79%
Pershing Nominees	1,050	0.40%
Roytor & Co.	5,000	1.90%
Roytor & Co. fbo Passport Materials Master Fund, L.P.	9,200.48584121	3.50%
S.A.C. Capital Associates, L.L.C.	4,991	1.90%
TPG-Axon Partners (Offshore), Ltd.	22,160.31115415	8.42%
Wolverton Securities Ltd.	300	0.11%
Xerion Partners II Master Fund Limited	6,543.39538983	2.49%
The Excluded Investors		
Angstrom Capital Ltd.	16,400	6.23%
The Beck Family 2001 Trust	4,000	1.52%
Chiropo Company S.A.	19,400	7.37%
The Dattels Family Trust	2,000	0.76%
Dragonhill International Ltd.	10,000	3.80%
Global Coal Management plc	12,500	4.75%
Logic System Limited	18,000	6.84%
Michael S. Vitton	3,900	1.48%
Nemo Asset Management Ltd.	2,250	0.85%
RAB Special Situations (Master) Fund Limited	12,500	4.75%
Rig II Fund Limited	5,250	1.99%
Stephen Beck	1,500	0.57%
TOTAL	263,241.74249462	100.00%

To the best of the Directors' knowledge, information and belief, after making reasonable enquiry, the Sellers, the Investors and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company and its subsidiaries.

The Directors understand that the Sellers and the Investors are high net worth individuals, investment holding vehicles (controlled by high net worth individuals) or institutional investors.

THE FINDER'S FEE AGREEMENT

Stephen Dattels is an experienced senior mining and corporate finance executive, having previously held key executive positions in both Asia and abroad. Stephen Dattels was introduced to the Company through professional channels and assisted the Company (through introductions) in its past acquisitions of: (i) an indirect 40 per cent. interest in Yunnan Simao Shanshui Copper Company Limited, a Sino-foreign equity joint venture; and (ii) an indirect 90.5 per cent. interest in Simao Regent Minerals Limited, another PRC joint venture enterprise.

On 5 September 2007, the Company entered into the Finder's Fee Agreement with Stephen Dattels, existing chairman and director of CCEC, pursuant to which the Company has agreed to issue 75,000,000 Shares by way of consideration for introducing the Transaction to the Company (i.e. the Finder's Fee Shares). The issuance of the Finder's Fee Shares shall be subject to Completion and the satisfaction of the Conditions set out in the paragraph headed "The Share Purchase Agreement — Conditions" above. Such Finder's Fee Shares, if any, shall be issued at the same time as the issuance of the Consideration Shares and the Additional Consideration Shares at Completion.

By way of background information, Stephen Dattels was at one point in time a connected person of the Company solely because he was a substantial shareholder (as defined in the Listing Rules) in a subsidiary of the Company, Regent Metals Holdings Limited ("**RMHL**", formerly known as Red Dragon Resources Limited). Pursuant to a prior transaction, the Company acquired and completed the purchase of 100 per cent. of the issued share capital of RMHL in stages. This transaction was announced by the Company on 4 July 2005. Following final completion of the transaction on 15 March 2006, Stephen Dattels has ceased to be a connected person of the Company.

Stephen Dattels has not been a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Group in the 12 months preceding the Latest Practicable Date. To the best of the Directors' knowledge, information and belief, after making reasonable enquiry, Stephen Dattels is a third party independent of the Company and connected persons of the Company and its subsidiaries.

As at the Latest Practicable Date, to the best of the Company's knowledge, after making reasonable enquiry, Stephen Dattels is interested in 49,775,534 Shares (approximately 2.442 per cent. of the Existing Share Capital of the Company) (i.e. the SD Existing Shares). As Stephen Dattels is potentially beneficially interested in Chiropo Company S.A., in addition to the Finder's Fee Shares, Stephen Dattels will be interested in 106,881,819 Consideration Shares to be issued as a result of the

Transaction (i.e. the SD Consideration Shares). Taking into account the SD Existing Shares, the SD Consideration Shares and the Finder's Fee Shares, Stephen Dattels will be directly or indirectly interested in an aggregate of 231,657,353 Shares (approximately 3.063 per cent. of the Enlarged Share Capital) as a result of the Transaction.

RIGHTS ATTACHING TO CONSIDERATION SHARES, ADDITIONAL CONSIDERATION SHARES AND FINDER'S FEE SHARES AND LOCK-UP

The Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares will be issued free from all encumbrances and shall rank *pari passu* in all respects with the other Shares in issue or to be issued by the Company at such time.

The Consideration Shares issued to the Sellers and to the Excluded Investors (other than GCM) and the Finder's Fee Shares issued to Stephen Dattels are subject to a lock-up of 12 months from the date of receipt of such Shares. In addition, each of the Sellers, the Excluded Investors (other than GCM and RAB) and Stephen Dattels shall undertake with the Company that it will not dispose of or agree to dispose of these Shares (or any interest therein) for an additional 12-month period from the date of expiry of the first lock-up without the prior consent of the Board.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised ordinary share capital of the Company is US$50,000,000, divided into 5,000,000,000 Shares of which 2,038,361,767 Shares have already been issued. According to the register kept by the Company under section 336 of the Securities and Futures Ordinance as at the date of Latest Practicable Date, save for the shareholdings held by the Concert Party Group and the Directors, approximately 76.287 per cent. of the Existing Share Capital is held by the public Shareholders.

For the information of the Shareholders, on 31 March 2006, the Company issued US$20 million 12 per cent. guaranteed convertible bonds due 2009 (i.e. the Convertible Bonds). As at the Latest Practicable Date, the Convertible Bonds confer on the holders a right to convert the Convertible Bonds into a maximum of 283,412,941 Shares. Moreover, on 30 November 2006, the Company issued 6,250 Redeemable Convertible Preference Shares. As at the Latest Practicable Date, the Redeemable Convertible Preference Shares confer on the holders rights to convert the Redeemable Convertible Preference Shares into a maximum of 147,931,035 Shares. Details of the Convertible Bonds and the Redeemable Convertible Preference Shares have been set out in the announcements issued by the Company on 30 March 2006 and 7 September 2006, respectively. In addition, as at the Latest Practicable Date, there are outstanding Options under the Share Option Scheme (2002) entitling their holders to subscribe, in stages according to the vesting schedules of the respective Options, for an aggregate of 237,608,132 Shares, of which options in respect of an aggregate of 18 million shares granted on 2 October 2007 are subject to Shareholders' approval.

To the best of the knowledge, information and belief of the Directors, having made reasonable enquiry, and save as disclosed in the aforesaid announcement dated 7 September 2006, holders of the Convertible Bonds and the Redeemable Convertible Preference Shares are third parties independent of the Company, the Sellers, the Investors, Stephen Dattels and connected persons of the Company and its subsidiaries.

Assuming full acceptance of the Offer by the Investors and upon satisfaction of the Conditions in both the Share Purchase Agreement and the Offer, 1,156,968,141 Consideration Shares and 293,328,570 Additional Consideration Shares (representing 71.15 per cent. of the Existing Share Capital or 19.17 per cent. of the Enlarged Share Capital) will be issued to the Sellers and the Investors. Moreover, 75,000,000 Finder's Fees Shares (representing 3.68 per cent. of the Existing Share Capital or 0.99 per cent. of the Enlarged Share Capital) will be issued to Stephen Dattels under the Finder's Fee Agreement. Since CCEC raised additional equity capital prior to Completion (i.e. CCEC's Post-Signing Placing), 293,328,570 Additional Consideration Shares (representing 14.39 per cent. of the Existing Share Capital or 3.88 per cent. of the Enlarged Share Capital) will be issued to the Investors (other than the Excluded Investors) participating in such fund raising, allocated among such Investors in accordance with their respective shareholding in CCEC acquired under the CCEC's Post-Signing Placing. Assuming that there will be no change in the shareholding of the Company subsequent to the Latest Practicable Date up to and including the date of issuance (other than the issue of the Consideration Shares, the Additional Consideration Shares, the Finder's Fee Shares and the Shares to be issued pursuant to the Proposed Specific Mandate) and without taking into account the Convertible Bonds and the Redeemable Convertible Preference Shares, the public Shareholders will hold approximately 86.07 per cent. (with reference to the following paragraph) of the Enlarged Share Capital. Based on the above, the aggregate number of the Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares is 1,525,296,711 Shares (representing 74.83 per cent. of the Existing Share Capital or 20.17 per cent. of the Enlarged Share Capital).

The Company understands that some of the CCEC directors are interested in some of the CCEC shareholders. Based on the information provided by the Sellers, Steve Bywater, Rick Lu and Adrian Lungan are beneficially interested in Logic System, LL Arthur Ltd. and Sishen Co. Ltd., respectively. Stephen Dattels is potentially interested in Chiropo Company S.A. Since it is the Company's intention to retain Stephen Dattels, Steve Bywater, Rick Lu and Adrian Lungan on the CCEC board, upon Completion, each of them will become a connected person of the Company (by virtue of being a director of a subsidiary of the Company) and the Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares received by the above-mentioned Sellers will be excluded for the purpose of the public float calculation.

As set out above, the number of Consideration Shares to be issued to Chiropo Company S.A. as a result of the Transaction is 106,881,819 Shares (i.e. the SD Consideration Shares), representing approximately 1.41 per cent. of the Enlarged Share Capital. In addition, the number of Consideration Shares as a result of the Transaction to be issued to Logic System, LL Arthur Ltd. and Sishen Co. Ltd. are 99,168,698 Shares (representing 1.31 per cent. of the Enlarged Share Capital), 117,900,563 Shares (representing 1.56 per cent. of the Enlarged Share Capital) and 117,900,563 Shares (representing 1.56 per cent. of the Enlarged Share Capital), respectively. After excluding the Shares held by the Directors and the above CCEC directors, the public Shareholders will hold approximately 86.07 per cent. of the Enlarged Share Capital of the Company.

To the best of the Directors' knowledge, having made reasonable enquiry, the Sellers and the Investors have no intention of entering into any kind of formal or informal arrangement (e.g. shareholders' agreement) between themselves or with the existing Shareholders (including the Concert Party Group) to actively cooperate to obtain or consolidate control of the Company (i.e. the definition of "acting in concert" under the Takeovers Code). In this connection, the Company has made a number of enquiries of the representatives of the CCEC shareholders as to the nature of the CCEC shareholders' relationship in an effort to identify whether there is any agreement or understanding in place now or proposed to be entered into in the future to obtain or consolidate control of the Company. Moreover, the Company has obtained confirmation letters from the Concert Party Group, Stephen Dattels, the Sellers and the Excluded Investors that each of them is independent of each other and is not actively cooperating to obtain or consolidate control of the Company. The Company also has reviewed the register of members of CCEC which, on the face of it, has revealed the institutional and sophisticated nature of these shareholders, together with CCEC's July Placing and CCEC's Post-Signing Placing documents which revealed the arm's length nature of such placings and did not reveal any agreement or understanding in place now or proposed to be entered into in the future to obtain or consolidate "control" of the Company. By way of further support, the Company has sought and obtained from BMO, the institution acting as placing agent and coordinator of CCEC's US$20 million placing and CCEC's Post-Signing Placing, confirmation that the placees are not parties acting in concert with the Concert Party Group and the CCEC shareholders in relation to obtain or consolidate control of the Company.

Accordingly, the Concert Party Group will be the largest group of shareholders both before and after the Transaction. The Transaction will not create a new controlling shareholder or a new group of controlling shareholders and will not result in a change in control of the Company.

The following table summarises the effect on the shareholding structure of the Company as a result of the issue of the Consideration Shares and the Additional Consideration Shares (assuming full acceptance of the Offer) and the Finder's Fee Shares:

Name of Shareholder	Before Completion and exercise of the Proposed Specific Mandate — Existing Share Capital (without taking into account the Convertible Bonds, the Redeemable Convertible Preference Shares and the Options) Number of Shares held	Approximate percentage shareholding	Following Completion and exercise of the Proposed Specific Mandate in full — Enlarged Share Capital (without taking into account the Convertible Bonds, the Redeemable Convertible Preference Shares and the Options) Number of Shares held	Approximate percentage shareholding	Enlarged Share Capital (assuming the Convertible Bonds and the Redeemable Convertible Preference Shares are fully converted into Shares and all outstanding Options are exercised) Number of Shares held	Approximate percentage shareholding
Concert Party Group						
James Mellon	414,037,311	20.312%	414,037,311	5.474%	501,002,828	6.086%
Jayne Sutcliffe	45,125,691	2.214%	45,125,691	0.597%	51,849,829	0.630%
Anderson Whamond	14,326,088	0.703%	14,326,088	0.189%	21,050,226	0.256%
Other Directors	9,863,582	0.484%	9,863,582	0.130%	138,187,720	1.679%
Existing public shareholders (other than holders of the Convertible Bonds and the Redeemable Convertible Preference Shares)	1,352,183,766	66.337%	1,352,183,766	17.877%	1,455,191,898	17.676%
Holders of the Convertible Bonds and the Redeemable Convertible Preference Shares	149,049,795	7.312%	149,049,795	1.971%	486,255,840	5.906%
Independent third party placees	—	0.000%	4,000,000,000	52.884%	4,000,000,000	48.587%
Stephen Dattels*	49,775,534	2.442%	124,775,534	1.650%	124,775,534	1.516%
Adrian Lungan*	4,000,000	0.196%	4,000,000	0.053%	4,000,000	0.049%
The Sellers						
LL Arthur Ltd.*	—	0.000%	117,900,563	1.559%	117,900,563	1.432%
Sishen Co. Ltd.*	—	0.000%	117,900,563	1.559%	117,900,563	1.432%
The Investors						
Anglo Irish Bank (Suisse), S.A.	—	0.000%	1,983,374	0.026%	1,983,374	0.024%
Angstrom Capital Ltd.	—	0.000%	90,353,702	1.195%	90,353,702	1.098%
The Beck Family 2001 Trust	—	0.000%	22,037,488	0.291%	22,037,488	0.268%
Bershaw & Co.	—	0.000%	23,690,300	0.313%	23,690,300	0.288%
BMO Capital Markets fbo Toqueville Gold Private Equity Fund, Ltd.	—	0.000%	1,652,812	0.022%	1,652,812	0.020%
BMO Nesbitt Burns I/T/F	—	0.000%	1,911,752	0.025%	1,911,752	0.023%
Centennial Assets Ltd.	—	0.000%	6,611,247	0.087%	6,611,247	0.080%
Chiropo Company S.A.*	—	0.000%	106,881,819	1.413%	106,881,819	1.298%
CR Intrinsic Investments, L.L.C.	—	0.000%	27,497,276	0.364%	27,497,276	0.334%
Crossway Partners	—	0.000%	4,132,029	0.055%	4,132,029	0.050%
The Dattels Family Trust	—	0.000%	11,018,744	0.146%	11,018,744	0.134%
Dragonhill International Ltd.	—	0.000%	55,093,721	0.728%	55,093,721	0.669%
Fitel Nominees Ltd. 54696	—	0.000%	6,280,684	0.083%	6,280,684	0.076%
Global Coal Management plc	—	0.000%	68,867,151	0.911%	68,867,151	0.837%
GMP Securities I/T/F 7TO-2209-E	—	0.000%	1,652,812	0.022%	1,652,812	0.020%
Goldman Sachs & Co.	—	0.000%	6,060,309	0.080%	6,060,309	0.074%

Name of Shareholder	Before Completion and exercise of the Proposed Specific Mandate — Existing Share Capital (without taking into account the Convertible Bonds, the Redeemable Convertible Preference Shares and the Options) — Number of Shares held	Approximate percentage shareholding	Following Completion and exercise of the Proposed Specific Mandate in full — Enlarged Share Capital (without taking into account the Convertible Bonds, the Redeemable Convertible Preference Shares and the Options) — Number of Shares held	Approximate percentage shareholding	Enlarged Share Capital (assuming the Convertible Bonds and the Redeemable Convertible Preference Shares are fully converted into Shares and all outstanding Options are exercised) — Number of Shares held	Approximate percentage shareholding
The Investors (continued)						
Harris Nesbitt Corp. (ITF Endeavor Mining Capital Corp.)	—	0.000%	3,581,092	0.047%	3,581,092	0.043%
Highbridge Asia Opportunities Master Fund L.P.	—	0.000%	19,833,740	0.262%	19,833,740	0.241%
Highbridge International L.L.C.	—	0.000%	13,222,493	0.175%	13,222,493	0.161%
Investors Bank & Trust	—	0.000%	8,264,058	0.109%	8,264,058	0.100%
Investor Company c/o Account 5J5335	—	0.000%	554,344	0.007%	554,344	0.007%
King Street Capital, L.P.	—	0.000%	25,212,448	0.333%	25,212,448	0.306%
King Street Capital, Ltd.	—	0.000%	53,576,452	0.708%	53,576,452	0.651%
Knotfloat & Co.	—	0.000%	36,844,842	0.487%	36,844,842	0.448%
Lion Hill Capital Limited	—	0.000%	8,264,058	0.109%	8,264,058	0.100%
Logic System Limited*	—	0.000%	99,168,698	1.311%	99,168,698	1.205%
Michael S. Vitton	—	0.000%	21,486,551	0.284%	21,486,551	0.261%
Nemo Asset Management Ltd.	—	0.000%	12,396,087	0.164%	12,396,087	0.151%
Old Lane Cayman Master Fund, L.P.	—	0.000%	24,041,700	0.318%	24,041,700	0.292%
Old Lane GMA Master Fund, L.P.	—	0.000%	2,114,868	0.028%	2,114,868	0.026%
Old Lane HMA Master Fund, L.P.	—	0.000%	7,434,634	0.098%	7,434,634	0.090%
Old Lane US Master Fund, L.P.	—	0.000%	13,408,797	0.177%	13,408,797	0.163%
The Ospraie Portfolio Ltd.	—	0.000%	26,000,000	0.344%	26,000,000	0.316%
Ospraie Special Opportunities Master Holdings Ltd.	—	0.000%	26,000,000	0.344%	26,000,000	0.316%
Pershing Nominees	—	0.000%	5,784,841	0.076%	5,784,841	0.070%
RAB Special Situations (Master) Fund Limited	—	0.000%	68,867,151	0.911%	68,867,151	0.837%
Rig II Fund Limited	—	0.000%	28,924,204	0.382%	28,924,204	0.351%
Roytor & Co.	—	0.000%	27,546,861	0.364%	27,546,861	0.335%
Roytor & Co. fbo Passport Materials Master Fund L.P.	—	0.000%	50,688,900	0.670%	50,688,900	0.616%
S.A.C. Capital Associates, L.L.C.	—	0.000%	27,497,276	0.364%	27,497,276	0.334%
Stephen Beck	—	0.000%	8,264,058	0.109%	8,264,058	0.100%
TPG-Axon Partners Offshores, Ltd	—	0.000%	122,089,400	1.614%	122,089,400	1.483%
Wolverton Securities Ltd.	—	0.000%	1,652,812	0.022%	1,652,812	0.020%
Xerion Partners II Master Fund Limited	—	0.000%	36,050,000	0.477%	36,050,000	0.438%
Sub-total for public Shareholders	1,555,009,095	76.287%	6,509,678,629	86.065%	6,949,892,806	84.419%
Sub-total for non-public Shareholders	483,352,672	23.713%	1,053,979,849	13.935%	1,282,717,780	15.581%
Total	2,038,361,767	100.000%	7,563,658,478	100.000%	8,232,610,586	100.000%

Note:

* Shares interested or potentially interested by CCEC directors, who will become connected persons of the Company after Completion.

Assumptions:

1. 235,801,126 Consideration Shares will be issued to the Sellers at Completion.

2. 921,167,015 Consideration Shares will be issued to the Investors (assuming full acceptance of the Offer) at Completion.

3. 75,000,000 Finder's Fee Shares will be issued to Stephen Dattels at Completion.

4. 293,328,570 Additional Consideration Shares will be issued to the Investors (other than the Excluded Investors) at Completion.

5. 4,000,000,000 Shares will be issued pursuant to the exercise of the Proposed Specific Mandate.

6. Options in respect of 13,000,000 Shares and 5,000,000 Shares granted to James Mellon and David Comba respectively are subject to Shareholders' approval at a general meeting. Details of the such options granted to James Mellon (a substantial shareholder of the Company and a non-executive Director) and David Comba (an independent non-executive Director) on 2 October 2007, which are subject to Shareholders' approval under Rule 17.04(1) of the Listing Rules, are set out in pages VII-2 to VII-3 of this circular. An extraordinary general meeting of the Company will be held immediately prior to the EGM for approving the grant of such options.

The Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares are proposed to be issued pursuant to a specific mandate to be sought at the EGM. An application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares.

FINANCIAL EFFECTS OF THE TRANSACTION ON THE GROUP

Following Completion and assuming full acceptance of the Offer, CCEC will become a wholly-owned subsidiary of the Group.

Based on the unaudited pro forma financial information as set out in Appendix III to this circular, the Transaction will not have any material effect on the Group's earnings and liabilities. The net assets of the Group will be increased significantly taking into account the goodwill generated from the Transaction and the potential future fund raising activities.

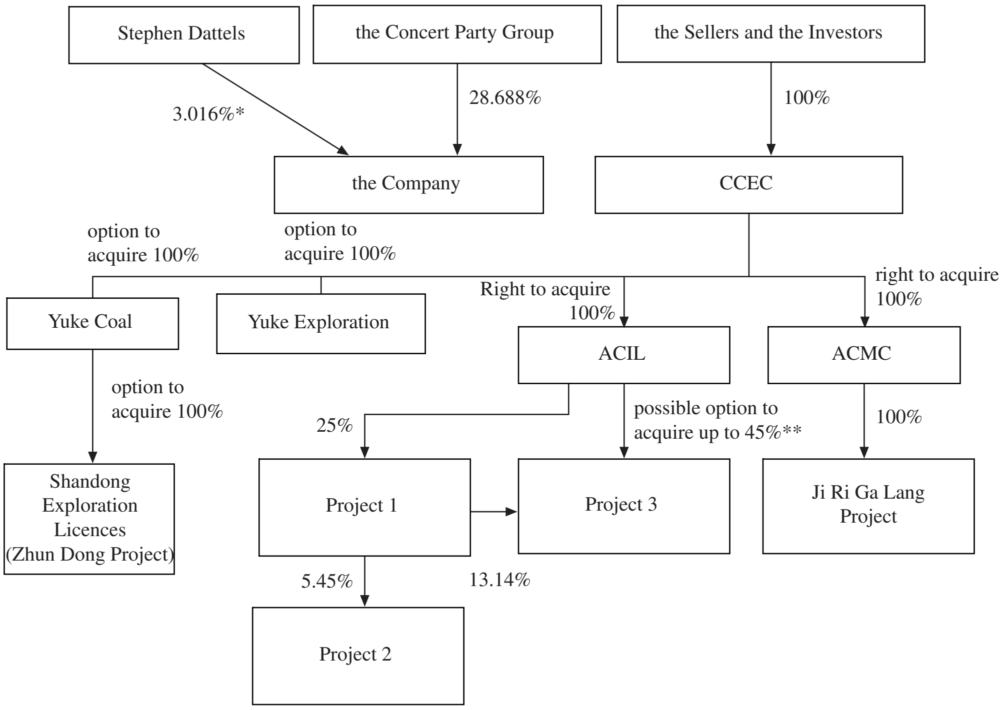
INFORMATION ON THE COMPANY

The Company is a limited liability company incorporated under the laws of the Cayman Islands whose Shares are listed on the Stock Exchange and are also traded on the OTC market (Freiverkehr) of the Frankfurt Stock Exchange. The Company is an investment holding company focused on investment in mining assets, principally in the PRC.

STRUCTURE OF THE TRANSACTION

The structure of the Transaction is summarised as follows:

At the execution of the Share Purchase Agreement

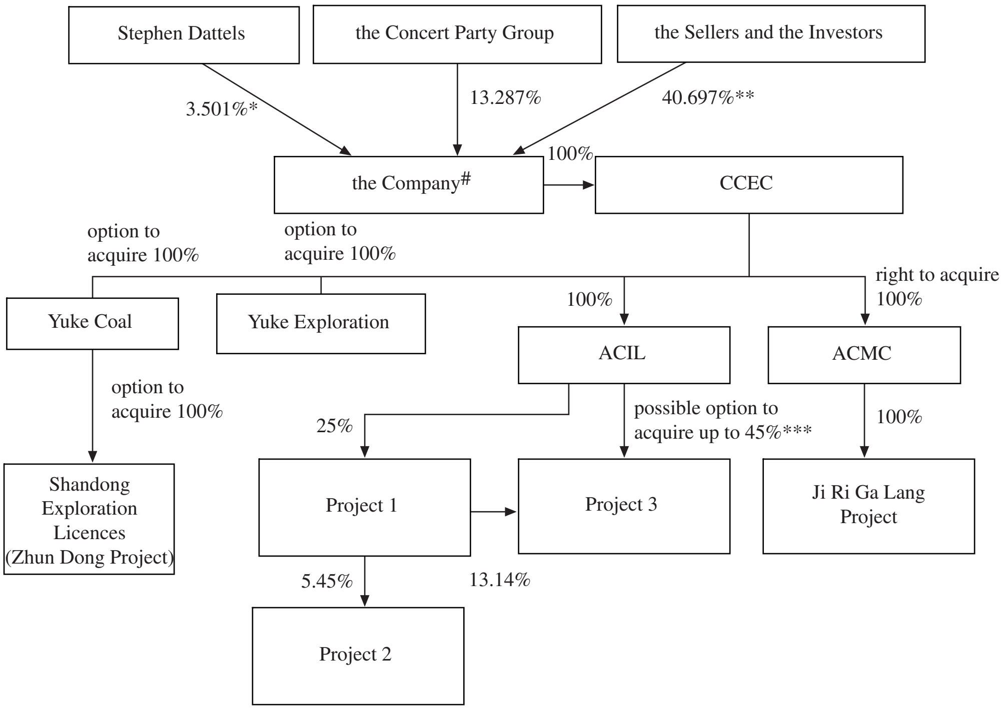


Note:

* Being Stephen Dattels' interest in 49,775,534 SD Existing Shares.

** This number is inclusive of the existing effective 3.29 per cent. held through Project 1.

At Completion



Notes:

\# The percentages in the Company exclude the effect of the Company's placing under the Proposed Specific Mandate.

* Being Stephen Dattels' interest in 49,775,534 SD Existing Shares and 75,000,000 Finder's Fee Shares, excluding Stephen Dattels' potential interest in 106,881,819 SD Consideration Shares.

** Including Stephen Dattels' potential interest in 106,881,819 SD Consideration Shares.

*** This number is inclusive of the existing effective 3.29 per cent. held through Project 1.

VERY SUBSTANTIAL TRANSACTION

The Transaction constitutes a very substantial transaction for the Company and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

Completion of the Transaction is conditional upon, *inter alia*, the approval of the Shareholders voting at the EGM.

The Company has been informed that, as at the Latest Practicable Date, Stephen Dattels and Adrian Lungan, both directors of CCEC, hold approximately 2.442 per cent. and 0.196 per cent. of the Existing Share Capital respectively. Accordingly, both Stephen Dattels and Adrian Lungan, together with each of their associates, will be required to abstain from voting on the separate resolutions approving the Transaction at the EGM.

The Concert Party Group, which holds 473,489,090 Shares in aggregate as at the Latest Practicable Date (representing 23.229 per cent. of the Existing Share Capital), has undertaken to the Excluded Investors (other than GCM) that it would vote in favour of the separate resolutions approving the Transaction.

The Company will comply with Rule 14.36 of the Listing Rules (as appropriate) in relation to the Transaction.

REASONS FOR THE TRANSACTION

As stated on the Company's website, the Company is an investment holding company focused on investing in mining assets, principally in the PRC. The Company is a dynamic and opportunistic investor with its focus on growing long term value for all stakeholders. The Company envisages being Hong Kong's next major mining house and acquisitive transactions such as the proposed acquisition of CCEC is an essential part of its overall strategy for meeting this objective.

The search for sources of energy is a global phenomenon. With coal, aside from the energy prospects, there is the further opportunity to extract various other commodity by-products. The PRC market is the world's largest consumer of coal and there is a shortage of this form of energy. Prices for coal and coal products have been rising in the PRC. In view of the continued economic growth and accelerated industrialization and urbanization in the PRC, thermal coal, coking coal and coal related by-products will be in sustained demand in the PRC. The Directors are optimistic about the future prospects for these commodities and products. The Directors believe that the Transaction with CCEC, a company focused on acquisition of coal projects in the PRC, provides an opportunity for the Group to strengthen its position in the PRC's coal industry and create value for all its Shareholders. The CCEC management team has relevant global coal exploration and mining experience as well as China deal execution expertise. CCEC is at various stages of negotiation on a number of acquisition targets. By diversifying the Group's investment portfolio, the Group will be less susceptible to fluctuations of raw commodity prices. In addition, the retention of the CCEC management team, including Stephen Dattels and Steve Bywater, will strengthen the expertise of the Group's management in the mining business and enable the Group to benefit from their knowledge and experience. This will facilitate the Group's development and expansion in the coal industry.

FINANCING OF THE PROJECTS AND THE PROPOSED SPECIFIC MANDATE

As disclosed in the VSA Announcement, while the Company does certainly contemplate raising additional funding to help CCEC meet capital commitments for the Projects (before and/or after the EGM), such funding is not a condition to Completion.

In September 2007, the Directors exercised the 2006 General Mandate in full by placing 293,339,464 Shares to not less than 6 independent placees (i.e. the September Placing). The net proceeds from the September Placing amount to approximately HK$333.23 million (approximately US$42.72 million).

Given CCEC's capital need for acquiring interests in and developing the Projects as well as future projects, the Company wishes to seek a specific mandate from the Shareholders to authorise the Directors to issue and allot up to 4,000,000,000 new Shares (i.e. the Proposed Specific Mandate), representing approximately 196.24 per cent. of the Existing Share Capital or approximately 52.88 per cent. of the Enlarged Share Capital. The Directors consider it appropriate to seek the Proposed Specific Mandate at the EGM to take advantage of favourable market conditions and opportunities to raise further funds to finance the acquisition and development of the Projects. Approval of the Proposed Specific Mandate shall be sought from the Shareholders by way of an ordinary resolution at the EGM. The Company has been informed that, as at the Latest Practicable Date, Stephen Dattels and Adrian Lungan, both directors of CCEC, hold 49,775,534 Shares (approximately 2.442 per cent. of the Existing Share Capital) and 4,000,000 Shares (approximately 0.196 per cent. of the Existing Share Capital) respectively. Both Stephen Dattels and Adrian Lungan, together with each of their associates, will be required to abstain from voting on the resolution approving the Proposed Specific Mandate at the EGM. Moreover, the Directors (including the Concert Party Group), who hold 483,352,672 Shares in aggregate as at the Latest Practicable Date (representing 23.713 per cent. of the Existing Share Capital), have undertaken to the Stock Exchange that they would abstain from voting on the resolution approving the Proposed Specific Mandate. The Proposed Specific Mandate is therefore subject to approval from the Shareholders other than Stephen Dattels, Adrian Lungan, the Directors (including the Concert Party Group) and their respective associates.

The Company intends to exercise the Proposed Specific Mandate by way of placing of new Shares. The proceeds from the exercise of the Proposed Specific Mandate are intended to be used to finance the cash consideration for the acquisition of ACMC, the Possible Project 3 Further Acquisition and the acquisition of Yuke Coal and related capital expenditure for these projects for approximately US$290.1 million (approximately RMB2.18 billion) (further details of which are set out below). The Company anticipates (based on the prevailing market conditions as at the Latest Practicable Date) that net proceeds of approximately US$250 million will be the minimum net proceeds to be raised pursuant to the exercise of the Proposed Specific Mandate.

In light of the acquisition costs and the development and funding requirements of the Projects, the Company currently intends to use the net proceeds from the exercise of the Proposed Specific Mandate for the following purposes (provided for reference and illustration only):

	Acquisition of Yuke Coal and the Zhun Dong Project	**The Possible Project 3 Further Acquisition**	**The Ji Ri Ga Lang Project**	**Total**
		US$'000		
Acquisition costs	23,733[1]	81,860[2]	24,000[3]	129,593
Capex (estimates)	124,000[4]		28,500[4]	152,500[4]
Working Capital (estimates)	5,000		3,000	8,000
Total	152,733	81,860	55,500	290,093

Notes:

1 Being the option exercise of RMB20,000,000 under the Yuke Coal Option Agreement and the Transfer Price of RMB158,000,000 for the Shandong Exploration Licences under the Yuke Coal Acquisition Agreement.

2 Being a maximum consideration of US$76.86 million and the fee of US$5 million payable to CCAC upon successful completion of the acquisition.

3 Being the total consideration of approximately RMB180 million for the Ji Ri Ga Lang Project, including CCEC's payment of approximately RMB137.4 million and CCEC's guarantee of ACMC's payment of the Account Payable of approximately RMB42.6 million.

4 The Company understands from CCEC that it prepared its own estimates of the capital expenditure and working capital requirements for the Ji Ri Ga Lang Project and the Yuke Coal Project. The Company further understands that such estimates were based on a number of assumptions, including an assumed estimate of the mining cost (overburden removal and coal mining) and anticipated annual production/sales in respect of such Projects. Based on these assumptions, CCEC computed the estimated capital expenditure for the exploration and development and equipment purchase (where required), together with the sustaining capital and working capital, of each mine for such Projects.

Shareholders and investors should note that as at the Latest Practicable Date, no placing agreement has been signed and therefore no placing agent(s) has/have been formally appointed by the Company. Accordingly, the above particulars of the use of net proceeds from the exercise of the Proposed Specific Mandate are for reference and illustration purposes only.

The Company will incur expenses in connection with the exercise of the Proposed Specific Mandate and the preparation of the Transaction documents, including fees and commissions payable to the placing agent(s) to be determined between the Company and the placing agent(s) upon execution of any related placing agreement and the fees payable to the Company's advisers in connection with the preparation of the Transaction documents. Since the actual placing price per Share and the actual number of Shares to be issued under the Proposed Specific Mandate are subject to final determination of the Board, the amount of funds to be raised may be different from the above indicative figures. Any funds raised in excess of the total acquisition cost of each of the: (i) Ji Ri Ga Lang Project; (ii) Possible Project 3 Further Acquisition; and (iii) acquisition of Yuke Coal and the Zhun Dong Project (being a combined total of US$129,593,000) shall first be applied to discharging the capital expenditure requirements of the Ji Ri Ga Lang Project (estimated to be US$28,500,000), with any remaining net surplus to be applied to the capital expenditure requirements of the Zhun Dong Project on an "as needed" basis. Thereafter, should any surplus net proceeds remain, such surplus proceeds will be used for general working capital and future potential acquisitive activities of the Group.

Subject to market conditions and the commercial negotiation on the terms of engagement with the Company's proposed placing agent(s), the Company currently anticipates to enter into a placing agreement in or around mid-December, shortly after the EGM.

The final number of Shares to be issued is subject to final determination of the Board as may be authorised by the Shareholders at the EGM. If the Proposed Specific Mandate is approved, the Directors can issue and allot all or some of the new Shares at any such time and on such terms and conditions as the Directors consider to be appropriate and in the best interests of the Company with reference to the commercial negotiations over the terms of the placing agreement to be entered into between the Company and the Company's proposed placing agents, prevailing market conditions, the prevailing market price of the Shares and the investor demand for the Shares at the relevant time and subject to the other conditions, including size, timing and price, as mentioned in this circular.

The price at which any or all of the new Shares may be issued and allotted by the Directors under the Proposed Specific Mandate will be determined by agreement between the Company and the Company's placing agent(s) with reference to the prevailing market price of the Shares at the time of entering into an agreement for the issuance of the new Shares and all other relevant market considerations. The proposed indicative price range will not be less than 80 per cent. of the benchmarked price of the Shares of the Company, such benchmarked price being the higher of:

(i) the closing price on the date of the relevant placing agreement or other agreement involving the exercise of the Proposed Specific Mandate; and

(ii) the average closing price in the 5 trading days immediately prior to the earlier of:

  (1) the date of announcement of the placing or the proposed transaction or arrangement involving the exercise of the Proposed Specific Mandate;

  (2) the date of the placing agreement or other agreement involving the exercise of the Proposed Specific Mandate; and

  (3) the date on which the placing or subscription price is fixed.

Moreover, the placing price upon exercise of the Proposed Specific Mandate shall be no less than HK$0.52 per Share.

Issue and allotment of any new Shares pursuant to the Proposed Specific Mandate is conditional upon any new Shares to be issued and allotted pursuant to the Proposed Specific Mandate having to be offered to investors who are independent of and not connected with any Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate (as defined in the Listing Rules) of any of them, save and unless as permitted under the Listing Rules or necessary independent Shareholders' approval has been obtained for the issue and allotment of any new Shares to connected persons, in full compliance with the requirements of the Listing Rules and all applicable laws.

The Proposed Specific Mandate, if granted, will lapse on the date whichever is the earlier of: (i) the first Business Day falling two months from the date on which the EGM was held (or any adjournment thereof); and (ii) the revocation or variation of the Proposed Specific Mandate resolution of the Shareholders at a general meeting, irrespective of whether any new Shares covered by the Proposed Specific Mandate have been issued and allotted in full or not.

In light of the specific use of net proceeds set out herein and the short period of time in which the Company may exercise the Proposed Specific Mandate, the Directors believe that the terms under the Proposed Specific Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Proposed Specific Mandate. The Company will make such further announcements on the number of Shares, the placing price and information relating to the placees upon the exercise of the Proposed Specific Mandate and will comply with the applicable Listing Rules in doing so.

The Company has obtained independent financial advice from Quam Capital on the terms of the Proposed Specific Mandate. The advice from Quam Capital is set out on pages 73 to 87 of this circular.

Shareholders and investors should be aware that the issue of new Shares pursuant to the Proposed Specific Mandate is subject to the satisfaction of a number of terms and conditions which are set out above and is also subject to the absolute discretion of the Directors whether the Proposed Specific Mandate shall be exercised. There is no assurance that any of the conditions will be fulfilled or the Directors shall decide to exercise the Proposed Specific Mandate. Shareholders and investors should therefore exercise caution when dealing in the Shares.

If the proposed placing pursuant to the Proposed Specific Mandate does not take place, the Enlarged Group will first utilise its own internal cash resources to meet its various capital commitments as set out in this circular and, to the extent of any shortfall, will look to raise alternative financing, including debt or debt financing that may or may not be convertible into equity. If, and to the extent that, the Enlarged Group does not have sufficient funds (howsoever sourced) at the relevant time, the Enlarged Group will not proceed with: (i) the Possible Project 3 Further Acquisition; and/or (ii) the exercise of the option to acquire Yuke Coal under the Yuke Coal Option Agreement and the consummation of the acquisition of the Zhun Dong Project under the Yuke Coal Acquisition Agreement. It should be noted that the Enlarged Group has sufficient funds to meet its capital commitments under the Ji Ri Ga Lang Project.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the Authorised Share Capital is US$55,500,062.50, divided into: (i) 5,000,000,000 Shares (of which 2,038,361,767 Shares have already been issued); (ii) 550,000,000 unclassified shares of US$0.01 par value each (which may be issued as Shares or as Deferred Shares); and (iii) 6,250 Redeemable Convertible Preference Shares.

Following Completion, 1,450,296,711 new Shares will have been issued as the Consideration Shares and the Additional Consideration Shares, and after taking into account of the Finder's Fee Shares and Shares subject to outstanding Options, Convertible Bonds and Redeemable Convertible Preference Shares of the Company, only 767,389,414 Shares remain unissued and available for further allotment and issue by the Company, which will not be sufficient, if the 2007 General Mandate and the Proposed Specific Manadates are to be exercised in full.

In order to provide the Company with greater flexibility to raise future equity capital by allotting and issuing Shares, the Directors propose to increase the Authorised Share Capital from US$55,500,062.50 to US$105,500,062.50 by the addition of US$50,000,000, divided into 5,000,000,000 new Shares.

The Authorised Share Capital Increase is subject to the approval by the Shareholders by way of an ordinary resolution at the EGM.

ABBREVIATED AND EXTRACTED SUMMARY OF THE SRK REPORTS

The Directors are pleased with the findings of the SRK Reports. In particular, the Directors would like to highlight an abbreviated and extracted summary of these reports for Shareholders' information.

The Ji Ri Ga Lang Project

Based on current drilling results, a coal resource has been estimated of a total of 99 million tonnes for categories 332 (40 million tonnes) and 333 (59 million tonnes) with a strip ratio of less than 1 bank cubic metre (bcm) of waste per tonne of coal. The resource estimate had been evaluated and verified by the Office of Land and Resources of Inner Mongolia, dated 31 July 2006. Although these estimated resources cannot be reported under the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code), the 99 million tonnes would be equivalent to an Inferred Coal Resources on the principles of the JORC Code.

The conclusions of SRK's report recommended that, given the excellent potential for the Ji Ri Ga Lang Coal Project to become an economic open cut mine, further drilling should be conducted to provide sufficient detail for final feasibility study for the project.

The Company anticipates making an appropriate announcement setting out the results of CCEC's confirmatory drilling in the first quarter of 2008.

The Zhun Dong Project

Based on the current drilling results, a coal resource has been estimated for Seam 1 at a total of 653 million tonnes for category 333. This estimate has not been accredited by the Ministry of Land and Resources and does not meet the standards of the JORC Code.

The conclusions of SRK's report recommended that, given the potential for the Zhun Dong Project to become an economic underground coal mine, further drilling should be conducted to provide sufficient detail for a comprehensive feasibility study for the project.

The Directors will recommend that CCEC, if it decides to exercise the option under the Yuke Coal Option Agreement, proceed with the drilling programme as recommended by SRK with the aim of upgrading the confidence in the deposit and establishing the first estimate of mineral resources in accordance with the JORC Code, and (ii) to ensure sufficient geological data is available to convert the exploration licence into a mining licence.

Overall the Directors are pleased with the SRK Reports, including the recommendations provided therein and believe that the Ji Ri Ga Lang Project and the Zhun Dong Project provide potential for being economic thermal coal mining operations.

EFFECT OF GOODWILL ON THE GROUP'S FINANCIAL PROSPECT

The Directors believe that the amount of goodwill generated from the Transaction is justifiable by the future growth that the Transaction will bring to the Group. The Projects, once developed, would diversify the Group's investment portfolio and strengthen the Group's revenue streams. The retention of the CCEC management team, who has relevant global coal exploration and mining experiences as well as PRC deal execution expertise, would bring an exciting exploration pipeline and help the Group continue to develop and expand in the coal industry. As required under the Hong Kong Financial Reporting Standards, the actual amount of goodwill will be tested for impairment annually.

RECONCILIATION STATEMENT UNDER RULE 5.07 OF THE LISTING RULES

As the valuation dates of the property interest of Project 3 under the accountants report (set out in Appendix II.E to this circular) and the property valuation report (set out in Appendix V to this circular) are different, a reconciliation statement of the property interest of Project 3 and the valuation of such property interest is required under Rule 5.07 of the Listing Rules. Such reconciliation statement is set out as below:

	RMB'000
Net book value of the land use rights as at 31 July 2007	21,770
Amortisation for a month ended 31 August 2007	(36)
Net book value as at 31 August 2007	21,734
Valuation surplus/deficits	35,562
Valuation as at 31 August 2007	57,296

GENERAL

The Company will seek approval of separate Shareholders' resolutions at the EGM in respect of: (i) the Share Purchase Agreement, the Amendment Agreement, the Offer, the Finder's Fee Agreement, the ACIL Project SPA and the Ji Ri Ga Lang Project SPA, including the consummation of any and all transactions under or incidental to such agreements; (ii) the consummation of the Possible Project 3 Further Acquisition; (iii) the exercise of the option under the Yuke Coal Option Agreement and the performance of the Yuke Coal Acquisition Agreement; (iv) the Authorised Share Capital Increase; and (v) the Proposed Specific Mandate.

The Directors (including the independent non-executive Directors) consider that the Transaction is in the ordinary and usual course of business of the Group and the terms of the Transaction have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Company has obtained independent financial advice from Quam Capital on the Proposed Specific Mandate. The advice from Quam Capital is set out on pages 73 to 87 of this circular. The Directors (including the independent non-executive Directors) also consider the Authorised Share Capital Increase and the terms of the Proposed Specific Mandate to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends Shareholders to vote in favour of the ordinary resolutions included in the notice of EGM enclosed with this circular at the EGM.

Your attention is also drawn to the section headed "Risk Factors" of this circular and the additional information set out in the appendices to this circular, including, but not limited to, the SRK Reports.

On behalf of the Board of
REGENT PACIFIC GROUP LIMITED
James Mellon
Chairman

The following is the full text of the letter of advice from Quam Capital, the independent financial adviser to the Shareholders (other than Mr. Stephen Dattels, Mr. Adrian Lungan, the Directors (including the Concert Party Group) and their respective associates), which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Shareholders (other than Mr. Stephen Dattels, Mr. Adrian Lungan, the Directors (including the Concert Party Group) and their respective associates) in respect of the Proposed Specific Mandate.

Quam Financial Services Group
Quam Capital Limited 華富嘉洛企業融資有限公司
A Member of The Quam Group

22 November 2007

To the Relevant Shareholders
Regent Pacific Group Limited
Suite 1401
Henley Building
5 Queen's Road Central
Hong Kong

Dear Sir or Madam,

PROPOSED SPECIFIC MANDATE TO ISSUE NEW SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Shareholders (other than Mr. Stephen Dattels, Mr. Adrian Lungan, the Directors (including the Concert Party Group) and their respective associates) (the "**Relevant Shareholders**") in connection with the Proposed Specific Mandate, details of which are set out in the "Letter from the Board" contained in the circular issued by the Company to the Shareholders dated 22 November 2007 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context otherwise requires.

On 4 September 2007, the Company entered into the Share Purchase Agreement (as amended by the Amendment Agreement entered into on 14 September 2007) with the Sellers for the acquisition of 42,800 Sale Shares (representing approximately 16.26% of the existing share capital of CCEC) in CCEC. For further details of the Share Purchase Agreement (as amended by the Amendment Agreement entered into on 14 September 2007), please refer to the "Letter from the Board" of the Circular (the "**Letter from the Board**").

In addition, on 12 October 2007, Morgan Stanley, the financial adviser to the Company, made the Offer on behalf of the Company to the Investors to acquire the remaining 167,200 Sale Shares and

53,242 (rounded up) CCEC shares (issued pursuant to the CCEC's Post-Signing Placing) held by them by issuing 921,167,015 Consideration Shares and 293,328,570 Additional Consideration Shares respectively upon full acceptance of the Offer. For further details of the Offer and the CCEC's Post-Signing Placing, please refer to the Letter from the Board.

As at the Latest Practicable Date, the Company has received irrevocable undertakings from the Excluded Investors (other than RAB) that they will accept the Offer in respect of 95,200 Sale Shares beneficially owned by them (representing approximately 36.16% of the existing share capital of CCEC). In addition, as at the Latest Practicable Date, the Company has received acceptances of the Offer in respect of 37,347 (rounded up) CCEC shares (representing approximately 14.19% of the existing share capital of CCEC), excluding the Sale Shares subject to the irrevocable undertakings from the Excluded Investors (other than RAB). Taking into account 42,800 Sale Shares to be acquired by the Company under the Share Purchase Agreement, the acceptances of the Offer in respect of 37,347 (rounded up) CCEC shares (representing approximately 14.19% of the existing share capital of CCEC) and the irrevocable undertakings from the Excluded Investors (other than RAB) that they will accept the Offer, accordingly, as at the date of the Latest Practicable Date, the Company has secured rights to acquire altogether 175,347 CCEC shares or 66.61% of the existing share capital of CCEC. Assuming full acceptance of the Offer, CCEC will become a wholly-owned subsidiary of the Company upon Completion.

We noted that CCEC has entered into the Project SPAs which, upon consummation, shall give CCEC rights to acquire interests (both operational and economical) in the Projects in relation to coal and coal related projects in Yunnan, Inner Mongolia and Xinjiang, the PRC. We also noted that given CCEC's capital need for acquiring interests in and developing the Projects as well as future projects, the Company proposes to seek a specific mandate from the Relevant Shareholders to authorise the Directors to allot and issue up to 4,000,000,000 new Shares, representing approximately 196.24% of the Existing Share Capital or approximately 52.88% of the Enlarged Share Capital. The Proposed Specific Mandate is subject to approval by the Relevant Shareholders at the EGM. As stated in the Letter from the Board, Messrs. Stephen Dattels and Adrian Lungan, both directors of CCEC, who hold 49,775,534 Shares and 4,000,000 Shares respectively (representing approximately 2.44% and 0.20% of the Existing Share Capital respectively), together with their respective associates, are required to abstain from voting on the resolution approving the Proposed Specific Mandate at the EGM. Moreover, the Directors (including the Concert Party Group) and their respective associates, which hold 483,352,672 Shares in aggregate as at the Latest Practicable Date (representing approximately 23.71% of the Existing Share Capital), have undertaken to the Stock Exchange that they would abstain from voting on the resolution approving the Proposed Specific Mandate.

As the independent financial adviser, our role is to give an independent opinion to the Relevant Shareholders as to whether the terms of the Proposed Specific Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and to advise the Relevant Shareholders as to whether to vote in favour of the grant of the Proposed Specific Mandate.

Quam Capital is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the Proposed Specific Mandate.

In formulating our recommendation, we have relied on the information and facts supplied by the Company and its advisers, and the opinions expressed by and the representations of the Directors and the management of the Group. We have assumed that all the information and representations contained or referred to in the Circular were true and accurate in all respects at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time that they were made and continue to be true until the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Group and the Directors, and the Directors have confirmed to us that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or CCEC or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

1. **Background to and reasons for the Proposed Specific Mandate**

According to its website, the Company is an investment holding company focusing on investment in mining assets, principally in the PRC. Based on the annual report of the Company for the financial year ended 31 March 2007 (the "**Annual Report**"), the mining business represented the most significant business activity of the Group, which constituted over 58% of the assets of the Group and was the main profitable business within the Group. It is stated in the Letter from the Board that the Company envisages being Hong Kong's next major mining house and acquisitive transactions such as the proposed acquisition of CCEC is an essential part of its overall strategy for meeting this objective.

As stated in the Letter from the Board, CCEC is principally engaged in seeking investment opportunities in businesses that are engaged in the full life-cycle of exploration, extraction and sale of thermal coal and coking coal and in addition the operation of coke and chemical works in the PRC. It is also stated that CCEC's investment strategy focuses on high-quality, low capital coal operations in each of the three regions designated as regional coal development centres outlined under The Eleventh Five-Year Plan for National Economic and Social Development of the PRC.

The 2006 General Mandate to allot, issue and deal with up to 293,339,464 Shares by way of ordinary resolution was passed at the annual general meeting of the Company held on 31 August 2006. In September 2007, the Company has effected and completed the September Placing with 293,339,464 new Shares issued under the 2006 General Mandate to not less than six independent placees. As such, the 2006 General Mandate has been fully utilised. As stated in the Letter from the Board, the net proceeds from the September Placing of approximately HK$333.23 million (equivalent to approximately US$42.72 million) have been raised with a view to helping CCEC meet its capital commitments for the Projects (which relate to coal and coal related projects in Yunnan, Inner Mongolia and Xinjiang, the PRC) after Completion.

The 2007 General Mandate to allot, issue and deal with up to 389,338,991 Shares by way of ordinary resolution was passed at the annual general meeting of the Company held on 28 September 2007. The Directors have confirmed to us that the 2007 General Mandate remains unutilised as at the Latest Practicable Date. We are also advised that the Company currently does not intend to utilise the 2007 General Mandate to finance the Transaction and the Projects, given that the purpose of the 2007 General Mandate is to maintain the Company's flexibility for any possible fund raising activities to finance the Group's general working capital whenever necessary.

The Directors have confirmed to us that after taking into account (i) the Group's existing internal cash resources; (ii) the estimated acquisition costs and the development and funding requirements of the Projects; and (iii) the purpose of the 2007 General Mandate as discussed above, it is the current intention of the Company to raise funds by way of placing of new Shares to satisfy CCEC's funding requirement for the acquisition of the interests in and the development of the Projects as well as future projects (the "**Possible Placing(s)**"), and the sole purpose of the Proposed Specific Mandate is to facilitate the implementation of the Possible Placing(s) by the Company. The Directors consider it appropriate to seek the Proposed Specific Mandate at the EGM to take advantage of favourable market conditions and opportunities to raise further funds to finance the acquisition and development of the Projects.

The Directors have also confirmed that the net proceeds from the exercise of the Proposed Specific Mandate (in part or in full) are intended to be used to finance the cash consideration and the related capital expenditure and working capital for the acquisition of ACMC (including the Ji Ri Ga Lang Project), the Possible Project 3 Further Acquisition and the acquisition of Yuke Coal (including the Zhun Dong Project), which is estimated to be approximately US$290.1 million (equivalent to approximately RMB2.18 billion) in aggregate. For further details of the aforesaid cash consideration (including the breakdown thereof), please refer to the section headed "Financing of the Projects and the Proposed Specific Mandate" set out in the Letter from the Board.

2. **Liquidity of the Group**

As reported in the Annual Report, the Group had audited cash and bank balances of approximately US$3.94 million as at 31 March 2007 (without taking into account the net proceeds of the September Placing of approximately HK$333.23 million (equivalent to approximately US$42.72 million)). In accordance with the Annual Report, the gearing ratio (expressed as total liabilities to total assets) and the current ratio of the Group were approximately 52.04% and 17.58 times respectively as at 31 March 2007. We have reviewed the latest management accounts of the Group as at 30 September 2007 and noted that there was no material change to the liquidity of the Group since 31 March 2007.

Having taken into account the high gearing ratio, the Group's financing needs for the Projects and the benefits of equity financing as compared to debt or bank financing as discussed in section (3) below, we consider that it is reasonable for the Company to maintain a strong capital base and obtain funding through equity financing activities, in particular placing.

3. **Financial flexibility and efficiency**

Given that equity financing is interest and security free by nature, the Directors consider that equity financing serves as a cost effective means of capital raising for the Company to fund the acquisition costs and development capital for the Projects. Given this and the purpose of the 2007 General Mandate as discussed in section (1) above, the Directors are of the view that it is in the interests of the Company to have the Proposed Specific Mandate in place in order to maintain the flexibility of raising equity capital so as to secure sufficient funding for the Projects.

As advised by the Directors, apart from equity financing, the Company has also considered other financing methods (such as internal cash resources, debt financing and bank borrowings) to finance the acquisition costs and the development capital of the Projects. However, given that there is no certainty that the then internal cash resources of the Group will be adequate or other financing alternatives will be available for the Projects in the future, the Directors consider that equity financing is a prudent means to finance the Group's future business development. Furthermore, the Directors advised that the Company has considered several forms of equity fund raising options, including placing, open offer and right issues. After due and careful consideration of the various alternatives, the Directors consider placing to be the most appropriate method of raising finance and in the best interest of the Company given that, as opposed to the other alternatives, placing is considered to be the most efficient way to achieve the aforesaid goal. Notwithstanding the above, the Directors have confirmed that they would exercise due and careful consideration, including but not limited to the cost and timing of funds, when choosing the best method of financing for the Group.

4. **Principal terms of the Proposed Specific Mandate**

It should be noted that allotment and issue of any new Shares pursuant to the Proposed Specific Mandate is conditional upon the following principal terms and conditions:

(a) *The price for the Possible Placing(s) to be issued under the Proposed Specific Mandate (the "**Placing Price**")*

As stated in the Letter from the Board, the price at which any or all of the new Shares may be issued and allotted under the Proposed Specific Mandate will be determined by agreement between the Company and the placing agent(s) to be appointed by the Company with reference to (1) the prevailing market price of the Shares at the time of entering into an agreement in respect of the Possible Placing(s); and (2) all other relevant market considerations. The proposed indicative price range will not be less than 80% of the benchmarked price of the Shares (i.e. the discount represented by the Placing Price to the benchmarked price of the Shares shall not be more than a discount of 20%), such benchmarked price being the higher of:

(i) the closing price on the date of the agreement in relation to the Possible Placing(s) involving the exercise of the Proposed Specific Mandate; and

(ii) the average closing price in the five trading days immediately prior to the earlier of:

(1) the date of announcement of the Possible Placing(s) or the proposed transaction or arrangement involving the exercise of the Proposed Specific Mandate;

(2) the date of the placing agreement or other agreement involving the exercise of the Proposed Specific Mandate; and

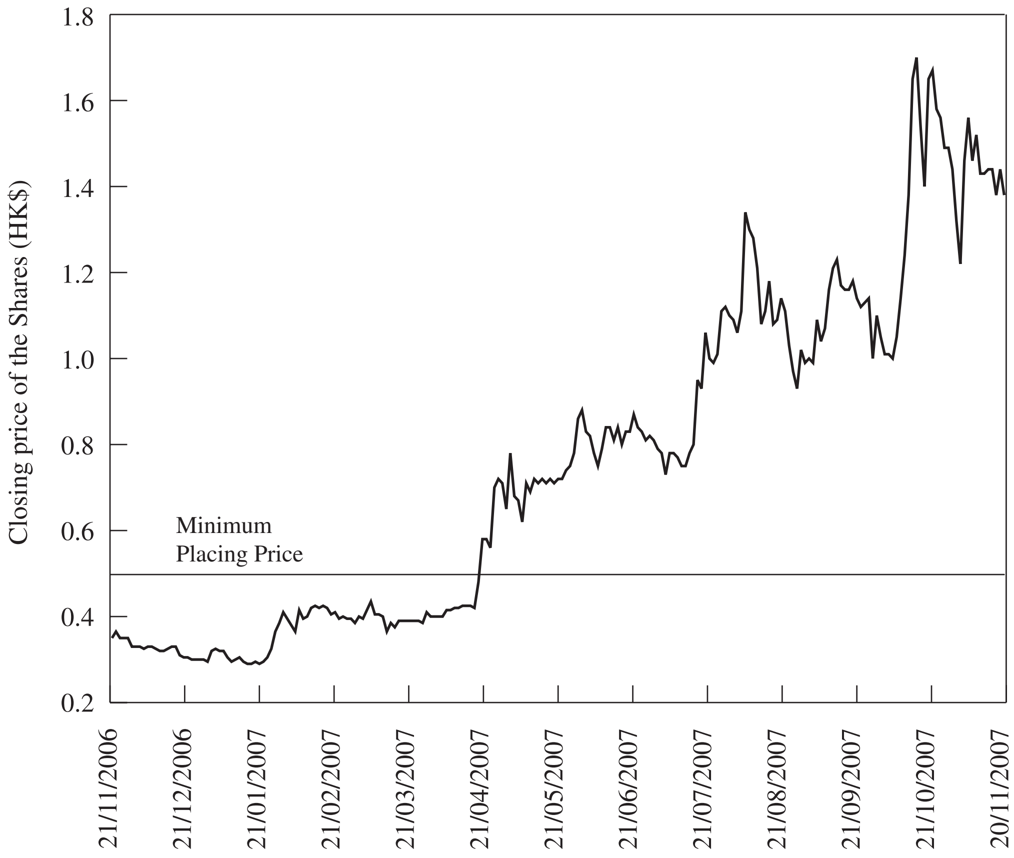
(3) the date on which the Placing Price or the subscription price is fixed.

Notwithstanding the above, the Directors confirmed that in any circumstances, the Placing Price shall be no less than HK$0.52 per Share (the "**Minimum Placing Price**"), which was determined by the Company with reference to the historical price performance of the Shares for the 12 months prior to the Latest Practicable Date (the "**Review Period**").

The Directors also confirmed that the Placing Price will be determined based on an arm's length basis between the Company and the relevant placing agent(s) and the aforementioned pricing mechanism with primary reference to the then prevailing market price of the Shares.

In order to assess the fairness and reasonableness of the Minimum Placing Price, we have reviewed the price performance of the Shares for the Review Period. The following chart illustrates the daily closing prices of the Shares as quoted on the Stock Exchange for the Review Period:

Chart 1



Source: Website of the Stock Exchange (http://www.hkex.com.hk)

As illustrated in Chart 1 above, during the Review Period, the daily closing prices of the Shares were generally above the Minimum Placing Price, which represents:

- a discount of approximately 63.28% to the average closing price of approximately HK$1.42 per Share for the 5 consecutive trading days up to and including the Latest Practicable Date;
- a discount of approximately 64.09% to the average closing price of approximately HK$1.45 per Share for the 10 consecutive trading days up to and including the Latest Practicable Date;
- a discount of approximately 63.28% to the average closing price of approximately HK$1.42 per Share for the 30 consecutive trading days up to and including the Latest Practicable Date;
- a discount of approximately 59.42% to the average closing price of approximately HK$1.28 per Share for the 3 months up to and including the Latest Practicable Date;
- a premium of approximately 17.37% over the average closing price of approximately HK$0.44 per Share for the first half of the Review Period;
- a discount of approximately 53.19% to the average closing price of approximately HK$1.11 per Share for the second half of the Review Period; and
- a discount of approximately 31.09% to the average closing price of approximately HK$0.75 per Share for the 12 months up to and including the Latest Practicable Date

We noted from Chart 1 above that the closing prices of the Shares during the Review Period ranges between HK$0.29 and HK$1.70, and the Minimum Placing Price falls within such range. Furthermore, the Minimum Placing Price represents a premium of approximately 69.41% over and a discount of approximately 79.31% to the lowest closing price of HK$0.29 and the highest closing price of HK$1.70 respectively during the Review Period.

In light of the foregoing, we are of the view that the aforesaid basis for pricing determination is fair and reasonable so far as the Relevant Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

(b) *Eligibility of investors*

It is stated in the Letter from the Board that any new Shares to be allotted and issued pursuant to the Proposed Specific Mandate have to be offered to investors who are independent of and not connected with any Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate (as defined in the Listing Rules) of any of them, save and unless as permitted under the Listing Rules or necessary independent Shareholders' approval has been obtained for the issue and allotment of any new Shares to connected persons.

It should be noted that as at the Latest Practicable Date, no placing agreement has been signed and therefore no placing agent(s) has/have been formally appointed by the Company. As confirmed by the Directors, notwithstanding the fact that the Company has not yet executed any placing agreement as at the Latest Practicable Date, should any relevant investor be a connected person of the Company under the Listing Rules, any allotment and issue of new Shares by the Company to such investor must comply with the relevant requirements stipulated under the Listing Rules on each occasion when they arise.

(c) *Effective period of the Proposed Specific Mandate*

As stated in the Letter from the Board, the Proposed Specific Mandate, if granted, will lapse on the date whichever is the earlier of (i) the first Business Day falling two months from the date on which the EGM was held (or any adjournment thereof); and (ii) the revocation or variation of the Proposed Specific Mandate resolution of the Shareholders at a general meeting, irrespective of whether any new Shares covered by the Proposed Specific Mandate have been allotted and issued in full or not.

We have discussed with the management of the Company in respect of the effective period of the Proposed Specific Mandate, and concur with the view of the Directors that it will be reasonable to set the effective period of the Proposed Specific Mandate based on the aforesaid basis, after taking into consideration the following:

- the purpose of the Proposed Specific Mandate as discussed in section (1) above;
- the recent overall stock market conditions in Hong Kong;
- that as advised by the Directors, the consideration for the First-Stage ACMC Acquisition is expected to be due before early February 2008; and
- that subject to market conditions and the commercial negotiation on the terms of engagement with its proposed placing agent(s), the Company currently anticipates to enter into a placing agreement in or around mid-December, shortly after the EGM.

(d) *Maximum number of new Shares to be issued under the Proposed Specific Mandate*

We noted that upon Relevant Shareholders' approval of the Proposed Specific Mandate at the EGM, the Directors will be authorised to allot and issue up to a maximum of 4,000,000,000 new Shares (the "**Share Cap**"), representing approximately 196.24% of the Existing Share Capital or approximately 52.88% of the Enlarged Share Capital.

We are advised by the Directors that the Share Cap was determined with reference to (i) the estimated capital requirement for the acquisition costs and the development capital of the Projects of approximately US$290.1 million (equivalent to approximately RMB2.18 billion) in aggregate; (ii) the Minimum Placing Price; (iii) the estimated expenses of approximately US$16 million to be incurred by the Company as a result of the exercise of the Proposed Specific Mandate in full and the preparation of the Transaction documents (including the fees and commissions payable to the placing agent(s) upon execution of any related placing agreement and the fees payable to the Company's advisers in connection with the preparation of the Transaction documents); and (iv) the net proceeds of the September Placing of approximately HK$333.23 million (equivalent to approximately US$42.72 million).

Based on the Minimum Placing Price, upon exercise of the Proposed Specific Mandate in full, the net proceeds to be raised by the Company are expected to be approximately US$250 million. Together with the net proceeds of the September Placing, the Share Cap would enable the Company to secure sufficient funding to finance the Projects. As such, we concur with the view of the Directors that the Share Cap is fair and reasonable so far as the Relevant Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole in this regard.

(e) *Conclusion*

In light of the above, we are of the view that the terms of the Proposed Specific Mandate are fair and reasonable so far as the Relevant Shareholders are concerned and in the interests of both the Company and the Shareholders as a whole.

5. **Fund raising activities of the Company**

The following table summarises the Company's capital raising activities effected and/or completed during the past 12 months immediately preceding the date of the Circular:

Table 1

Date of completion	**Event**	**Net proceeds raised**	**Intended use of net proceeds as announced**	**Actual use of net proceeds as advised by the Directors (up to the Latest Practicable Date)**
28 September 2007	September Placing with issue of 293,339,464 new Shares under the 2006 General Mandate *(Note)*	Approximately HK$333.23 million (equivalent to approximately US$42.72 million)	To help CCEC meet its capital commitments for the Projects	Approximately HK$16.38 million (equivalent to approximately US$2.1 million) has been used to finance the ongoing costs and expenses incurred in connection with the Transaction

Date of completion	Event	Net proceeds raised	Intended use of net proceeds as announced	Actual use of net proceeds as advised by the Directors (up to the Latest Practicable Date)
30 November 2006	Issue of US$6.25 million 8.5% redeemable convertible preference shares due November 2011 *(Note)*	Approximately HK$48.63 million (equivalent to approximately US$6.25 million)	(i) Approximately US$2 million (equivalent to approximately HK$15.60 million) for the joint venture project conducted by Simao Regent Minerals Limited (a 90.5% subsidiary of the Company)	(i) Approximately US$2 million (equivalent to approximately HK$15.60 million) has been used as intended
			(ii) Approximately US$2.04 million (equivalent to approximately HK$15.91 million) to cover the interest coupon relating to the outstanding Convertible Bonds	(ii) Approximately US$1.76 million (equivalent to approximately HK$13.73 million) has been used as intended
			(iii) Approximately US$0.53 million (equivalent to approximately HK$4.15 million) to cover the dividend payment relating to the Redeemable Convertible Preference Shares	(iii) Approximately US$0.26 million (equivalent to approximately HK$2.03 million) has been used as intended

Date of completion	Event	Net proceeds raised	Intended use of net proceeds as announced	Actual use of net proceeds as advised by the Directors (up to the Latest Practicable Date)
			(iv) the balance of US$1.68 million (equivalent to approximately HK$13.09 million) will be used for general working capital of the Group	(iv) the balance of US$1.68 million (equivalent to approximately HK$13.09 million) has been used for general working capital of the Group

Note: For further details, please refer to the announcements of the Company dated 18 September 2007 and 7 September 2006 respectively.

Save as disclosed in Table 1, the Directors confirmed that the Company had not effected and/or completed any other capital raising exercise or other activities involving issue of new Shares during the past 12 months immediately preceding the date of the Circular.

6. **Potential dilution effect to the Shareholders**

Table 2 below sets out the shareholding structure of the Company as at the Latest Practicable Date, and for illustrative purpose, the effects to the shareholding of the Company following Completion and exercise of the Proposed Specific Mandate in full before and after full conversion of the Convertible Bonds and the Redeemable Convertible Preference Shares and full exercise of all outstanding Options (assuming that there will be no change in the Company's shareholding structure after the Latest Practicable Date):

Table 2

Name of the Shareholders	As at the Latest Practicable Date		Following Completion and exercise of the Proposed Specific Mandate in full			
	Existing Share Capital (without taking into account the Convertible Bonds, the Redeemable Convertible Preference Shares and the Options)		Enlarged Share Capital (without taking into account the Convertible Bonds, the Redeemable Convertible Preference Shares and the Options) *(Note 1)*		Enlarged share capital (after full conversion of the Convertible Bonds and the Redeemable Convertible Preference Shares and full exercise of all outstanding Options) *(Note 2)*	
	Shares	%	Shares	%	Shares	%
Concert Party Group *(Note 3)*	473,489,090	23.2	473,489,090	6.3	573,902,883	7.0
Other Directors *(Note 3)*	9,863,582	0.5	9,863,582	0.1	138,187,720	1.7
Holders of the Convertible Bonds and the Redeemable Convertible Preference Shares	149,049,795	7.3	149,049,795	2.0	486,255,840	5.9
Placees of new Shares to be issued upon full exercise of the Proposed Specific Mandate *(Note 4)*	—	—	4,000,000,000	52.9	4,000,000,000	48.6
Stephen Dattels, Adrian Lungan and the Sellers *(Note 5)*	53,775,534	2.6	364,576,660	4.8	364,576,660	4.4
The Investors	—	—	1,214,495,585	16.0	1,214,495,585	14.7
Existing public Shareholders (other than holders of the Convertible Bonds and the Redeemable Convertible Preference Shares) *(Note 3)*	1,352,183,766	66.3	1,352,183,766	17.9	1,455,191,898	17.7
	2,038,361,767	100.0	7,563,658,478	100.0	8,232,610,586	100.0

Notes:

1. Assuming that (i) 235,801,126 Consideration Shares will be issued to the Sellers at Completion; (ii) 921,167,015 Consideration Shares will be issued to the Investors (assuming full acceptance of the Offer) at Completion; (iii) 75,000,000 Finder's Fee Shares will be issued to Stephen Dattels at Completion; (iv) 293,328,570 Additional Consideration Shares will be issued to the Investors (other than the Excluded Investors) at Completion; and (v) 4,000,000,000 Shares will be issued pursuant to the exercise of the Proposed Specific Mandate in full.

2. Options in respect of 13,000,000 Shares and 5,000,000 Shares granted to James Mellon and David Comba respectively are subject to shareholders' approval at a general meeting. Details of the such options granted to James Mellon (a substantial shareholder of the Company and a non-executive Director) and David Comba (an independent non-executive Director) on 2 October 2007, which are subject to shareholders' approval under Rule 17.04(1) of the Listing Rules, are set out in Appendix VII of the Circular. An extraordinary general meeting of the Company will be held immediately prior to the EGM for approving grant of such options.

3. Including certain holders of the relevant outstanding Options.

4. Assuming each of these placees is an independent third party.

5. Shares interested or potentially interested by CCEC's directors, who will become connected persons of the Company under the Listing Rules after Completion.

As illustrated in Table 2 above, following Completion and exercise of the Proposed Specific Mandate in full, 1,525,296,711 new Shares in relation to the Transactions and 4,000,000,000 new Shares pursuant to the Possible Placing(s) will be issued, representing approximately 74.83% and 196.24% of the Existing Share Capital respectively and approximately 20.17% and 52.88% of the Enlarged Share Capital respectively. Therefore, the shareholding interests of the existing public Shareholders (excluding the holders of the Convertible Bonds and the Redeemable Convertible Preference Shares) will be diluted from approximately 66.3% to 17.9%; while the shareholding interest will be further diluted to approximately 17.7% in the event that the Convertible Bonds and the Redeemable Convertible Preferences Shares are fully converted into Shares and all outstanding Options are exercised.

We consider that the potential dilution effect to the shareholdings of the existing public Shareholders (excluding the holders of the Convertible Bonds and the Redeemable Convertible Preference Shares) to be acceptable, after taking into account the following:

- the principal activities of CCEC which are in line with those of the Group and the nature of the Projects as discussed in section (1) above;

- that the proposed acquisition of CCEC is considered to be an essential part of the Group's overall business strategy;

- that the terms of the Proposed Specific Mandate are fair and reasonable so far as the Relevant Shareholders are concerned as discussed in section (4) above;

- the existing liquidity of the Group, the financial flexibility to be gained by the Company as a result of the grant of the Proposed Specific Mandate and the fund-raising efficiency of placing as compared to other means of equity financing vehicles as discussed in sections (2) and (3) above;

- that the shareholding of all existing Shareholders (save for (i) Mr. Stephen Dattels, following the issuance of the Finder's Fee Shares; and (ii) Mr. Adrian Lungan, following the issuance of the Consideration Shares under the Share Purchase Agreement to his company namely Sishen Co. Ltd (or its nominee), both of whom are directors of CCEC) will be diluted proportionally to their respective shareholdings upon Completion and exercise of the Proposed Specific Mandate in full; and

- the issuance of new Shares under the Proposed Specific Mandate to connected persons of the Company must comply with the Listing Rules.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the nature of the Projects which are consistent with the business activities of the Group as discussed in section (1) above;

- the commercial benefits that would arise from the Possible Placing(s) and the acquisition of CCEC together with the execution of the Projects being an important step in implementing the business objective and strategy of the Group as discussed in section (1) above;

- the existing liquidity of the Group and the potential enhancement in the Company's capital base and financial flexibility as a result of the grant of the Proposed Specific Mandate as discussed in sections (2) and (3) above;

- that the sole purpose of the Proposed Specific Mandate is to facilitate the Company's implementation of the Possible Placing(s) which, as opposed to the other equity financing alternatives, is considered to be most appropriate and in the best interest of the Company in terms of fund-raising efficiency;

- that the terms of the Proposed Specific Mandate are fair and reasonable so far as the Relevant Shareholders are concerned based on our discussion as set out in section (4) above; and

- that the potential dilution effect of the shareholding of the existing public Shareholders (excluding the holders of the Convertible Bonds and the Redeemable Convertible Preference Shares) is considered to be acceptable,

we consider that the terms of the Proposed Specific Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Relevant Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Specific Mandate.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Richard D. Winter
Managing Director

In considering whether or not to vote in favour of the resolutions at the EGM, Shareholders should consider all of the information contained in this circular, including the following risk factors. Any of the risks described below could cause the financial performance of the Company and its existing and proposed subsidiaries to differ significantly from the goals, plans, objectives, intentions and expectations expressed in this circular. If any of the following risk factors and uncertainties actually occurs, the business, financial condition or operating results of the Company and its existing and proposed subsidiaries could be materially and adversely affected.

RISKS RELATING TO CHINA'S COAL INDUSTRY AND THE EXISTING OR PROPOSED BUSINESSES OF CCEC AND THE PROJECTS

Cyclical nature of coal markets and fluctuations in coal prices

The business and results of operations of CCEC and the 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 CCEC's and the 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 CCEC's and the Projects' business, results of operations and financial condition.

Limited operating history

CCEC was established on 27 July 2006 and the Projects have limited operating history, which may impact your ability to evaluate their business and prospects. The relevant Projects will be subject to all the risks inherent in the establishment of a new greenfield mining and infrastructure project. While the senior management of CCEC have considerable project experience, CCEC and the Projects may also experience difficulties in managing any future growth and any increase in their scale of operations.

Policies and regulations of the PRC Government

Coal producers in China are subject to extensive national, provincial and local governmental regulations, policies and controls. The liabilities, costs, obligations and requirements associated with these laws and regulations may be significant and may delay the commencement of, or cause interruptions to, CCEC's or the Projects' operations. Failure to comply with the relevant laws and regulations in CCEC's or the Projects' mining operations may even result in the suspension of their operations and thus adversely and materially affect their business and results of operations. Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require CCEC or any of the Projects to incur significant capital expenditures or other obligations or liabilities. Specific governmental policies and regulations that may have a significant effect on CCEC's or the relevant Projects' operations include:

Mining safety regulations. The SACMS is responsible for implementing and supervising the implementation of the relevant safety laws and regulations applicable to coal mines and coal mining operations, as well as conducting regular safety supervision and inspections of coal producers pursuant to the applicable production safety and mining safety laws and regulations. Coal producers that fail to comply with the relevant safety laws and regulations are subject to fines, penalties or even suspension of operations. We cannot predict the timing or the outcome of such safety inspections. Failure to comply with the relevant safety laws and regulations or failure to pass the SACMS safety inspections could have a material adverse effect on CCEC's or the relevant Projects' corporate image, the reputation and credibility of their management, financial condition and results of operations.

Environmental protection policies. Coal producers in the PRC are subject to extensive and increasingly stringent environmental protection laws and regulations that impose fees for the discharge of waste substances, require the establishment of reserves for reclamation and rehabilitation, and impose fines for serious environmental offences. The PRC Government, adopting a rigorous approach when enforcing the applicable laws and regulations and implementing increasingly stringent environmental standards, 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 CCEC's or the relevant Projects' business, operations, financial condition and results of operations. CCEC has identified a few PRC regulatory issues relating to Project 1 during its due diligence exercise — see section headed "Certain Risks Factors Relating to the Projects — Certain PRC Regulatory Issues Relating to Project 1" of the Letter from the Board.

Coal exploration and mining rights. The exploration and exploitation of coal reserves in China are subject to the approval of, and registration with, the relevant PRC Government authorities. In seeking to obtain an exploration licence, a coal producer may either apply directly to the MLR or participate in a public bidding process. Once the initial exploration reveals a deposit worthy of development, the exploration licence holder must apply to the MLR in order to obtain a mining right permit. There is no assurance that CCEC or any of the Projects will be successful in procuring the necessary exploration rights that any initial exploration work will reveal a deposit worthy of development, or that CCEC will be successful in procuring the necessary mining right permit. Failure to procure exploration or exploitation and mining rights could have a material adverse effect on

CCEC's or the relevant Projects' business and results of operations. CCEC has identified a few PRC regulatory issues relating to Project 1 during its due diligence exercise — see section headed "Certain Risk Factors Relating to the Projects — Certain PRC Regulatory Issues Relating to Project 1" of the Letter from the Board.

Maximum foreign equity holding permitted in coal exploration and mining. The Ministry of Commerce and the State Development and Reform Commission of the PRC has 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 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 Project and the Zhun Dong Project. As a consequence, the PRC authorities may require the foreign majority equity interests in ACMC and the foreign invested company incorporated in Xinjiang be reduced to a minority interest.

Change in regulations to exploitation of resources by the State Investment Catalogue. The Catalogue has also imposed an express ban on foreign investment in the exploration and mining of certain rare or non-renewable mineral resources. Specifically, the exploration and exploitation of tungsten, tin, antimony, molybdenum and fluorite have now been categorized as "prohibited". Shareholders shall note that the exploration of thermal coal and related resources and the exploration of copper, lead and zinc and aluminum 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 Enlarged Group to conduct its exploration and mining operations in China.

Uncertainties related to exploration

Exploration of mineral resources is speculative in nature, so substantial expenses may be incurred from initial drilling to production. There can be no assurance that exploration can lead to the discovery of economically feasible reserves. If reserves are depleted, 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.

Uncertainties related to acquiring and developing coal resources

The success of CCEC and the relevant Projects depend on their ability to conduct successful exploration and development activities at their existing and proposed exploration and mine sites and the acquisition of valuable recoverable coal resources.

The resources at the Zhun Dong Coal Project and the Ji Ri Ga Lang Project as stated in the SRK Reports as of 18 October 2007 (see Appendix VI to this circular) are estimates and no assurance can be given that the inferred amounts of coal will be recovered. By nature, reserves and resources depend to some extent on interpretations and deductions that may prove to be inaccurate. It is noted by SRK that further exploration and drilling is required in order to provide a more accurate evaluation and estimation of resources. As further information becomes available, the estimates are likely to change. This may result in alterations to the operation and development plan, which may, in turn, materially and adversely affect the operation and performance of any of the Projects, CCEC and/or the Company. For more information on our resources, including the qualifications to the SRK Reports, see “Appendix VI — Technical Information”.

CCEC is principally engaged in seeking investment opportunities in businesses that are engaged in the full life-cycle of exploration, extraction and sale of thermal coal and coking coal and in addition the operation of coke and chemical works in the PRC. However, save as disclosed in this circular, the Company understands that CCEC does not have specific timetables for any investments and there is no assurance that its planned development and exploration projects and acquisition initiatives will result in significant additional resources and reserves or that it will have continuing success developing additional mines. In order to develop CCEC’s and the Projects’ resources and reserves, various governmental permits must be obtained. CCEC has identified a few PRC regulatory issues relating to Project 1 during its due diligence exercise — see section headed “Certain Risk Factors Relating to the Projects — Certain PRC Regulatory Issues Relating to Project 1” of the Letter from the Board. CCEC cannot predict whether its invested projects will be able to and continue to (as the case may be) receive the permits or be granted the rights necessary for it to operate profitably in the future.

Significant and continuous capital investment

CCEC has entered into the ACIL Project SPA (completed on 5 October 2007) and the Ji Ri Ga Lang Project SPA with the existing owners of the ACIL Project and the Ji Ri Ga Lang Project (which amended and restated a prior agreement) respectively, pursuant to which CCEC has the right to acquire some or all of the equity interests or assets in the ACIL Project and the Ji Ri Ga Lang Project. In addition, CCEC has entered into the Yuke Option Agreements with the existing owner of Yuke Coal and Yuke Exploration which provide CCEC with options to acquire the Yuke Project. Funding will be required to complete each of the Project SPAs. CCEC may also require further funding for debt servicing, working capital, investments, potential acquisitions, joint ventures and other corporate requirements. External funding is subject to various factors that are beyond CCEC’s control, including market conditions, credit availability and interest rates. If CCEC is unable to secure sufficient external funds to finance its capital investment projects, its business, financial condition and results of operations could be materially and adversely affected. Additionally, actual capital expenditures for CCEC’s capital investment projects may significantly exceed its budgets because of various factors beyond its control. If the actual capital expenditures for acquisition of the Projects significantly exceed CCEC's budgets, or even if the budgets were sufficient to cover the Projects, CCEC may not be able to achieve the intended economic benefits of the Projects, which in turn may materially and adversely affect CCEC's financial condition, results of operations and prospects.

Coal resources data in this circular are estimates and may be inaccurate

CCEC and the relevant Projects will base their production, revenue and expenditure plans on their coal resources data. The coal resources data will be estimated by CCEC and each Project based on the result of geographical exploration. Any coal resources data will be only estimates and may differ materially from the actual mining results, if any. There are many factors, assumptions and variables beyond CCEC's and the Projects' control that result in inherent uncertainties in estimating resources. CCEC's and each Projects' actual volume of resources and rates of production may be different from any published estimates.

Fluctuations in the price of coal, production costs and transportation costs of coal or a variation in recovery rates may render it necessary to revise any estimates of coal resources. If any such revision results in a substantial reduction in resources at one or more of our projects, it could materially and adversely affect CCEC's and each Projects' results of operations, financial condition and growth prospects. For more information on our resources, including the qualifications to the SRK Reports, see "Appendix VI — Technical Information".

Accidents and safety

Mining activities are inherently dangerous if the underground mines or mine sites have high concentrations of methane gas, as such activities may result in explosions caused by sparks. Currently one Project that CCEC may acquire may be an underground mine which may have high concentrations of methane gas. Higher concentrations of methane gas increase the likelihood of accidents.

There is no assurance that the safety measures that are implemented in any such mine owned and operated by CCEC or any of the Projects and the ventilation and methane gas sensor systems they utilize will be sufficient to prevent all possible accidents such as gas explosions. Any accident may have a material adverse effect on the financial condition, results of operations and corporate image of CCEC and the Projects.

In addition, mining accidents or safety hazards occurring at neighboring mines operated by other mining companies could have a severe impact on CCEC's and the Projects' coal mining operations and even create safety hazards in CCEC's and the Projects' coal mines. The occurrence of any accident at any neighboring mines could interfere with and materially and adversely affect CCEC's and the Projects' business as well as the safety of their coal mining operations.

Insufficient insurance coverage

CCEC's and the Projects' operations involve significant risks and occupational hazards that are inherent in such activities and may not be completely eliminated through the implementation of preventive measures. These risks and hazards could result in personal injury, damage to or destruction of properties or production facilities, environmental damage, business interruption, possible legal liability, damage to our business reputation and corporate image and, in severe cases, fatalities. There is no guarantee that safety-related accidents will not occur due to adverse operating conditions. Adverse operating conditions that CCEC or any of the Projects may experience include:

- unexpected safety-related mining accidents, including fires;
- mining and processing equipment failures and unexpected maintenance problems;
- unfavorable weather conditions; and
- unorganized mining activities by local small mining companies conducted in the surrounding areas of our operational mines or mines under development.

Any of the foregoing could have an adverse effect on CCEC or the Projects' operations and revenue, or increase our production costs, thereby reducing profit derived from their operations.

The occurrence of any of these events, and the consequences resulting from them, may not be covered adequately, or at all, by CCEC's or the Projects' insurance policies. Losses incurred or payments CCEC or the Projects may be required to make may have a material adverse effect on their financial condition and results of operations to the extent that such losses or payments are not insured or the insured amount is not adequate.

Competition

The coal industry is competitive. Competition in the coal industry is based on factors such as price, production capacity, coal type and quality, transportation capability and costs, blending capability and brand name recognition. CCEC and the Projects will face competition in the domestic market from other large domestic coal mining companies and coal traders. Such domestic competitors may have greater access to financial resources, higher levels of integration, better operating efficiency, more advanced technologies, or longer operating histories. Some of the domestic coal mining companies compete for the rights to obtain and exploit coal reserves. These companies may have greater coal production capacities, lower transportation costs, and greater financial, marketing, distribution and other resources than CCEC and the Projects. If CCEC or any of the Projects are unable to improve their product quality, price competitiveness, and operating efficiency and control their costs in connection with their expansion, raw materials and energy usage, their growth opportunities may be limited and their revenue and profitability may be adversely affected.

Joint venture partners

Certain of the Projects in which the Company and CCEC 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 CCEC's or the relevant Projects' financial condition and results of operations.

Dependent on the domestic supply of and demand for coke

Coking operations are substantially dependent on the domestic supply of, and demand for, coke. The coking industry depends heavily on demand from steelmakers. A decrease in steel prices and steel production in the domestic market could cause a reduction in demand for coking coal and thus adversely affect CCEC's and the Projects' financial position and results of operations. In early 2004, the PRC Government implemented macro-economic control measures with an aim to tightening control over investment and over-production in, among other industries, the steel industry. These measures have resulted in a decrease in domestic demand for coking coal and coal-related products, such as coke.

There is no assurance that the domestic demand for coke will continue to grow, or that the domestic market for coke will not experience excess supply, both of which would have a negative impact on our coke operations. Moreover, continuing or further macro-economic measures implemented by the PRC Government may have a material adverse effect on the business, results of operations and financial condition of CCEC and the Projects.

Land use rights and building ownership rights

As disclosed in the Letter from the Board, Project 1, Project 3 and ACMC have not obtained land use rights and building ownership to some of their sites and facilities — see section headed "Certain Risks Factors Relating to the Projects — Land Use Rights and Building Ownerships Rights" of the Letter from the Board.

Tax treatment

Under the current laws of the PRC, each of ACMC, Project 1, Project 2 and Project 3 is subject to PRC income tax. Any change in, or termination of, preferential tax treatment may result in an increase in CCEC's or the relevant Projects' tax liability, which would have a negative impact on such entity's net profits. Moreover, no invoice in respect of imported equipment was issued to Project 3 and the PRC tax authorities may challenge the validity of deducting the depreciation expenses in respect of such equipment from Project 3's taxable income — see section headed "Certain Risks Factors Relating to the Projects — Land Use Rights and Building Ownerships Rights" of the Letter from the Board.

RISKS RELATING TO THE PEOPLE'S REPUBLIC OF CHINA

A substantial part of CCEC's direct and indirect investments are in the PRC (including the Projects). A substantial part of the Projects' assets are located in China and a significant amount of their revenue is expected to be sourced from China. Accordingly, upon acquiring CCEC and, indirectly, the Projects, our results of operations, financial condition and prospects are to a significant degree subject to economic, political and legal developments in China.

Adverse changes in China's economic, political and social conditions as well as governmental policies

The Chinese economy differs from the economies of most developed countries in many respects, including: (i) structure; (ii) level of government involvement; (iii) level of development; (iv) growth rate; (v) control of foreign exchange; and (vi) allocation of resources. The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. For the past two decades, the PRC Government has implemented economic reform measures emphasizing the utilization of market forces in the development of the Chinese economy. We cannot predict whether changes in China's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on our current or future business, financial condition and results of operations.

PRC legal system

As substantial part of CCEC's investments are in the PRC, the legal framework within which most (if not all) of the Projects operate are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial laws. However, due to the fact that these laws and regulations have not been fully developed, and due to the limited volume of published cases and their non-binding nature, the interpretation of PRC laws and regulations still involves a degree of uncertainty.

Concerns over China's high growth and measures taken by the PRC Government

In response to concerns regarding China's high rate of growth in industrial production, bank credit, fixed investment and money supply, the PRC Government has taken measures to slow down economic growth to a more manageable level. Among the measures that the PRC Government has taken are restrictions on bank loans in certain sectors. These measures and any additional such measures, including a possible increase in interest rates, could contribute to a slowdown in the Chinese economy.

A. SUMMARY OF FINANCIAL RESULTS OF THE GROUP

There is no qualified opinion for the Group for each of the three years ended 31 March 2007.

The following financial information has been extracted from the audited financial statements of the Group published in the Company's 2007, 2006 and 2005 annual reports, respectively.

	For the year ended 31 March		
	2007	**2006**	**2005**
	US$'000	*US$'000*	*US$'000*
Total income	3,684	3,722	3,602
Income less expenses	(2,981)	(5,312)	158
Finance costs — interests on convertible bonds and redeemable convertible preference shares	(2,613)	(8)	—
Operating (loss)/profit	(5,594)	(5,320)	158
Share of profits/(losses) of associates	1,828	13,001	(42,043)
Share of profit of a jointly controlled entity	4,378	—	—
Profit/(Loss) before taxation	612	7,681	(41,885)
Taxation	—	—	(7)
Profit/(Loss) after taxation	612	7,681	(41,892)
Minority interests	(30)	(5)	(438)
Profit/(Loss) attributable to equity holders of the Company	582	7,676	(42,330)
Dividend	—	33,872	—
Earnings per share (US cent):			
- Basic	0.04	0.62	(3.5)
- Diluted	0.04	0.62	N/A

	As at 31 March		
	2007	**2006**	**2005**
	US$'000	*US$'000*	*US$'000*
Interests in associates	2,768	1,587	43,023
Interest in a jointly controlled entity	25,180	—	—
Other non-current assets	2,769	2,530	6,975
Current assets	12,180	31,784	2,232
Total assets	42,897	35,901	52,230
Current liabilities	(693)	(3,943)	(395)
Non-current liabilities	(21,631)	(18,352)	—
Total liabilities	(22,324)	(22,295)	(395)
Net assets	20,573	13,606	51,835

B. AUDITED FINANCIAL INFORMATION (reproduced from the Company's annual report for the year ended 31 March 2007)

Set out below is the audited consolidated income statement of the Group for the two financial years ended 31 March 2007 and 31 March 2006, the audited consolidated balance sheet of the Group and the audited balance sheet of the Company as at 31 March 2007 and 31 March 2006, the audited consolidated statement of changes in equity of the Group and the audited consolidated cash flow statement of the Group for the two years ended 31 March 2007 and 31 March 2006, together with the accompanying notes to the financial statements extracted from the annual report of the Company for the year ended 31 March 2007.

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 US$'000	2006 (restated) US$'000
Revenue/Turnover:	5		
Asset management and corporate finance income		123	472
Corporate investment income		377	275
Other income		509	178
		1,009	925
Fair value gain		2,675	2,797
Total income		3,684	3,722
Expenses:			
Employee benefit expenses	7	(3,156)	(5,080)
Rental and office expenses		(224)	(195)
Information and technology expenses		(199)	(170)
Marketing costs and commissions		(100)	(117)
Professional fees		(2,175)	(2,159)
Investment advisory fee		(95)	(228)
Finance costs	8	(2,613)	(8)
Other operating expenses		(716)	(1,085)

	Notes	2007 *US$'000*	2006 *(restated)* *US$'000*
Operating loss	6	(5,594)	(5,320)
Share of profits of associates			
— continuing		1,828	60
— discontinued		—	12,941
Share of profit of a jointly controlled entity		4,378	—
Profit before taxation		612	7,681
Taxation	9	—	—
Profit for the year		612	7,681
Attributable to:			
Equity holders of the Company	10	582	7,676
Minority interests		30	5
		612	7,681
Dividend	11	—	33,872
Earnings per share (US cent):	12		
— Basic		0.04	0.62
— Diluted		0.04	0.62

Consolidated Balance Sheet
As at 31 March 2007

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

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

Company Balance Sheet
As at 31 March 2007

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

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Equity attributable to equity holders of the Company											
	Share capital	Accumulated losses (restated)	Share premium	Employee share-based payment reserve	Convertible bonds reserve	Preference shares reserve	Capital redemption reserve	Investment revaluation reserve (restated)	Foreign currency exchange reserve	Total	Minority interests	Total equity
2007	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 March 2006, as previously reported	13,726	(52,460)	50,233	216	56	—	1,204	—	178	13,153	453	13,606
Prior year adjustment (note 2.5)	—	(453)	—	—	—	—	—	453	—	—	—	—
At 1 April 2006, as restated	13,726	(52,913)	50,233	216	56	—	1,204	453	178	13,153	453	13,606
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	9	9	4	13
Share of reserve of a jointly controlled entity	—	—	—	—	—	—	—	—	871	871	—	871
Net income recognised directly in equity	—	—	—	—	—	—	—	—	880	880	4	884
Profit for the year	—	582	—	—	—	—	—	—	—	582	30	612
Total recognised income and expense for the year	—	582	—	—	—	—	—	—	880	1,462	34	1,496
Exercise of share options	23	—	92	(36)	—	—	—	—	—	79	—	79
Issue of new shares	215	—	914	—	—	—	—	—	—	1,129	—	1,129
Conversion of convertible bonds	928	—	1,953	—	(9)	—	—	—	—	2,872	—	2,872
Conversion of redeemable convertible preference shares	67	—	168	—	—	(6)	—	—	—	229	—	229
Equity portion of redeemable convertible preference shares	—	—	—	—	—	159	—	—	—	159	—	159
Employee share-based payment	—	—	—	651	—	—	—	—	—	651	—	651
Share of reserve of an associate	—	—	—	51	—	—	—	—	—	51	—	51
Disposal of a subsidiary	—	—	—	—	—	—	—	—	301	301	—	301
At 31 March 2007	14,959	(52,331)	53,360	882	47	153	1,204	453	1,359	20,086	487	20,573

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

Consolidated Cash Flow Statement
For the year ended 31 March 2007

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

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

Notes to the Financial Statements
For the year ended 31 March 2007

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. Its registered office is at P O Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**") and Frankfurt Stock Exchange.

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

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

2. ADOPTION OF NEW OR REVISED HKFRS

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

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

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

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

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

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

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

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

2.2 **Other Standards Adopted**

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

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

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 **Basis of preparation**

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

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities. The measurement bases are fully described in the accounting policies below.

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

3.2 **Basis of consolidation**

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

3.3 **Subsidiaries**

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

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

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

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

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

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

3.4 **Associates and joint ventures**

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

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

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

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

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

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

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

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

3.5 **Segment reporting**

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

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

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

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

3.6 **Foreign currency translation**

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

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

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

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

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

3.7 **Property, plant and equipment**

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

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

Motor vehicle	3 years
Furniture and fixtures	5 years
Computer equipment	3-5 years
Other equipment	4-5 years

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

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

3.8 **Goodwill**

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

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

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

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

3.9 Exploration and evaluation assets

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

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

3.10 Impairment of assets

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

Goodwill is tested for impairment at least annually. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the carrying amount may not be recoverable.

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

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

3.11 **Lease**

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

(i) *Classification of assets leased to the Group*

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

(ii) *Assets acquired under finance leases*

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

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

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

(iii) *Operating lease charges as the lessee*

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

3.12 **Financial assets**

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

Financial assets are classified into the following categories:

— financial assets at fair value through profit or loss

— loans and receivables

— available-for-sale financial assets

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

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

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

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

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

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

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

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

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

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

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

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

(ii) *Loan and receivables*

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

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

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

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

Impairment of financial assets

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

(i) *Financial assets carried at amortised cost*

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

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

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

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

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

(iii) *Financial assets carried at cost*

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

3.13 **Cash and cash equivalent**

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

3.14 **Share capital**

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

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

3.15 **Financial liabilities**

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

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

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

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

Finance lease liabilities

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

Borrowings

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

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

Convertible bonds

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

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

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

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

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

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

Redeemable convertible preference shares

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

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

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

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

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

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

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

Derivative financial instrument

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

Trade payables

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

3.16 **Financial guarantees issued**

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

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

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

3.17 **Taxation**

Income tax comprises current tax and deferred tax.

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

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

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

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

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

3.18 **Employee benefits**

(i) *Bonus plans*

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

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

(ii) *Defined contribution plan*

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

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

(iii) *Share-based payment*

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

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

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

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

3.19 **Non employee share-based payments**

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

3.20 **Provisions and contingent liabilities**

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

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

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

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

3.21 **Revenue recognition**

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

(i) investment management fees from asset management business;

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

(iii) dividend income and bank interest income.

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

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

5. SEGMENTED INFORMATION

Primary Reporting Format — Business Segments

The Group comprises four business segments as follows:

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

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

For the year ended 31 March 2007

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

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

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

For the year ended 31 March 2006 (restated)

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

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

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

Secondary Reporting Format — Geographical Segments

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

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

There are no sales between the geographical segments.

For the year ended 31 March 2007

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

For the year ended 31 March 2006 (restated)

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

1 North America includes the United States and Canada

2 Asia Pacific includes the PRC and Hong Kong

3 Western Europe includes the United Kingdom

6. OPERATING LOSS

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

* Included in revenue

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

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

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

a) **Directors' and senior management's emoluments**

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

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

The remuneration of every Director for the year ended 31 March 2006 is set out below:

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

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

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

b) **Five highest paid individuals**

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

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

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

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

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

8. FINANCE COSTS

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

9. TAXATION

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

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

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

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

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

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

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

11. DIVIDEND

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

12. EARNINGS PER SHARE

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

Earnings

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

Number of shares

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

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

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

13. GOODWILL

Group

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

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

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

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

Company

The Company has no goodwill.

14. EXPLORATION AND EVALUATION ASSETS

Group

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

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

Company

The Company has no exploration and evaluation assets.

15. PROPERTY, PLANT AND EQUIPMENT

Group

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

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

Company

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

16. INTERESTS IN SUBSIDIARIES

Company

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

Particulars of the principal subsidiaries as at 31 March 2007 are as follows:

Name of subsidiary	Country/Place of incorporation/ operation	Issued and fully paid share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Alphorn Management Limited*	Cayman Islands	Ordinary share of US$1	—	100%	Investment holding
AstroEast.com Limited*	Cayman Islands	Ordinary shares of US$280,222	—	51%	Investment holding
Interman Holdings Limited*	British Virgin Islands	Ordinary shares of US$41,500	100%	—	Investment holding
Interman Limited	Isle of Man	Ordinary shares of GBP436,152	—	100%	Investment holding
Regent Corporate Finance Limited*	Cayman Islands	Ordinary shares of US$2	100%	—	Corporate finance
Regent Financial Services Limited	Hong Kong	Ordinary shares of HK$5 million	—	100%	Investment holding
Regent Fund Management (Asia) Limited ("**RFM (Asia)**")*	Cayman Islands	Ordinary shares of US$100	100%	—	Asset management
Regent Fund Management Limited*	Cayman Islands	Ordinary shares of US$150,000	—	100%	Asset management
Regent Metals Holdings Limited*	British Virgin Islands	Ordinary shares of US$10,000	100%	—	Investment holding
Regent Metals (Jersey) Limited ("**RMJ**")*	Jersey	Ordinary shares of US$0.02	—	100%	Investment holding
Regent Metals Limited ("**RML**")*	Barbados	Ordinary share of US$1	—	100%	Investment holding
Regent Pacific Group (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$5 million	100%	—	Provision of management services
RPG (Bahamas) Limited*	Bahamas	Ordinary shares of US$134,220	100%	—	Investment holding
Simao Regent Minerals Limited ("**SRM**")*	PRC	Injected capital of US$210,000	90.5%	—	Mining and exploration of natural resources

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

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

17. INTEREST IN AN ASSOCIATE

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

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

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

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

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

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

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

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

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

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

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

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

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

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Available-for-sale financial assets include the following:

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

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

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

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

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

21. CASH AND BANK BALANCES

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

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

22. RECEIVABLES

a. Trade receivables

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

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

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

b. Prepayments, deposits and other receivables

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

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

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

23. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

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

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

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

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

24. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

25. BORROWINGS

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

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

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

26. CONVERTIBLE BONDS

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

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

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

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

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

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

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

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

27. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

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

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

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

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

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

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

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

28. OBLIGATION UNDER FINANCE LEASE

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

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

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

29. SHARE CAPITAL

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

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

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

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

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

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

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

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

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

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

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

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

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

1. **Convertible Bonds**

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

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

a. ***Maturity date***

31 March 2009

b. ***Redemption***

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

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

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

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

c. ***Conversion***

i. *Conversion price*

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

1. any alteration to the nominal value of the shares as a result of consolidation, subdivision or reclassification;

2. capitalisation of profits or reserves;

3. where the aggregate of interim and final dividends and distributions in respect of a financial year produces a yield greater than 0%, 10%, 13% and 15% for the financial years ended 31 March 2006, 2007, 2008 and 2009 respectively;

4. rights issue of shares or options over shares;

5. rights issue of other securities of the Company;

6. issues at less than the then current market price;

7. modification of rights of conversion; and

8. other offers to shareholders.

ii. *Conversion period*

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

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

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

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

iii. *Conversion shares*

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

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

A = number of ordinary shares to be issued on conversion

B = principal amount of the Convertible Bonds to be converted

C = the conversion price in effect at the conversion date

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

d. ***Interest***

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

e. ***Security***

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

f. ***Negative pledge, covenant and undertaking***

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

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

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

g. ***Transferability***

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

h. ***Voting***

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

i. ***Default***

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

j. ***Listing***

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

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

2. **Redeemable Convertible Preference Shares**

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

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

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

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

a. *Maturity date*

30 November 2011

b. *Redemption*

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

If any of the following triggering events occurs:

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

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

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

c. ***Conversion***

i. *Conversion price*

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

1. any alteration to the nominal value of the shares as a result of consolidation, subdivision or reclassification;

2. capitalisation of profits or reserves;

3. where the aggregate of interim and final dividends and distributions in respect of a financial year produces a yield in excess of 0%, 10%, 13%, 15% and 18% for the financial years ended 31 March 2007, 2008, 2009, 2010 and 2011 respectively;

4. rights issue of shares or options over shares at less than the then current market price of the shares;

5. rights issue of other securities of the Company (other than ordinary shares or options, warrants or other rights to subscribe for or purchase ordinary shares);

6. issues at less than the then current market price of the shares;

7. where there is any change made to the rights of conversion;

8. other offers to shareholders; and

9. other events where it is considered from an economic point of view that adjustment should be made in the interests of fairness and equity. In such event, the Company will consult an independent investment bank to determine what adjustment, if any, to the Initial Conversion Price is fair and reasonable.

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

ii. *Conversion period*

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

iii. *Conversion shares*

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

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

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

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

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

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

d. ***Optional redemption or conversion by the Company***

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

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

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

e. ***Dividend***

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

f. ***Listing***

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

g. ***Status of the Redeemable Convertible Preference Shares***

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

h. ***Further issues***

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

i. ***Transferability***

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

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

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

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

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

The Company sought shareholders' approval at the extraordinary general meeting held on 16 June 2006 for "refreshing" the 10% limit under the scheme. Accordingly, the maximum number of shares which may be issued upon exercise of all options to be granted after 16 June 2006 under the Share Option Scheme (2002), when aggregated with any shares which may be issued upon exercise of options to be granted under other schemes of the Company, shall not exceed 146,538,132 shares, being 10% of the total issued ordinary share capital of the Company as at the date of approval of the "refreshed" limit. Options previously granted under the scheme (including those outstanding, cancelled or lapsed in accordance with the scheme or exercised options) will not be counted for the purpose of calculating the limit as "refreshed". The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme (2002) and any other schemes of the Company now represents 242,642,132 shares or 14.70% of the Company's existing issued share capital. In any circumstances, the aggregate limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme (2002) and any other schemes of the Company must not exceed 30% of the ordinary shares of the Company in issue from time to time. The Company may also seek separate shareholders' approval at a general meeting for granting options beyond the 10% limit provided that the options in excess of the limit are granted only to participants specifically identified by the Company before such approval is sought.

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

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

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

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

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

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

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

- Options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 20,500,000 ordinary shares at the exercise price of HK$0.325 per share were granted on 14 December 2006 (2006: Nil).

- No options were cancelled (2006: Nil).

- An option in respect of 167,000 shares at the exercise price of HK$0.266 per share and an option in respect of 750,000 shares at the exercise price of HK$0.300 per share lapsed upon resignation of an eligible participant (2006: Nil).

- Vested options in respect of an aggregate of 2,306,000 (2006: 326,000) shares were exercised at HK$0.266 per share.

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

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

- Vested options in respect of an aggregate of 3,667,000 shares were exercised at HK$0.266 per share.

- Vested options in respect of an aggregate of 6,480,000 shares were exercised at HK$0.300 per share.

- Options entitling the holders to subscribe, in stages in accordance with their respective vesting schedules, for an aggregate of 26,000,000 ordinary shares at the exercise price of HK$0.780 per share were granted on 15 May 2007.

- No options were cancelled or lapsed.

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

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

i. ***Directors, Chief Executive and substantial shareholders***

As at 1 April 2006, there were outstanding options, which were granted on 9 September 2004, entitling the Chief Executive Officer (also an executive Director) and an executive Director to subscribe, in stages, for an aggregate of 14,500,000 ordinary shares at the exercise price of HK$0.266 per share.

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

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

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

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

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

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

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

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

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

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

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

ii. ***Full-time employees***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accordingly, as at the date of this report, there were outstanding options entitling the full-time employees of the Group (excluding the Directors of the Company) to subscribe, in stages, for an aggregate of 46,804,000 ordinary shares at the exercise prices ranging from HK$0.266 per share to HK$0.780 per share.

iii. ***Participants in excess of individual limit***

17.03(4) of the HK Listing Rules provides that the number of shares issued or issuable upon exercise of the options granted to any individual eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the ordinary shares of the Company in issue, subject to the restrictions on grants to the Directors, chief executive or substantial shareholders of the Company. Options granted on 4 April 2006 to the Chief Executive Officer (also an executive Director of the Company) and a full-time employee of the Group (not being a Director of the Company) in respect of 45,600,000 shares and 20,000,000 shares respectively were approved by the shareholders of the Company at the extraordinary general meeting held on 16 June 2006.

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

iv. ***Suppliers of goods and services***

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

v. ***Other participants***

No options were granted to or held by participants other than those referred to in sub-paragraphs (i) to (iv) above at any time during the year or prior to the date of this report.

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

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

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

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

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

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

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

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

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

30. RESERVES

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

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

31. DERIVATIVE FINANCIAL INSTRUMENTS

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

In the course of the Group's normal trading in derivatives, margin deposits of varying currencies of cash are held by the Group's brokers. As at 31 March 2007, the amount of these margin deposits was US$58,000 (2006: US$382,000).

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of a subsidiary

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

33. RETIREMENT BENEFIT OBLIGATIONS

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

Contributions are expensed as incurred and may be reduced by contributions forfeited by those employees under Plan A who leave the scheme prior to vesting fully in the contributions. During the year, there were no forfeited contributions (2006: Nil) and the Group's contribution was US$15,000 (2006: US$14,000).

34. OPERATING LEASE COMMITMENTS

Group

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

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

Company

The Company has no lease commitments.

35. CAPITAL COMMITMENTS

Group

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

Company

The Company has no capital commitments.

36. CONTINGENT LIABILITIES

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

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

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

Credit risk

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

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

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

Interest rate risk

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

Fair value estimation

The fair value of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

38. MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

  (i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);

  (ii) has an interest in the entity that gives it significant influence over the Group; or

  (iii) has joint control over the Group;

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

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

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

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

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

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

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

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

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

39. POST BALANCE SHEET EVENTS

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

C. BUSINESS TREND OF THE GROUP

We believe that the financial outlook for the Group remains on an upward trend for the financial year ended 31 December 2007 compared with last year. This upward trend is being driven by two factors: (i) strong growth in China, and (ii) the global commodities market remaining buoyant. We believe China remains the key fundamental factor behind commodity markets in 2007.

We are still experiencing strong demand for the copper concentrate and zinc concentrate produced at the Group's 40 per cent. interest in Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**"). With this in mind, we believe that the Group will experience strong financial and operating performance from YSSCCL in the current financial year.

Looking ahead, the Group will continue to pursue its opportunistic investment approach with the aim of increasing its portfolio of investments in the coal sector in China over the next few years with the vision of creating the next Hong Kong mining company. The Transaction will set us down this path.

D. INDEBTEDNESS STATEMENTS OF THE ENLARGED GROUP

1. Borrowings

As at the close of business on 30 September 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximtely US$27.08 million, comprising convertible bonds of approximately US$12.68 million, redeemable convertible preference shares of approximately US$5.23 million, obligation under finance lease of approximately US$0.09 million, loan from equity holders of approximately US$9.08 million, respectively. Save as aforesaid, and apart from intra-group liabilities, the Enlarged Group did not have as at 30 September 2007 any material outstanding liabilities in respect of mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, or hire purchases commitments.

2. Contingent Liabilities

As at 30 September 2007, the Enlarged Group had no material contingent liabilities.

3. Securities and guarantees

As at the close of business on 30 September 2007, the convertible bonds of approximately US$12.68 million are secured by a guarantee dated 31 March 2006 given by Regent Metals Limited ("**RML**") in favour of the security agent guaranteeing the due payment of all sums to be payable by the Company in respect of the convertible bonds (the "**Guarantee**"); a floating charge given by RML in favour of the security agent over all its assets and undertaking and a charge over a specified bank account into which all dividend payments and other distributions, including without limitation, proceeds of sale of assets made by the YSSCCL, will be made but only up to the amount of outstanding principal and interest due on the convertible bonds; and a share charge on RML's equity which was owned by Regent Metals (Jersey) Limited ("**RMJ**") dated 31 March 2006 given by RMJ in favour of the security agent to secure RML's obligations under the Guarantee.

4. **Disclaimer**

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at the close of business on 30 September 2007.

E. WORKING CAPITAL

The Directors are of the opinion that, based on the internal resources of the Enlarged Group and the proceeds from the exercise of the Proposed Specific Mandate, the Enlarged Group has sufficient working capital for its present requirements for the next 24 months from the date of this circular.

F. ADJUSTED NET TANGIBLE ASSETS BACKING

The following pro forma statement of adjusted net tangible assets of the Second Enlarged Group is based on the unaudited pro forma financial information set out in Appendix III of this circular and adjusted as follows:

	US$'000	*US$'000*
Unaudited pro forma consolidated net assets of the Second Enlarged Group as at 31 July 2007		534,266
Less: intangible assets		
Goodwill	(292,680)	
Exploration and evaluation assets	(25,938)	(318,618)
Adjusted net tangible assets		215,648
		US$
Adjusted net tangible assets per share, based on the number of shares in issue set out in note 1		0.031
Adjusted net tangible assets per share, based on the number of shares in issue set out in note 2		0.048

	Number of shares
Note 1	
Number of shares in issue	
Issued share capital as at 31 March 2007	1,495,925,718
Issue of Consideration Shares	1,156,968,141
Issue of Additional Consideration Shares	293,328,570
Issue of Finder's Fee Shares	75,000,000
Issue of Shares pursuant to the Proposed Specific Mandate, using the minimum placing price of the Shares (being HK$0.52 per share) as set out in the section headed "Financing of the Project and the Proposed Specific Mandate" in the "Letter from the Board"	4,000,000,000
	7,021,222,429
Note 2	
Number of shares in issue	
Issued share capital as at 31 March 2007	1,495,925,718
Issue of Consideration Shares	1,156,968,141
Issue of Additional Consideration Shares	293,328,570
Issue of Finder's Fee Shares	75,000,000
Issue of Shares pursuant to the Proposed Specific Mandate, using the closing market price of the Shares (being HK$1.38 per share) at 20 November 2007, being the Latest Practicable Date	1,503,478,260
	4,524,700,689

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

22 November 2007

The Directors
Regent Pacific Group Limited
Suite 1401, Henley Building
5 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information of CCEC Ltd. ("**CCEC**") and its subsidiary (collectively referred to as the "**CCEC Group**") including the balance sheets of CCEC as at 31 December 2006 and 31 July 2007, income statements, cash flow statements and statements of changes in equity for the period from 27 July 2006 (being the date of incorporation) to 31 December 2006 and the seven months ended 31 July 2007 (the "**Relevant Periods**") and notes thereto (the "**Financial Information**"), together with the unaudited financial information of CCEC Group including the income statement, cash flow statement and statement of changes in equity for the period from 27 July 2006 (being the date of incorporation) to 31 July 2006 (the "**31 July 2006 Corresponding Information**"), prepared for inclusion in the circular of Regent Pacific Group Limited (the "**Company**") dated 22 November 2007 (the "**Circular**") in connection with its proposed very substantial transaction involving issue of consideration shares: proposed acquisitions of CCEC and certain mining assets in the Peoples' Republic of China (the "**PRC**") (the "**Acquisition**").

CCEC was incorporated in the British Virgin Islands with limited liability on 27 July 2006. Upon its incorporation on 27 July 2006, CCEC was known as Lekcon Limited. Pursuant to a written resolution dated 25 October 2006, 1 May 2007 and 21 June 2007, its name was changed from Lekcon Limited to China Coal & Energy Corporation, Consolidated Coal and Energy Corporation and CCEC Ltd. respectively. The Registered office of CCEC is at 171 Mian Street, P.O. Box 92, Road Town, Tortola, British Virgin Islands and its principal place of business is located at 1807 NCI Tower, No 12A JianGuoMenWai DaJie, Chao Yang District Beijing, PRC. CCEC is an investment holding company engaged in seeking investment opportunities in businesses that are engaged in the full life-cycle of exploration, extraction and sale of thermal coal and coking coal and in addition the operation of coke and chemical works in the PRC. As at 31 July 2007, CCEC has one subsidiary, details of which are as follows:

Name of subsidiary	Issued and fully paid share capital	Percentage of equity interest held by CCEC	Place of incorporation	Principal activities
Nuenco Ltd.	US$0.02	100%	British Virgin Islands	investing in coal mining and coke and chemical production facilities in PRC

All the companies within CCEC Group have adopted 31 December as its financial year end. No audited statutory financial statements of CCEC and the subsidiary have been prepared since its date of incorporation as there are no statutory requirements.

For the purpose of this report, we have reviewed all relevant transactions of the companies within CCEC Group since their dates of incorporation.

For the purpose of this report, the directors of CCEC has prepared consolidated financial statements of CCEC Group for the Relevant Periods and from 27 July 2006 (date of incorporation) to 31 July 2006 in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), (the "**Underlying Financial Statements**"). We have, for the purpose of this report, carried out independent audit procedures on the financial statements of CCEC Group for the Relevant Periods, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information as set out in this report has been prepared by the directors of CCEC based on the Underlying Financial Statements and in accordance with all applicable HKFRSs. For the purpose of this report, we have examined the Financial Information of CCEC Group and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of CCEC are responsible for the preparation of the Financial Information and the Underlying Financial Statements which are prepared in accordance with accounting principles generally accepted in Hong Kong and which gives a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information and the Underlying Financial Statements which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of CCEC Group and CCEC as at 31 December 2006 and 31 July 2007 and of its results and cash flows of the CCEC Group for each of the Relevant Periods.

For the purpose of this report, we have also reviewed the 31 July 2006 Corresponding Information, which are prepared in accordance with accounting policies generally accepted in Hong Kong and for which the directors of CCEC Group are responsible, in accordance with Hong Kong Standards on Review Engagements 2400 "Engagement to Review Financial Statements" issued by the HKICPA. Our review consisted principally of making enquires of management and applying analytical procedures to the 31 July 2006 Corresponding Information and based thereon assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 July 2006 Corresponding Information.

For the purpose of this report and on the basis of our review of the 31 July 2006 Corresponding Information, which does not constitute an audit, we are not aware of any material modifications that should be made to the unaudited 31 July 2006 Corresponding Information.

I FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Notes	Seven months ended 31 July 2007 US$'000	(Unaudited) Period from 27 July 2006 (date of incorporation) to 31 July 2006 US$'000	Period from 27 July 2006 (date of incorporation) to 31 December 2006 US$'000
Revenue	5	22	—	—
Expenses				
Employee benefit expenses	8	(4,261)	(50)	(300)
Rental and office expenses		(164)	—	—
Consultancy fee		(1,928)	—	(97)
Project expenses		(1,906)	—	—
Other operating expenses		(263)	—	—
Loss before taxation	7	(8,500)	(50)	(397)
Taxation	9	—	—	—
Loss for the period		(8,500)	(50)	(397)
Attributable to:				
Equity holders of CCEC		(8,500)	(50)	(397)
Minority interests		—	—	—
		(8,500)	(50)	(397)
Loss per share (US$)	10			
- Basic		(1.02)	(50.00)	(0.07)
- Diluted		N/A	N/A	N/A

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 July 2007 US$'000	As at 31 December 2006 US$'000
Non-current asset			
Property, plant and equipment	12	167	—
Current assets			
Cash and bank balances	13	16,774	—
Loan and other receivable	14	671	—
Amounts due from shareholders/directors	15, 23	—	30,000
		17,445	30,000
Current liabilities			
Accruals		(1,323)	(397)
Amounts due to shareholders	15	(680)	—
		(2,003)	(397)
Net current assets		15,442	29,603
Total assets less current liabilities and net assets		15,609	29,603
Equity			
Equity attributable to CCEC's equity holders			
Share capital	16	24,506	30,000
Accumulated losses	17	(8,897)	(397)
		15,609	29,603
Minority interests		—	—
Total equity		15,609	29,603

BALANCE SHEETS

	Notes	As at 31 July 2007 US$'000	As at 31 December 2006 US$'000
Non-current assets			
Interests in subsidiaries	11	—	—
Property, plant and equipment	12	167	—
		167	—
Current assets			
Cash and bank balances	13	16,774	—
Loan and other receivable	14	671	—
Amounts due from shareholders/directors	15, 23	—	30,000
		17,445	30,000
Current liabilities			
Accruals		(1,323)	(397)
Amounts due to shareholders	15	(680)	—
		(2,003)	(397)
Net current assets		15,442	29,603
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Equity			
Equity attributable to CCEC's equity holders			
Share capital	16	24,506	30,000
Accumulated losses	17	(8,897)	(397)
Total equity		15,609	29,603

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of CCEC				
	Share capital	**Accumulated losses**	**Total**	**Minority interets**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 27 July 2006 (date of incorporation)	1	—	1	—	1
Loss for the period	—	(397)	(397)	—	(397)
Total recognised income and expense for the period	—	(397)	(397)	—	(397)
Issue of new shares	29,999	—	29,999	—	29,999
At 31 December 2006 and 1 January 2007	30,000	(397)	29,603	—	29,603
Loss for the period	—	(8,500)	(8,500)	—	(8,500)
Total recognised income and expense for the period	—	(8,500)	(8,500)	—	(8,500)
Shares returned to CCEC	(30,000)	—	(30,000)	—	(30,000)
Issue of new shares	21,481	—	21,481	—	21,481
Issue of shares as share-based payment	3,025	—	3,025	—	3,025
At 31 July 2007	24,506	(8,897)	15,609	—	15,609

CONSOLIDATED CASH FLOW STATEMENTS

	Note	Seven months ended 31 July 2007 US$'000	(Unaudited) Period from 27 July 2006 (date of incorporation) to 31 July 2006 US$'000	Period from 27 July 2006 (date of incorporation) to 31 December 2006 US$'000
Cash flows from operating activities				
Loss before taxation		(8,500)	(50)	(397)
Adjustments for:				
Interest income		(22)	—	—
Employee share-based payment		2,675	—	—
Non-employee share-based payment		350	—	—
Operating loss before working capital changes		(5,497)	(50)	(397)
Increase in accruals		926	50	397
Increase in amounts due to shareholders		680	—	—
Cash used in operations		(3,891)	—	—
Income tax paid		—	—	—
Net cash used in operating activities		(3,891)	—	—
Cash flows from investing activities				
Purchase of property, plant and equipment		(167)	—	—
Loan receivable		(650)	—	—
Interest received		1	—	—
Net cash used in investing activities		(816)	—	—
Cash flows from financing activities				
Proceeds from issue of new shares		23,035	—	—
Transaction cost on issue of new shares		(1,554)	—	—
Net cash generating from financing activities		21,481	—	—
Net increase in cash and cash equivalents		16,774	—	—
Cash and cash equivalents at the beginning of the period		—	—	—
Cash and cash equivalents at the end of the period	13	16,774	—	—

II NOTES ON THE FINANCIAL INFORMATION

1 Basis of Presentation

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by HKICPA.

The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 Adoption of new or amended HKFRSs

The CCEC Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of CCEC anticipate that the adoption of such HKFRSs will not result in material financial impact on the Financial Information of the CCEC Group:

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) Interpretation 11	Group and Treasury Share Transactions[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007

3 Summary of Significant Accounting Policies

3.1 *Basis of preparation*

The Financial Information has been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities. The measurement bases are fully described in the accounting policies below.

HKFRS 1, "First-time Adoption of Hong Kong Financial Reporting Standards", has been applied in preparing the Financial Information. The Financial Information is the first set of financial statements prepared in accordance with HKFRSs.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. 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 Information, are disclosed in note 4.

3.2 *Basis of consolidation*

The Financial Information incorporates the financial statements of CCEC and the subsidiaries for the period from 27 July 2006 (date of incorporation of CCEC) to 31 December 2006 and the seven months ended 31 July 2007.

3.3 *Subsidiaries*

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

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

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

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

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

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

3.4 ***Foreign currency translation***

The Financial Information is presented in United States Dollar (US$), which is also the functional currency of CCEC.

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

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

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

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

3.5 ***Property, plant and equipment***

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

The cost of an item of property, plant and equipment comprises its purchase price and any other directly attributable costs of bringing the assets to the working condition and location for its intended use.

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 CCEC Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statements during the financial period in which they are incurred.

Depreciation is provided to write off the cost over its estimated useful life, using the straight-line method. The estimated useful life of the assets used for this purpose is 5 years.

The asset's useful life is reviewed, and adjusted if appropriate, at each balance sheet date.

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

3.6 ***Impairment of assets***

Property, plant and equipment and interests in subsidiaries are subject to impairment testing. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the CCEC Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their presented value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

3.7 ***Leases***

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

Operating lease charges as the lessee

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

3.8 ***Financial assets***

The CCEC Group's financial assets include loan and other receivable and amounts due from shareholders. These are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when the CCEC Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

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

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

Impairment of financial assets

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

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

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

3.9 *Cash and cash equivalents*

Cash and cash equivalents include cash at bank and in hand, and cash held in trust account.

3.10 *Share capital*

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

3.11 *Financial liabilities*

The CCEC Group's financial liabilities include accruals and amounts due to shareholders.

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

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

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

Accruals and amounts due to shareholders are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.12 ***Taxation***

Income tax comprises current tax and deferred tax.

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.13 ***Employee benefits***

Share-based payment

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

All share-based compensation is ultimately recognised as an expense in the income statements, with a corresponding increase in equity (share capital).

3.14 ***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.

3.15 ***Provisions and contingent liabilities***

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

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

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

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

3.16 ***Revenue recognition***

Revenue comprises the fair value for the use by others of the CCEC Group's assets yielding interest. Provided it is probable that the economic benefits will flow to the CCEC Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as interest income in the income statement on a time-proportion basis using the effective interest method.

3.17 ***Segment reporting***

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

3.18 ***Related party transactions***

A party is considered to be related to the CCEC Group if:

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

(i) controls, is controlled by, or is under common control with, the CCEC Group

(ii) has an interest in the entity that gives it significant influence over the CCEC Group; or

(iii) has joint control over the CCEC Group;

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

(c) the party is a jointly-controlled entity of the CCEC Group;

(d) the party is a member of the key management personnel of the CCEC Group;

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

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

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

4 **Critical Accounting Estimates and Assumptions**

The CCEC Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The CCEC Group does not have any material 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.

5 **Revenue**

The CCEC Group did not generate any revenue from investment holding during the Relevant Periods and period from 27 July 2006 (date of incorporation) to 31 July 2006.

Financial revenue represents interest income on bank deposits and loan receivable and recognised during the Relevant Periods and period from 27 July 2006 (date of incorporation) to 31 July 2006 as follows:

	Seven months ended 31 July 2007	**(Unaudited) Period from 27 July 2006 (date of incorporation) to 31 July 2006**	**Period from 27 July 2006 (date of incorporation) to 31 December 2006**
	US$'000	*US$'000*	*US$'000*
Interest income on bank deposits	1	—	—
Interest income on loan receivable	21	—	—
	22	—	—

6 **Segment Information**

No separate analysis of segment information by business or geographical segments is presented as the CCEC Group's sole business is investment holding. The CCEC Group operates within one geographical segment and all its results, assets and liabilities and capital expenditure are located in the PRC except for a bank account held in trust located in Montreal.

7 **Loss before Taxation**

	Seven months ended 31 July 2007	(Unaudited) Period from 27 July 2006 (date of incorporation) to 31 July 2006	Period from 27 July 2006 (date of incorporation) to 31 December 2006
	US$'000	*US$'000*	*US$'000*
Loss before taxation is arrived at after charging:			
Operating lease charges on office premise	40	—	—
Employee share-based payment	2,675	—	—
Non-employee share-based payment	350	—	—

8 **Employee Benefit Expenses (Including Directors' Emoluments)**

	Seven months ended 31 July 2007	(Unaudited) Period from 27 July 2006 (date of incorporation) to 31 July 2006	Period from 27 July 2006 (date of incorporation) to 31 December 2006
	US$'000	*US$'000*	*US$'000*
Salaries and benefits in kind	1,586	50	300
Shares granted to directors	2,675	—	—
	4,261	50	300

a) ***Directors' and senior management's emoluments***

The remuneration of every director for the seven months ended 31 July 2007 is set out below:

	Fees	Salaries and benefits in kind	Shares granted	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Name of director				
Adrian Lungan	—	930	175	1,105
Rick Lu	—	509	175	684
Stephen Dattels	—	20	175	195
Steve Bywater	—	100	2,150	2,250
Graham Taggart	—	27	—	27
Total	—	1,586	2,675	4,261

The remuneration of every director for the period from 27 July 2006 (date of incorporation) to 31 July 2006 (unaudited) is set out below:

	Fees	Salaries and benefits in kind	Shares granted	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Name of director				
Adrian Lungan	—	25	—	25
Rick Lu	—	25	—	25
Total	—	50	—	50

The remuneration of every director for the period ended from 27 July 2006 (date of incorporation) to 31 December 2006 is set out below:

	Fees	Salaries and benefits in kind	Shares granted	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Name of director				
Adrian Lungan	—	150	—	150
Rick Lu	—	150	—	150
Total	—	300	—	300

No directors waived or agreed to waive any emoluments in respect of the Relevant Periods and for the period from 27 July 2006 (date of incorporation) to 31 July 2006 (unaudited).

b) ***Five highest paid individuals***

Of the five highest paid individuals, five, two and two were directors for the seven months ended 31 July 2007, period from 27 July 2006 (date of incorporation) to 31 July 2006 (unaudited) and period from 27 July 2006 (date of incorporation) to 31 December 2006 respectively and their remuneration has been included in the directors' remuneration. For the period from 27 July 2006 (date of incorporation) to 31 July 2006 (unaudited) and period from 27 July 2006 (date of incorporation) to 31 December 2006, the two directors were the only individuals receiving emoluments.

During the Relevant Periods and period from 27 July 2006 (date of incorporation) to 31 July 2006 (unaudited) , no emolument was paid by the CCEC Group to the directors as an inducement to join or upon joining the CCEC Group, or as compensation for loss of office.

9 **Taxation**

The CCEC Group did not derive any income subject to taxation during the Relevant Periods and period from 27 July 2006 (date of incorporation) to 31 July 2006.

Reconciliation between income tax expense and accounting loss at applicable tax rate is as follows:

	Seven months ended 31 July 2007	**(Unaudited) Period from 27 July 2006 (date of incorporation) to 31 July 2006**	**Period from 27 July 2006 (date of incorporation) to 31 December 2006**
	US$'000	*US$'000*	*US$'000*
Loss before taxation	(8,500)	(50)	(397)
Tax on loss before taxation calculated at the statutory taxation rate of 0%	—	—	—
Taxation	—	—	—

No deferred tax asset has been recognised as there is no temporary differences.

10 **Loss per Share**

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

	Seven months ended 31 July 2007	(Unaudited) Period from 27 July 2006 (date of incorporation) to 31 July 2006	Period from 27 July 2006 (date of incorporation) to 31 December 2006
	US$'000	*US$'000*	*US$'000*
Loss			
Loss attributable to equity holders of CCEC, used to determine basic loss per share	(8,500)	(50)	(397)

	As at 31 July 2007	(Unaudited) As at 31 July 2006	As at 31 December 2006
Number of shares			
Weighted average number of ordinary shares, used to determine basic loss per share	8,309,198	1,000	5,886,880

CCEC has no dilutive potential ordinary shares for the Relevant Periods and period from 27 July 2006 (date of incorporation) to 31 July 2006.

11 **Interests in subsidiaries**

	As at 31 July 2007	As at 31 December 2006
	US$'000	*US$'000*
CCEC		
Investments — unlisted shares, at cost	—	—
Less: provision for impairment	—	—
	—	—

Particulars of the subsidiary, which is directly held by CCEC, as at 31 July 2007 and 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital		Percentage of equity interest held by CCEC		Principal activities
		31 July 2007	31 December 2006	31 July 2007	31 December 2006	
Nuenco Ltd.	British Virgin Islands	Shares of US$0.02	Shares of US$650	100%	65%	investing in coal mining and coke and chemical production facilities in PRC

On 27 October 2006, CCEC acquired 65% of the issued share capital of Nuenco Ltd for US$650. Nuenco Ltd was negotiating to acquire mining property interests in the PRC.

On 1 February 2007, after Nuenco Ltd failed to secure the mining properties, CCEC sold the entire share capital back to Nuenco Ltd for US$650 as part of Nuenco Ltd's re-purchase of all its issued share capital.

On 10 June 2007, CCEC acquired 100% of the issued share capital of Nuenco Ltd for US$0.02.

On 14 August 2007, CCEC disposed of the entire share capital in Nuenco Ltd to a third party for consideration of US$0.02.

On 11 July 2007, CCEC acquired 100% of the equity interests in Nuenco Limited and CCEC Limited, companies incorporated in Hong Kong on 29 June 2007, for HK$1 each. The companies did not carry out any business during the period and on 24 July 2007, CCEC disposed of the entire equity interests in these subsidiaries to a director of CCEC for consideration of US$1 each.

12 **Property, Plant and Equipment**

	Leasehold improvement	Computer	Total
	US$'000	*US$'000*	*US$'000*
CCEC Group and CCEC			
At 31 December 2006			
Cost	—	—	—
Accumulated depreciation	—	—	—
Net book amount	—	—	—
Period ended 31 July 2007	—	—	—
Additions	112	55	167
Depreciation charge for the period	—	—	—
Closing net book amount	112	55	167
At 31 July 2007			
Cost	112	55	167
Accumulated depreciation	—	—	—
Net book amount	112	55	167

** During the period from 27 July 2006 (date of incorporation) to 31 December 2006, there is no addition or disposal of property, plant and equipment.*

13 **Cash and Bank Balances**

	As at 31 July 2007	As at 31 December 2006
	US$'000	*US$'000*
CCEC Group and CCEC		
Cash at bank and in hand	24	—
Cash held in trust account*	16,750	—
	16,774	—

** The cash held in trust account represents the net proceeds of the placing of new shares completed in July 2007 held by the lawyer of the CCEC Group and invested in an interest bearing bank account in Montreal.*

14 **Loan and Other Receivable**

	As at 31 July 2007	As at 31 December 2006
	US$'000	*US$'000*
CCEC Group and CCEC		
Loan receivable	650	—
Interest receivable	21	—
	671	—

On 24 August 2007, a loan agreement was concluded and signed between CCEC and Yuke Coal Limited ("**Yuke Coal**"), an unrelated third party, on which CCEC has agreed to provide Yuke Coal with a loan totaling US$5,000,000, provided in instalments, for the purpose of paying a portion of the total transfer price for the acquisition of four exploration licences.

Interest on the loan is charged at 6-month LIBOR plus 3%, or at 10% in the event of default. The loan and interest is payable on demand or otherwise in instalments within 12 months from being drawn down. Security for the loan is to be provided if requested by CCEC. As at 31 July 2007 and at the date of this report, no security has been requested by CCEC. Apart from standard events of default, in the event that Yuke Coal receives any portion of the transfer price back as a result of the acquisition of these exploration licences not proceeding or any other reason whatsoever, the loan becomes immediately due and payable.

As at 31 July 2007, Yuke Coal has drawn down US$650,000 of the loan.

The fair value of the loan receivable and interest receivable were the same as illustrated above.

15 **Amounts Due from/to Shareholders/Directors**

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

16 **Share Capital**

	Notes	Number of share of no par value
Authorised		
At 27 July 2006 (date of incorporation)	(i)	50,000
Increase in authorised shares	(ii)	499,950,000
At 31 December 2006 and 31 July 2007		500,000,000

	Notes	**Number of share of no par value**	*US$'000*
Issued			
At 27 July 2006 (date of incorporation)	(i)	1,000	1
Issue of new shares	(iii)	29,999,000	29,999
At 31 December 2006		30,000,000	30,000
Shares returned to CCEC	(iv)	(30,000,000)	(30,000)
Issue of new shares	(v)	185,000	21,481
Issue of shares as share-based payment	(vi)	25,000	3,025
At 31 July 2007		210,000	24,506

(i) CCEC was incorporated in the British Virgin Islands with limited liability on 27 July 2006. At the date of incorporation, the authorised share capital of CCEC was 50,000 no par value shares of a single class. The shares in CCEC are to be issued in US$.

Upon incorporation on 27 July 2006, 1,000 shares of no par value were issued of US$1 each.

(ii) Pursuant to a written resolution dated 24 October 2006, the then sole director of CCEC approved the increase in CCEC's authorised share capital from 50,000 no par value shares of a single class to 500,000,000 no par value shares of a single class, by creation of 499,950,000 no par value shares of a single class.

(iii) On 1 December 2006, CCEC issued and allotted 29,999,000 no par value shares of US$1 each.

(iv) Pursuant to a shareholder agreement dated 28 February 2007, 30,000,000 issued shares were returned to CCEC.

(v) On 28 February 2007, 9 March 2007, 8 April 2007 and 27 June 2007, CCEC issued and allotted 100,000, 10,000, 15,000 and 60,000 shares for cash consideration of US$10,000, US$1,000,000, US$2,025,000 and US$20,000,000 respectively. The direct costs associated with the private placement on 27 June 2007 of approximately US$1,554,000 was deducted from the total consideration from the issue of new shares.

(vi) Pursuant to a written resolution dated 27 June 2007, CCEC issued 25,000 shares for settlement of past services rendered to CCEC which amounted to US$3,025,000.

17 **Accumulated losses**

The CCEC Group and CCEC's accumulated losses and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity in Section I of the Financial Information.

18 **Share-based compensation**

	Seven months ended 31 July 2007	(Unaudited) Period from 27 July 2006 (date of incorporation) to 31 July 2006	Period from 27 July 2006 (date of incorporation) to 31 December 2006
	US$'000	*US$'000*	*US$'000*
Employee share-based payment *(note 8)*	2,675	—	—
Non-employee share-based payment	350	—	—
	3,025	—	—

19 **Operating Lease Commitments**

	As at 31 July 2007	As at 31 December 2006
	US$'000	*US$'000*
CCEC Group and CCEC		
At the respective balance sheet dates, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		
Office premise:		
- within 1 year	163	18
- in the 2nd to 5th year, inclusive	135	—
	298	18

The CCEC Group leases one office premise under operating lease. The lease typically runs for an initial period of two years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the CCEC Group and respective landlords. The lease does not include contingent rentals.

20 **Capital Commitments**

CCEC Group and CCEC have no material commitments as at 31 July 2007 and 31 December 2006.

21 **Contingent Liabilities**

CCEC Group and CCEC

On 30 May 2007, Nuenco Ltd, a subsidiary of CCEC, had entered into three conditional agreements in relation to the acquisition of equity interests in certain entities with consideration of total amount of RMB 239,648,600 (equivalent to approximately US$31,953,000).

On 30 July 2007 (which amended and restated a prior agreement signed on 27 June 2007), CCEC entered into a conditional sale and purchase agreement for the acquisition of the Ji Ri Ga Lang project for RMB 180,000,000 (equivalent to approximately US$24,000,000). Such agreement was further amended and restated on 2 November 2007.

22 **Connected and Related Party Transactions**

In addition to the transactions disclosed elsewhere in the Financial Information, the CCEC Group had the following significant transactions with connected and related parties:

	Seven months ended 31 July 2007	**Period from 27 July 2006 (date of incorporation) to 31 December 2006**
	US$'000	*US$'000*
Provision of services		
Mine surveying services provided by Global Coal Management Plc.	200	—
Consultancy service provided by Regent Mercantile Bancorp Inc.	102	—

Mr. Steve Bywater and Mr. Graham Taggart, directors of CCEC, are also the directors of Global Coal Management Plc.

Mr. Stephen Dattels, a director of CCEC, is also the director of Regent Mercantile Bancorp Inc.

23 **Amounts due from Directors**

Details of amounts due from directors disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of borrower	**Rick Lu**	**Adrian Lungan**
Amount outstanding at		
27 July 2006	Nil	US$1,000
31 December 2006 and 1 January 2007	US$15,000,000	US$15,000,000
31 July 2007	Nil	Nil
Maximum amount outstanding during the period		
- seven months ended 31 July 2007	US$15,000,000	US$15,000,000
- period from 27 July 2006 (date of incorporation) to 31 December 2006	US$15,000,000	US$15,000,000

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

The two directors mentioned above are also shareholders of CCEC and thus the amounts are included in amounts due from shareholders (note 15).

24 **Financial Risk Management Objectives And Policies**

The CCEC Group is exposed to a variety of financial risks which result from both its operating and investing activities. The CCEC 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 CCEC Group is exposed to are described below:

Foreign currency risk

The CCEC Group does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rate between Renminbi and US$.

Credit risk

All the cash and cash equivalents are deposited with major banks located in Canada and the PRC.

The carrying amounts of loan and other receivable represent the CCEC Group's maximum exposure to credit risk in relation to its financial assets. These financial assets are actively monitored to avoid significant concentrations of credit risk. No other financial assets carry a significant exposures to credit risk.

Interest rate risk

The CCEC Group has no significant interest bearing assets and liabilities.

Fair value estimation

The fair value of the CCEC Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

25 **Post Balance Sheet Events**

(i) On 14 August 2007, CCEC disposed of the entire share capital in Nuenco Ltd, a subsidiary of CCEC, to a third party for consideration of US$0.02.

(ii) On 24 August 2007, a loan agreement was concluded and signed between CCEC and Yuke Coal on which CCEC has agreed to provide Yuke Coal with a loan totaling US$5,000,000, provided in instalments, for the purpose of paying a portion of the total transfer price for the acquisition of four exploration licences. On 17 August 2007, Yuke Coal has drawn down an additional amount of US$3,970,000 of the loan referred to in note 14.

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

(iv) On 31 August 2007, CCEC entered into an option agreement, pursuant to which CCEC has the option to acquire the entire issued share capital of Yuke Coal, exercisable within the period of two years from the date of the agreement. The consideration payable on exercise of the option is RMB 20,000,000 (equivalent to approximately US$2,667,000).

(v) On 31 August 2007, CCEC entered into an option agreement, pursuant to which CCEC has the option to acquire the entire issued share capital of Yuke Exploration Limited ("**Yuke Exploration**"), exercisable within the period of two years from the date of the agreement. The consideration payable on exercise of the option is RMB 8,000,000 (equivalent to approximately US$1,067,000).

(vi) On 3 September 2007, CCEC entered into an agreement to acquire the entire issued share capital of Amerinvest Coal Industry Holding Company Limited ("**ACIL**") for a total amount of US$24.38 million in cash and an interest free shareholder's loan granted to ACIL with an amount of US$3.40 million in cash. The completion of the acquisition has taken place on 5 October 2007.

(vii) On 14 September 2007, a loan agreement was concluded and signed between CCEC and Yuke Exploration on which CCEC has agreed to provide Yuke Exploration with a loan totaling US$2,000,000, provided in instalments, for the purpose of financing the costs involved in seeking investment opportunities in the mining sector in the PRC. In July and August 2007, Yuke Exploration has drawn down approximately US$0.14 million of the loan.

(viii) On 3 October 2007, CCEC has completed a private placing by placing 53,242 new CCEC shares, raising approximately HK$333.81 million (equivalent to approximately US$42.79 million) in cash net of placing commission and estimated expenses.

26 **Subsequent Financial Statements**

No audited financial statements have been prepared for the CCEC Group in respect of any period subsequent to 31 July 2007.

Yours faithfully

Grant Thornton
Certified Public Accountants
Hong Kong

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

22 November 2007

The Directors
Regent Pacific Group Limited
Suite 1401, Henley Building
5 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Amerinvest Coal Industry Holding Company Limited ("**ACIL**") including the balance sheets of ACIL as at 31 December 2004, 2005 and 2006 and 31 July 2007, income statements, cash flow statements and statements of changes in equity for each of the three years ended 31 December 2004, 2005 and 2006 and the seven months ended 31 July 2007 (the "**Relevant Periods**") and notes thereto (the "**Financial Information**"), together with the unaudited financial information of ACIL including the income statement, cash flow statement and statement of changes in equity for the seven months ended 31 July 2006 (the "**31 July 2006 Corresponding Information**"), for inclusion in the circular of Regent Pacific Group Limited (the "**Company**") dated 22 November 2007 (the "**Circular**") in connection with its proposed very substantial transaction involving issue of consideration shares : proposed acquisitions of CCEC Ltd. and certain mining assets in the Peoples' Republic of China (the "**PRC**") (the "**Acquisition**").

ACIL was incorporated in the British Virgin Islands with limited liability on 2 January 2003. Upon its incorporation on 2 January 2003, ACIL was known as Hacely Group Limited. Pursuant to a written resolution dated 24 August 2004, its name was changed from Hacely Group Limited to Amerinvest Coal Industry Holding Company Limited. The Registered office of ACIL is at Sea Meadow House, Blackburne Highway (PO Box 116), Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. ACIL is an investment holding company set up for the purpose of exploring and investing in coking and chemical projects in the PRC.

Pursuant to a share transfer agreement dated 24 August 2004, ACIL acquired 25 percent shareholding of West China Coking & Gas Company Limited ("**Project 1**") on 8 December 2004. Project 1 is a Sino-foreign equity joint venture company registered in Huashan Town, Zhanyi County, Qujing Municipality, Yunnan. The business scope of Project 1 is the production, processing and sale of coal, coke, gas and coal chemicals in the PRC.

ACIL has adopted 31 December as its financial year end. No audited statutory financial statements of ACIL have been prepared since its date of incorporation as there are no statutory requirements.

For the purpose of this report, the director of ACIL has prepared financial statements of ACIL for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), (the "**Underlying Financial Statements**"). We have, for the purpose of this report, carried out independent audit procedures on the financial statements of ACIL for the Relevant Periods, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information as set out in this report has been prepared by the director of ACIL based on the Underlying Financial Statements and in accordance with all applicable HKFRSs. For the purpose of this report, we have examined the Financial Information of ACIL and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The director of ACIL is responsible for the preparation of the Financial Information and Underlying Financial Statements which are prepared in accordance with accounting principles generally accepted in Hong Kong and which gives a true and fair view. The director of the Company is responsible for the contents of the Circular in which this report is included. In preparing the Financial Information and the Underlying Financial Statements which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of ACIL as at 31 December 2004, 2005 and 2006 and 31 July 2007 and of its results and cash flows for each of the Relevant Periods.

For the purpose of this report, we have reviewed the 31 July 2006 Corresponding Information, which are prepared in accordance with accounting policies generally accepted in Hong Kong and for which the director of ACIL is responsible, in accordance with Hong Kong Standards on Review Engagements 2400 "Engagement to Review Financial Statements" issued by the HKICPA. Our review consisted principally of making enquires of management and applying analytical procedures to the 31 July 2006 Corresponding Information and based thereon assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 July 2006 Corresponding Information.

For the purpose of this report and on the basis of our review of the 31 July 2006 Corresponding Information, which does not constitute an audit, we are not aware of any material modifications that should be made to the unaudited 31 July 2006 Corresponding Information.

I FINANCIAL INFORMATION

INCOME STATEMENTS

		Seven months ended 31 July		Year ended 31 December		
		2007	2006 (unaudited)	2006	2005	2004
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	5	7	24	34	21	—
Expenses						
Rental and office expenses		(359)	—	(339)	—	—
Advisory fee		(7,026)	(4,004)	(10,150)	(6,959)	(2,725)
Legal and professional expenses		(1,124)	—	(938)	(385)	(147)
Other operating expenses		(229)	(68)	(381)	(206)	(402)
Operating loss		(8,731)	(4,048)	(11,774)	(7,529)	(3,274)
Share of profit of an associate, net of tax		17,685	2,880	10,395	11,528	—
Excess of the ACIL's interest in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over cost		—	—	—	—	7,602
Profit/(Loss) before taxation	7	8,954	(1,168)	(1,379)	3,999	4,328
Taxation	9	—	—	—	—	—
Profit/(Loss) for the period/year		8,954	(1,168)	(1,379)	3,999	4,328
Earnings/ (Loss) per share (HK$)	10					
-Basic		895	(117)	(138)	778	4,328,000
-Diluted		N/A	N/A	N/A	N/A	N/A

BALANCE SHEETS

		As at 31 July	As at 31 December		
		2007	2006	2005	2004
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset					
Interest in an associate	11	81,088	67,024	54,656	17,602
Current asset					
Cash at bank		3,983	685	2,074	784
Current liability					
Amount due to a director	12	(26,520)	(20,187)	(9,803)	(14,057)
Net current liability		(22,537)	(19,502)	(7,729)	(13,273)
Total assets less current liability and net assets		58,551	47,522	46,927	4,329
Equity					
Share capital	13	78	78	78	1
Reserves	14	58,473	47,444	46,849	4,328
Total equity		58,551	47,522	46,927	4,329

STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Retained profits *HK$'000*	Share premium *HK$'000*	Foreign currency exchange reserve *HK$'000*	Total *HK$'000*
At 1 January 2006	78	8,327	37,407	1,115	46,927
Foreign currency translation adjustment, recognised directly in equity	—	—	—	1,974	1,974
Net income recognised directly in equity	—	—	—	1,974	1,974
Loss for the year	—	(1,379)	—	—	(1,379)
Total recognised income and expense for the year	—	(1,379)	—	1,974	595
At 31 December 2006 and 1 January 2007	78	6,948	37,407	3,089	47,522
Foreign currency translation adjustment, recognized directly in equity	—	—	—	2,075	2,075
Net income recognised directly in equity	—	—	—	2,075	2,075
Profit for the period	—	8,954	—	—	8,954
Total recognised income and expense for the period	—	8,954	—	2,075	11,029
At 31 July 2007	78	15,902	37,407	5,164	58,551

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained profits	Share premium	Foreign currency exchange reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	1	—	—	—	1
Profit for the year	—	4,328	—	—	4,328
Total recognised income and expense for the year	—	4,328	—	—	4,328
At 31 December 2004 and 1 January 2005	1	4,328	—	—	4,329
Foreign currency translation adjustment, recognised directly in equity	—	—	—	1,115	1,115
Net income recognised directly in equity	—	—	—	1,115	1,115
Profit for the year	—	3,999	—	—	3,999
Total recognised income and expense for the year	—	3,999	—	1,115	5,114
Issue of new shares	77	—	37,407	—	37,484
At 31 December 2005	78	8,327	37,407	1,115	46,927

CASH FLOW STATEMENTS

	Seven months ended 31 July		Year ended 31 December		
	2007	2006 (unaudited)	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities					
Profit/(Loss) before taxation	8,954	(1,168)	(1,379)	3,999	4,328
Adjustments for:					
Interest income	(7)	(24)	(34)	(21)	—
Share of profit of an associate	(17,685)	(2,880)	(10,395)	(11,528)	—
Excess of the ACIL's interest in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over cost	—	—	—	—	(7,602)
Operating loss before working capital changes	(8,738)	(4,072)	(11,808)	(7,550)	(3,274)
Increase in amount due to a director	6,333	2,361	10,384	33,230	14,057
Cash (used in)/generated from operations	(2,405)	(1,711)	(1,424)	25,680	10,783
Income tax paid	—	—	—	—	—
Net cash (used in)/generated from operating activities	(2,405)	(1,711)	(1,424)	25,680	10,783
Cash flows from investing activities					
Increase in investment in an associate	—	—	(19,000)	(24,411)	(10,000)
Interest received	7	24	34	21	—
Dividend received	5,696	—	19,001	—	—
Net cash generated from/(used in) investing activities	5,703	24	35	(24,390)	(10,000)
Net increase/(decrease) in cash and cash equivalents	3,298	(1,687)	(1,389)	1,290	783
Cash and cash equivalents at the beginning of the period/year	685	2,074	2,074	784	1
Cash and cash equivalents at the end of the period/year	3,983	387	685	2,074	784

II NOTES ON THE FINANCIAL INFORMATION

1 Basis of Presentation

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (" **HKASs** ") and Interpretations issued by HKICPA.

The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 Adoption of new or amended HKFRSs

ACIL has not early adopted the following HKFRSs that have been issued but are not yet effective. The director of ACIL anticipates that the adoption of such HKFRSs will not result in material financial impact on the Financial Information of ACIL:

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) Interpretation 11	Group and Treasury Share Transactions[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007

3 Summary of Significant Accounting Policies

3.1 *Basis of preparation*

The Financial Information has been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities. The measurement bases are fully described in the accounting policies below.

In preparing the Financial Information, the directors of ACIL have given consideration to the future liquidity of ACIL in light of its net current liabilities of approximately HK$13,273,000, HK$7,729,000, HK$19,502,000 and HK$22,537,000 as at 31 December 2004, 2005, 2006 and 31 July 2007 respectively. Notwithstanding this, the Financial Information has been prepared on a going concern basis on the assumption that ACIL will continue to operate as a going concern. The going concern basis has been adopted on the basis of the undertaking made by the director to provide continual financial support to ACIL and not to demand for repayment of the amount due from ACIL until such time when repayment will not affect ACIL's ability to repay other creditors in the normal course of business.

Should ACIL be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets. These adjustments have not been reflected in the Financial Information.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. 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 Information, are disclosed in note 4.

3.2 *Associate*

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

Investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, ACIL's interest in the associate is carried at cost and adjusted for the post-acquisition changes in ACIL's share of the associate's net assets less any identified impairment loss. The income statement includes ACIL's share of the post-acquisition and post-tax results of the associate for the period/year, including any impairment loss on goodwill relating to the investment in an associate recognised for the period/year.

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

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

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

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

Unrealised gains on transactions between ACIL and its associate are eliminated to the extent of ACIL's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate uses accounting policies other than those of ACIL for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of ACIL when the associate's financial statements are used by ACIL in applying the equity method.

3.3 ***Foreign currency translation***

The Financial Information is presented in Hong Kong Dollar (HK$), which is also the functional currency of ACIL.

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

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

The functional currency of ACIL's associate is Renminbi. As at the balance sheet dates, the assets and liabilities of this associate is translated into the presentation currency of ACIL, HK$, at the closing rates at the balance sheet dates and its income statements are translated into HK$ at the exchange-rate ruling at the transaction dates or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the foreign currency exchange reserve in equity.

3.4 ***Impairment of assets***

Interest in an associate is subject to impairment testing. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under ACIL's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their presented value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

3.5 ***Cash and cash equivalents***

Cash and cash equivalents include cash at bank.

3.6 ***Share capital***

Ordinary share is classified as equity. Share capital is determined using the nominal value of a share that has been issued.

3.7 ***Financial liabilities***

ACIL's financial liability includes amount due to a director.

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

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

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

Amount due to a director is recognised initially at its fair value and subsequently measured at amortised cost, using the effective interest method.

3.8 ***Taxation***

Income tax comprises current tax and deferred tax.

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.9 ***Provisions and contingent liabilities***

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

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

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

3.10 ***Revenue recognition***

Revenue comprises the fair value for the use by others of ACIL's assets yielding interest. Provided it is probable that the economic benefits will flow to ACIL and the revenue and costs, if applicable, can be measured reliably, interest income is recognised in the income statement on a time-proportion basis using the effective interest method.

3.11 ***Segment reporting***

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

3.12 ***Related party transactions***

A party is considered to be related to ACIL if:

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

(i) controls, is controlled by, or is under common control with, ACIL

(ii) has an interest in the entity that gives it significant influence over ACIL; or

(iii) has joint control over ACIL;

(b) the party is an associate of ACIL;

(c) the party is a jointly-controlled entity of ACIL ;

(d) the party is a member of the key management personnel of ACIL;

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

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

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

4. **Critical Accounting Estimates and Assumptions**

ACIL makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Material estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of ACIL within the next financial year are discussed below.

Impairment of investment in an associate

At each balance sheet date, the director of ACIL reviews the carrying amount of the investment in an associate to determine whether there are any indications that the investment has suffered impairment losses. The calculation of the recoverable amount of the investment in an associate requires the use of assumptions and estimates.

5. **Revenue**

ACIL did not generate any revenue from investment holding during the Relevant Periods and seven months ended 31 July 2006. Financial revenue represents interest income on bank deposits recongnised during the Relevant Periods and seven months ended 31 July 2006.

6. **Segment Information**

No separate analysis of segment information by business or geographical segments is presented as ACIL's sole business is investment holding during the Relevant Periods. ACIL operates within one geographical segment and all its assets and liabilities and capital expenditure are located in the PRC except for a bank account located in HK.

7. **Profit/(Loss) before Taxation**

	Seven months ended 31 July		Year ended 31 December		
	2007	**2006 (unaudited)**	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(Loss) before taxation is arrived at after charging:					
Advisory fee paid to a related company	7,026	4,004	10,151	6,959	2,725

8. **Director's Emoluments**

No director's emoluments were paid and payable to the sole director, Wang Sing, for the Relevant Periods and seven months ended 31 July 2006.

During the Relevant Periods and seven months ended 31 July 2006, no emoluments were paid by ACIL to the director as an inducement to join or upon joining ACIL or as compensation for loss of office.

No director of ACIL waived any emoluments paid by ACIL during the Relevant Periods and for the seven months ended 31 July 2006.

9. **Taxation**

ACIL did not derive any income subject to taxation during the Relevant Periods and seven months ended 31 July 2006.

Reconciliation between income tax expenses and accounting profit at applicable tax rate is as follows:

	Seven months ended 31 July		Year ended 31 December		
	2007	**2006 (unaudited)**	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(Loss) before taxation	8,954	(1,168)	(1,379)	3,999	4,328
Less:					
Share of profit of an associate	(17,685)	(2,880)	(10,395)	(11,528)	—
Profit/(Loss) before share of profit of an associate	(8,731)	(4,048)	(11,774)	(7,529)	4,328
Calculated at the statutory taxation rate of 0%	—	—	—	—	—
Taxation	—	—	—	—	—

No deferred tax asset has been recognised as there is no temporary differences.

10. **Earnings/(Loss) per Share**

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

	Seven months ended 31 July		Year ended 31 December		
	2007	**2006** (unaudited)	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Earnings/(Loss)					
Profit/(loss) attributable to equity holders of ACIL, used to determine basic earnings/(loss) per share	8,954	(1,168)	(1,379)	3,999	4,328

	As at 31 July		As at 31 December		
	2007	**2006**	**2006**	**2005**	**2004**
Number of shares					
Weighted average number of ordinary shares, used to determine basic earnings/(loss) per share	10,000	10,000	10,000	5,140	1

ACIL had no dilutive potential ordinary shares for the Relevant Periods and seven months ended 31 July 2006.

11. **Interest in an Associate**

	As at 31 July	As at 31 December		
	2007	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets - unlisted	72,334	54,356	54,656	42,013
Amount due from/(to) an associate	8,754	12,668	—	(24,411)
	81,088	67,024	54,656	17,602

Share of associate's taxation for the Relevant Periods and for the seven months ended 31 July 2006 are included in the income statements as share of profit of an associate.

Particulars of the associate as at 31 July 2007, 31 December 2006, 31 December 2005 and 31 December 2004 are as follows:

Name of associate	Place of incorporation	Paid up capital held in associate	Percentage of equity interest attributable to ACIL	Principal activities
West China Coking & Gas Company Limited	The PRC	RMB41,160,000	25%	Production, processing and sale of coal, coke, and coal chemicals

The following tables illustrate the summarised financial information of ACIL's associate extracted from its management account.

	As at 31 July	As at 31 December		
	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets	1,158,064	1,137,702	930,306	661,914
Liabilities	868,720	920,272	711,678	493,860

	Seven months ended 31 July		Year ended 31 December		
	2007	2006 (unaudited)	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	696,638	474,128	982,361	631,883	280,700
Profit/(Loss)	70,742	11,519	41,582	46,114	(3,673)

12. **Amount Due to a Director**

The amount is unsecured, interest free and repayable on demand.

13. **Share Capital**

Authorised	*Notes*	**Number of share of US$1 each**	*US$'000*
At 1 January 2004 and 31 December 2004	(i)	50,000	50
Increase in authorised shares	(ii)	7,450,000	7,450
At 31 December 2005, 31 December 2006 and 31 July 2007		7,500,000	7,500

Issued		**Number of share of US$1 each**	*US$'000*	**Equivalent to** *HK$'000*
At 1 January 2004 and 31 December 2004	(i)	1	—	1
Issue of new shares	(iii)	9,999	10	77
At 31 December 2005, 31 December 2006 and 31 July 2007		10,000	10	78

(i) ACIL was incorporated in the British Virgin Islands with limited liability on 2 January 2003. At the date of establishment, the authorised share capital of ACIL was 50,000 shares of US$1 each.

On 1 January 2004, 1 share was issued for consideration of US$1.

(ii) Pursuant to a written resolution dated 23 March 2005, the then sole director of ACIL approved the increase in ACIL's authorised share capital from 50,000 shares of US$1 each to 7,500,000 shares of US$1 each, by creation of 7,450,000 shares of US$1 each.

(iii) On 25 April 2005 and 31 December 2005, ACIL issued and allotted 7,464 shares and 2,535 shares of US$1 each for consideration of approximately HK$1,485,000 and HK$36,000,000 respectively.

14. **Reserves**

	Retained profits HK$'000	Share premium HK$'000	Foreign currency exchange reserve HK$'000	Total HK$'000
At 1 April 2004	—	—	—	—
Profit for the year	4,328	—	—	4,328
At 31 December 2004 and 1 January 2005	4,328	—	—	4,328
Foreign currency translation adjustment of an associate	—	—	1,115	1,115
Profit for the year	3,999	—	—	3,999
Issue of new shares at premium	—	37,407	—	37,407
At 31 December 2005 and 1 January 2006	8,327	37,407	1,115	46,849
Foreign currency translation adjustment of an associate	—	—	1,974	1,974
Loss for the year	(1,379)	—	—	(1,379)
At 31 December 2006 and 1 January 2007	6,948	37,407	3,089	47,444
Foreign currency translation adjustment of an associate	—	—	2,075	2,075
Profit for the period	8,954	—	—	8,954
At 31 July 2007	15,902	37,407	5,164	58,473

15. **Contingent Liabilities**

ACIL has no material contingent liabilities as at 31 July 2007, 31 December 2006, 31 December 2005 and 31 December 2004.

16. **Related Party Transactions**

In addition to the transactions disclosed elsewhere in the Financial Information, ACIL had the following significant transactions with connected and related parties :

	Seven months ended 31 July		Year ended 31 December		
	2007	**2006 (unaudited)**	**2006**	**2005**	**2004**
Provision of services	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Advisory fee paid to China Capital Advisors Corporation	7,026	4,004	10,151	6,959	2,725

Mr. Sing Wang, a director of ACIL, is also the director and shareholder of China Capital Advisors Corporation ("**CCAC**"). During the Relevant Periods and seven months ended 31 July 2006, ACIL engaged CCAC to provide advisory services to it, such service fees were charged at a cost plus reasonable profit basis, depending on the actual costs as well as the hours incurred by CCAC professionals on providing professional services to ACIL.

17. **Financial Risk Management Objectives And Policies**

ACIL is exposed to a variety of financial risks which result from both its operating and investing activities. ACIL'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 ACIL is exposed to are described below:

Foreign currency risk

ACIL does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rate between Renminbi (RMB) and HK$.

Liquidity risk

As mentioned in Section II note 3.1, the going concern basis of ACIL has been adopted on the basis of undertaking from ACIL's director to provide continual financial support to ACIL and not to demand for repayment of the amounts due from ACIL until such time when repayment will not affect ACIL's ability to repay other creditors in the normal course of business. The director of ACIL is satisfied that ACIL will be able to meet its financial obligations as they fall due in the foreseeable future.

Credit risk

ACIL has no financial assets and does not expose to credit risk.

Interest rate risk

ACIL has no significant interest bearing assets and liabilities.

Fair value estimation

The fair value of ACIL's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

18. **Post Balance Sheet Events**

There is no material post balance sheet events subsequent to 31 July 2007.

19. **Subsequent Financial Statements**

No audited financial statements have been prepared for ACIL in respect of any period subsequent to 31 July 2007.

Yours faithfully

Grant Thornton
Certified Public Accountants
Hong Kong

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

22 November 2007

The Directors
Regent Pacific Group Limited
Suite 1401, Henley Building
5 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Abagaqi Changjiang Mining Co., Ltd. ("**ACMC**") including the balance sheets of ACMC as at 31 December 2006 and 31 July 2007, income statements, cash flow statements and statements of changes in equity for the Periods from 19 October 2006 (being the date of establishment) to 31 December 2006 and the seven months ended 31 July 2007 (the "**Relevant Periods**") and notes thereto (the "**Financial Information**") prepared for inclusion in the circular of Regent Pacific Group Limited (the "**Company**") dated 22 November 2007 (the "**Circular**") in connection with its proposed very substantial transaction involving issue of consideration shares: proposed acquisitions of CCEC Ltd. and certain mining assets in the Peoples' Republic of China (the "**PRC**") (the "**Acquisition**").

Pursuant to the Ji Ri Ga Lang Project SPA dated 2 November 2007 (which further amended and restated prior agreements dated 27 June 2007 and 30 July 2007), as detailed in subsection headed "Details of the Ji Ri Ga Lang Project" in Letter from the Board of the Circular, CCEC will acquire the entire equity interest in ACMC at a consideration of RMB180,000,000.

ACMC was established in Abagaqi, PRC with limited liability on 19 October 2006 with a registered capital of RMB4,000,000. The address of ACMC's registered office and its principal place of business is Deliger Industrial Zone, Abagaqi, Inner Mongolia Autonomous Region, the PRC. ACMC is mainly engaged in exploration activities and the sale of calcium carbonate products. ACMC owns the exploration licence of the Ji Ri Ga Lang Coal Mine in Abagaqi, Inner Mongolia, the PRC.

ACMC has adopted 31 December as its financial year end. No audited statutory financial statements of ACMC have been prepared since its date of establishment.

For the purpose of this report, the directors of ACMC has prepared financial statements of ACMC for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified

Public Accountants ("**HKICPA**"), (the "**Underlying Financial Statements**"). We have, for the purpose of this report, carried out independent audit procedures on the Underlying Financial Statements of ACMC for the Relevant Periods, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information as set out in this report has been prepared by the directors of ACMC based on the Underlying Financial Statements and in accordance with all applicable HKFRSs. For the purpose of this report, we have examined the Financial Information of ACMC and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of ACMC are responsible for the preparation of the Financial Information and the Underlying Financial Statements which are prepared in accordance with accounting principles generally accepted in Hong Kong and which gives a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information and the Underlying Financial Statements which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of ACMC as at 31 December 2006 and 31 July 2007 and of its results and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION

INCOME STATEMENTS

	Notes	Seven months ended 31 July 2007 RMB'000	Period from 19 October 2006 (date of establishment) to 31 December 2006 RMB'000
Revenue	5	—	—
Expenses			
Employee benefit expenses	7	(149)	(361)
Other operating expenses		(1,216)	(2,049)
Impairment of intangible asset	12	—	(5,000)
Loss before taxation		(1,365)	(7,410)
Taxation	8	—	—
Loss for the period		(1,365)	(7,410)

BALANCE SHEETS

	Notes	As at 31 July 2007 RMB'000	As at 31 December 2006 RMB'000
Non-current assets			
Property, plant and equipment	10	195	222
Exploration assets	11	35,948	—
Intangible asset	12	—	—
		36,143	222
Current asset			
Cash at bank		1,670	—
Current liability			
Amounts due to equity holders	13	(42,588)	(3,632)
Net current liabilities		(40,918)	(3,632)
Total assets less current liability and net liabilities		(4,775)	(3,410)
Equity			
Paid-up capital	14	4,000	4,000
Accumulated losses	15	(8,775)	(7,410)
Total equity		(4,775)	(3,410)

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 19 October 2006 (date of establishment)	4,000	—	4,000
Loss for the period	—	(7,410)	(7,410)
Total recognised income and expense for the period	—	(7,410)	(7,410)
At 31 December 2006 and 1 January 2007	4,000	(7,410)	(3,410)
Loss for the period	—	(1,365)	(1,365)
Total recognised income and expense for the period	—	(1,365)	(1,365)
At 31 July 2007	4,000	(8,775)	(4,775)

CASH FLOW STATEMENTS

	Seven months ended 31 July 2007	Period from 19 October 2006 (date of establishment) to 31 December 2006
	RMB'000	*RMB'000*
Cash flows from operating activities		
Loss before taxation	(1,365)	(7,410)
Adjustments for:		
Depreciation of property, plant and equipment	27	4
Impairment of intangible asset	—	5,000
Operating loss before working capital change	(1,338)	(2,406)
Increase in amounts due to equity holders	3,008	1,252
Net cash generated from/(used in) operating activities	1,670	(1,154)
Cash flow from investing activity		
Purchase of property, plant and equipment	—	(226)
Net cash used in investing activity	—	(226)
Cash flow from financing activity		
Cash capital injection from equity holders	—	1,380
Net cash generated from financing activity	—	1,380
Net increase in cash and cash equivalents	1,670	—
Cash and cash equivalents at the beginning of the period	—	—
Cash and cash equivalents at the end of the period	1,670	—

II NOTES ON THE FINANCIAL INFORMATION

1 Basis of Presentation

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by HKICPA.

The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 Adoption of new or amended HKFRSs

ACMC has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of ACMC anticipate that the adoption of such HKFRSs will not result in material financial impact on the Financial Information of ACMC:

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) Interpretation 11	Group and Treasury Share Transactions[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007

3 Summary of Significant Accounting Policies

3.1 *Basis of preparation*

The Financial Information has been prepared on the historical cost basis except for the revaluation of certain financial liabilities. The measurement bases are fully described in the accounting policies below.

HKFRS 1, "First-time Adoption of Hong Kong Financial Reporting Standards", has been applied in preparing the Financial Information. The Financial Information is the first set of financial statements prepared in accordance with HKFRSs.

Reconciliation and description of the effect of the transaction from PRC GAAP to HKFRSs on ACMC's total equity and loss for the periods are set out in note 20.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. 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 Information, are disclosed in note 4.

In preparing the Financial Information, the directors of ACMC have given consideration to the future liquidity of ACMC in light of its net liabilities and deficit in equity of approximately RMB4,775,000 and RMB3,410,000 as at 31 July 2007 and 31 December 2006 respectively and loss of approximately RMB1,365,000 and RMB7,410,000 for the seven months ended 31 July 2007 and period from 19 October 2006 (date of establishment) to 31 December 2006 respectively. Notwithstanding this, the Financial Information has been prepared on a going concern basis on the assumption that ACMC will continue to operate as a going concern. The going concern basis has been adopted on the basis of the undertaking made by the equity holders to provide continual financial support to ACMC and not to demand for repayment of the amount due from ACMC until such time when repayment will not affect ACMC 's ability to repay other creditors in the normal course of business.

Should ACMC be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets. These adjustments have not been reflected in the Financial Information.

3.2 ***Foreign currency translation***

The Financial Information is presented in Renminbi (RMB), which is also the functional currency of ACMC.

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

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

3.3 ***Property, plant and equipment***

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

The cost of an item of property, plant and equipment comprises its purchase price and any other directly attributable costs of bringing the assets to the working condition and location for its intended use.

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 ACMC and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statements during the financial period in which they are incurred.

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

Motor vehicle	5 years
Computer	3 years

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

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

3.4 ***Intangible asset***

Intangible asset acquired separately is recognised initially at cost. After initial recognition, intangible asset with finite useful lives is carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible asset with finite useful lives is provided on straight-line basis over their estimated useful lives.

3.5 ***Exploration assets***

Exploration assets are stated at cost of acquiring exploration licence less accumulated amortisation and impairment losses. The exploration assets are amortised over the term of the licence.

3.6 ***Impairment of assets***

Property, plant and equipment is subject to impairment testing. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under ACMC's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their presented value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

3.7 ***Cash and cash equivalents***

Cash and cash equivalents include cash at bank.

3.8 ***Paid-up capital***

Paid-up capital is classified as equity.

3.9 ***Financial liabilities***

ACMC's financial liabilitiy includes amounts due to equity holders.

Financial liability is recognised when ACMC becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statements.

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

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

Amounts due to equity holders are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.10 ***Taxation***

Income tax comprises current tax and deferred tax.

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.11 ***Provisions and contingent liabilities***

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

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

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

3.12 ***Segment reporting***

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

3.13 ***Related party transactions***

A party is considered to be related to ACMC if:

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

(i) controls, is controlled by, or is under common control with, ACMC;

(ii) has an interest in the entity that gives it significant influence over ACMC; or

(iii) has joint control over ACMC;

(b) the party is an associate of ACMC;

(c) the party is a jointly-controlled entity of ACMC;

(d) the party is a member of the key management personnel of ACMC;

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

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

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

4 **Critical Accounting Estimates and Assumptions**

ACMC makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Material estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of ACMC within the next financial year are discussed below:

Impairment of intangible asset

Management of ACMC determines whether intangible asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit in which the intangible asset is allocated.

Estimating the value in use requires ACMC to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5 **Revenue**

ACMC did not generate any revenue during the Relevant Periods.

6 **Segment Information**

No separate analysis of segment information by business or geographical segments is presented as ACMC's sole business is to hold the exploration licences during the Relevant Periods. ACMC operates within one geographical segment and all its assets and liabilities and capital expenditure are located in the PRC.

7 **Employee Benefit Expenses (Including Directors' Emoluments)**

	Seven months ended 31 July 2007	Period from 19 October 2006 (date of establishment) to 31 December 2006
	RMB'000	*RMB'000*
Wages and salaries and benefits in kind	149	361

a) ***Directors' and senior management's emoluments***

The remuneration of the directors for the seven months ended 31 July 2007 is set out below:

	Fees	Salaries and benefits in kind	Total
	RMB'000	*RMB'000*	*RMB'000*
Name of director			
Zhang Xiuhua	—	1	1
Chen Minhua	—	9	9
Total	—	10	10

The remuneration of the sole director for the period from 19 October 2006 (date of establishment) to 31 December 2006 is set out below:

	Fees	Salaries and benefits in kind	Total
	RMB'000	*RMB'000*	*RMB'000*
Name of director			
Zhang Xiuhua	—	29	29
Total	—	29	29

No directors waived or agreed to waive any emoluments in respect of the Relevant Periods.

b) ***Five highest paid individuals***

Of the five highest paid individuals, one was director of ACMC for the Relevant Periods and her remuneration has been included in the Directors' remuneration. Details of the remuneration of the remaining highest paid individuals are as follows:

	Seven months ended 31 July 2007	**Period from 19 October 2006 (date of establishment) to 31 December 2006**
	RMB'000	*RMB'000*
Wages and salaries and benefits in kind	39	110

During the Relevant Periods, no emolument was paid by ACMC to the directors as an inducement to join or upon joining ACMC, or as compensation for loss of office.

8 **Taxation**

No provision for PRC income tax has been made in this Financial Information as ACMC did not generate any taxable income subject to taxation during the Relevant Periods.

Reconciliation between income tax expense and accounting loss at applicable tax rate is as follows:

	Seven months ended 31 July 2007	**Period from 19 October 2006 (date of establishment) to 31 December 2006**
	RMB'000	*RMB'000*
Loss before taxation	(1,365)	(7,410)
Tax on loss before taxation calculated at the statutory tax rate of 33%	(450)	(2,445)
Tax effect of the tax losses not recognised	450	2,445
Taxation	—	—

No deferred tax asset has been recognised due to the uncertainty of future taxable income.

9 **Loss per Share**

No loss per share is presented as the paid-up capital of ACMC is not divisible into per share basis for calculation purpose.

10 **Property, plant and equipment**

	Motor Vehicle	**Computer**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Period ended 31 December 2006			
Additions	222	4	226
Depreciation charge for the period	(4)	—	(4)
Closing net book amount	218	4	222
At 31 December 2006			
Cost	222	4	226
Accumulated depreciation	(4)	—	(4)
Net book amount	218	4	222
Period ended 31 July 2007			
Opening net book amount	218	4	222
Depreciation charge for the period	(26)	(1)	(27)
Closing net book amount	192	3	195
At 31 July 2007			
Cost	222	4	226
Accumulated depreciation	(30)	(1)	(31)
Net book amount	192	3	195

11 **Exploration assets**

On 27 July 2007, 內蒙古自治區阿巴嘎旗巴彥查干鎮 ("Ba Yan Cha Gan County, Abagaqi, Inner Mongolia Autonomous Region") (for identification purpose only), the local government in Inner Mongolia, the PRC, has granted ACMC the exploration licence for conducting geographical exploration over the Ji Ri Ga Lang Coal Mine in Abagaqi, Inner Mongolia, the PRC, for the period up to 9 June 2009 which cover an exploration area of 132.23 square kilometres.

Exploration assets represented the cost incurred on the geographical exploration work and the related tax, and charges for the exploration licence.

12 **Intangible asset**

	Construction permit
	RMB'000
Period ended 31 December 2006	
Cost incurred	5,000
Impairment	(5,000)
Closing net book amount	—
At 31 December 2006	
Cost	5,000
Accumulated impairment	(5,000)
Net book amount	—
Period ended 31 July 2007	
Opening net book amount	—
Additions	—
Amortisation charge for the period	—
Closing net book amount	—
At 31 July 2007	
Cost	—
Accumulated amortisation	—
Net book amount	—

The cost incurred for the construction permit with value of RMB5 million, invested as assets by the equity holders at the date of establishment, represents the land occupied fee and movement fee paid to the local authority for the construction permit and then for the land use right when the construction work has been completed. In December 2006, the construction permit was expired and the director of ACMC decided not to develop the construction project. As a result, the intangible asset has been fully impaired.

13 **Amounts due to equity holders**

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

14 **Paid-up Capital**

	As at 31 July 2007	**As at 31 December 2006**
	RMB'000	*RMB'000*
Registered capital	4,000	4,000
Paid-up capital		
Capital contribution from equity holders		
Cash	1,380	1,380
Capitalisation of intangible asset injected	5,000	5,000
Excess of the value of intangible asset injected over the registered capital	(2,380)	(2,380)
	4,000	4,000

ACMC was established in the PRC on 19 October 2006 as a limited liability company with a registered capital of RMB4,000,000. The paid-up capital has been verified by 錫盟永信會計師事務所 ("Ximeng Yong Xin Certified Public Accountant") (for identification purpose only) by a capital verification report dated 9 October 2006 (錫永信驗字 (2006) 第 95號) ("Xi Yong Xin Yan Zi (2006) Number 95") (for identification purpose only).

15 **Accumulated losses**

ACMC's accumulated losses and the movements therein for the Relevant Periods are presented in the statements of changes in equity in Section I of the Financial Information.

16 **Commitments**

ACMC has no material commitments as at 31 July 2007 and 31 December 2006.

17 **Contingent Liabilities**

ACMC has no material contingent liabilities as at 31 July 2007 and 31 December 2006.

18 **Related Party Transactions**

ACMC has no material related party transactions for the Relevant Periods.

19 **Financial Risk Management Objectives And Policies**

ACMC is exposed to a variety of financial risks which result from both its operating and investing activities. ACMC's management is in close cooperation with the board of directors, and focuses on minimising the exposure to financial markets. The most significant financial risks to which ACMC is exposed to are described below:

Foreign currency risk

ACMC has not taken any currency hedge as currently ACMC has no financial assets and liabilities denominated in foreign currencies other than RMB.

Fair value estimation

The fair value of ACMC's current financial liability is not materially different from its carrying amount because of the immediate or short term maturity.

Liquidity risk

As mentioned in Section II note 3, the going concern basis of ACMC has been adopted on the basis of undertaking from ACMC's equity holders to provide continual financial support to ACMC and not to demand for repayment of the amounts due from ACMC until such time when repayment will not affect ACMC's ability to repay other creditors in the normal course of business. The director of ACMC is satisfied that ACMC will be able to meet its financial obligations as they fall due in the foreseeable future.

20 **Summary of differences between HKFRSs and PRC GAAP**

The financial statements prepared under HKFRSs, and those prepared under PRC GAAP has the major difference on pre-operating expenses, which are capitalised under PRC GAAP, while pre-operating expenses are charged to income statements as incurred under HKFRSs.

The adjustments arising from difference between HKFRSs and PRC GAAP and impact on the financial results and total equity are summarised as follows:

	As at 31 July 2007	**As at 31 December 2006**
	RMB'000	*RMB'000*
Total equity under PRC GAAP	(1,031)	(1,004)
Adjustment for different accounting treatment on pre-operating expenses	(3,744)	(2,406)
Total equity under HKFRSs	(4,775)	(3,410)

	Seven months ended 31 July 2007	Period from 19 October 2006 (date of establishment) to 31 December 2006
	RMB'000	*RMB'000*
Loss for the period under PRC GAAP	(27)	(5,004)
Adjustment for different accounting treatment on pre-operating expenses	(1,338)	(2,406)
Loss for the period under HKFRSs	(1,365)	(7,410)

21 **Post Balance Sheet Events**

There is no material post balance sheet events subsequent to 31 July 2007.

22 **Subsequent Financial Statements**

No audited financial statements have been prepared for ACMC in respect of any period subsequent to 31 July 2007.

Yours faithfully

Grant Thornton
Certified Public Accountants
Hong Kong

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

22 November 2007

The Directors
Regent Pacific Group Limited
Suite 1401, Henley Building
5 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Yuke Coal Limited ("**Yuke Coal**") including the balance sheet of Yuke Coal as at 31 July 2007, income statement, cash flow statement and statement of changes in equity for the period from 29 November 2006 (being the date of incorporation) to 31 July 2007 (the "**Relevant Period**") and notes thereto (the "**Financial Information**") prepared for inclusion in the circular of Regent Pacific Group Limited (the "**Company**") dated 22 November 2007 (the "**Circular**") in connection with its proposed very substantial transaction involving issue of consideration shares : proposed acquisitions of CCEC Ltd. and certain mining assets in the Peoples' Republic of China (the "**PRC**") (the "**Acquisition**").

Pursuant to the Yuke Coal Option Agreement dated 31 August 2007, as detailed in subsection headed "Details of the Yuke Project" in Letter from the Board of the Circular, CCEC holds an option to acquire the entire issued share capital of Yuke Coal at a consideration of RMB20,000,000.

Yuke Coal was incorporated in Hong Kong with limited liability on 29 November 2006 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each. The registered office of Yuke Coal is located at Room 305-306, Hang Bong Commercial Centre, 28 Shanghai Street, Jordon, Kowloon, Hong Kong. Yuke Coal is established to hold the rights of certain coal exploration licences and in seeking investment opportunities in the coal mining sector in the PRC.

Yuke Coal has adopted 31 December as its financial year end. No audited statutory financial statements of Yuke Coal have been prepared since its date of incorporation.

For the purpose of this report, the director of Yuke Coal has prepared financial statements of Yuke Coal for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), (the "**Underlying Financial Statements**"). We have, for the purpose of this report, carried out independent audit procedures on the Underlying Financial Statements of Yuke Coal for the Relevant Period, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information as set out in this report has been prepared by the director of Yuke Coal based on the Underlying Financial Statements and in accordance with all applicable HKFRSs. For the purpose of this report, we have examined the Financial Information of Yuke Coal and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The director of Yuke Coal is responsible for the preparation of the Financial Information and the Underlying Financial Statements which are prepared in accordance with accounting principles generally accepted in Hong Kong and which gives a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information and the Underlying Financial Statements which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Yuke Coal as at 31 July 2007 and of its results and cash flows for the Relevant Period.

I FINANCIAL INFORMATION

INCOME STATEMENT
FOR THE PERIOD FROM 29 NOVEMBER 2006 (DATE OF INCORPORATION) TO 31 JULY 2007

	Notes	*US$'000*
Revenue	5	—
Finance cost	8	21
Loss before taxation		(21)
Taxation	9	—
Loss for the period		(21)
Loss per share	10	
-Basic		(21)
-Diluted		N/A

BALANCE SHEET
AS AT 31 JULY 2007

	Notes	*US$'000*
Current assets		
Cash at bank		1
Deposit	11	650
		651
Current liabilities		
Accruals		(21)
Amount due to a shareholder	12	(1)
Loan payable	13	(650)
		(672)
Net current liabilities, total assets less current liabilities and net liabilities		(21)
Equity		
Share capital	14	—
Accumulated loss	15	(21)
Total equity		(21)

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 29 NOVEMBER 2006 (DATE OF INCORPORATION) TO 31 JULY 2007

	Share capital	Accumulated loss	Total
	US$'000	*US$'000*	*US$'000*
At 29 November 2006 (date of incorporation)	—	—	—
Loss for the period	—	(21)	(21)
Total recognised income and expense for the period	—	(21)	(21)
At 31 July 2007	—	(21)	(21)

CASH FLOW STATEMENT
FOR THE PERIOD FROM 29 NOVEMBER 2006 (DATE OF INCORPORATION) TO 31 JULY 2007

	US$'000
Cash flow from operating activities	
Loss before taxation	(21)
Adjustment for:	
Finance cost	21
Operating result before working capital change	—
Increase in amount due to a shareholder	1
Net cash generated from operating activities	1
Cash flow from investing activity	
Deposit paid for acquisition of exploration licences	(650)
Net cash used in investing activity	(650)
Cash flow from financing activity	
New loan	650
Net cash generated from financing activity	650
Net increase in cash and cash equivalents	1
Cash and cash equivalents at the beginning of the period	—
Cash and cash equivalents at the end of the period	1

II NOTES ON THE FINANCIAL INFORMATION

1 Basis of Presentation

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by HKICPA.

The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Yuke Coal has not carried out any business from 29 November 2006 (date of incorporation) to 31 December 2006. Accordingly no Financial Information is presented as at 31 December 2006.

2 Adoption of new or amended HKFRSs

Yuke Coal has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of Yuke Coal anticipate that the adoption of such HKFRSs will not result in material financial impact on the Financial Information of Yuke Coal:

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) Interpretation 11	Group and Treasury Share Transactions[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007

3 Summary of Significant Accounting Policies

3.1 *Basis of preparation*

The Financial Information has been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities. The measurement bases are fully described in the accounting policies below.

HKFRS 1, "First-time Adoption of Hong Kong Financial Reporting Standards", has been applied in preparing the Financial Information. The Financial Information is the first set of financial statements prepared in accordance with HKFRSs.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. 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 Information, are disclosed in note 4.

In preparing the Financial Information, the director of Yuke Coal has given consideration to the future liquidity of Yuke Coal in light of its net liabilities and deficit in equity of approximately US$21,000 as at 31 July 2007 and loss of approximately US$21,000 for the period ended 31 July 2007. Notwithstanding this, the Financial Information has been prepared on a going concern basis on the assumption that Yuke Coal will continue to operate as a going concern. The going concern basis has been adopted on the basis of the undertaking made by CCEC not to demand repayment of loan due from Yuke Coal until such time when repayment will not affect Yuke Coal's ability to repay other creditors in the normal course of business and of the undertaking from the shareholders of Yuke Coal to provide continual financial support to Yuke Coal.

Should Yuke Coal be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amount and to provide for any further liabilities which might arise. These adjustments have not been reflected in the Financial Information.

3.2 ***Foreign currency translation***

The Financial Information is presented in United States Dollar (US$), which is also the functional currency of Yuke Coal.

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

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

3.3 ***Impairment of assets***

All assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under Yuke Coal's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

3.4 ***Financial assets***

Yuke Coal's financial asset includes deposit which is classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when Yuke Coal becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

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

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

Impairment of financial assets

At balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

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

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

3.5 ***Cash and cash equivalents***

Cash and cash equivalents include cash at bank.

3.6 ***Share capital***

Ordinary share is classified as equity. Share capital is determined using the nominal value of a share that has been issued.

3.7 ***Financial liabilities***

Yuke Coal's financial liabilities include accruals, amount due to a shareholder and loan payable.

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

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

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

Accruals, amount due to a shareholder and loan payable are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.8 ***Taxation***

Income tax comprises current tax and deferred tax.

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.9 ***Provisions and contingent liabilities***

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

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

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

3.10 ***Segment reporting***

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

3.11 ***Related party transactions***

A party is considered to be related to Yuke Coal if:

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

(i) controls, is controlled by, or is under common control with, Yuke Coal;

(ii) has an interest in the entity that gives it significant influence over Yuke Coal; or

(iii) has joint control over Yuke Coal;

(b) the party is an associate of Yuke Coal;

(c) the party is a jointly-controlled entity of Yuke Coal ;

(d) the party is a member of the key management personnel of Yuke Coal;

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

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

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

4 Critical Accounting Estimates and Assumptions

Yuke Coal makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Yuke Coal does not have any material 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.

5 Revenue

Yuke Coal did not generate any revenue during the Relevant Period.

6 Segment Information

No separate analysis of segment information by business or geographical segments is presented as Yuke Coal's sole business is to hold the exploration licences during the Relevant Period. Yuke Coal operates within one geographical segment and all its assets and liabilities and capital expenditure are located in the PRC.

7 Director's emoluments

The sole director of Yuke Coal did not receive any fees or emoluments in respect of his services of Yuke Coal during the Relevant Period.

8 **Finance Cost**

	US$'000
Interest on loan payable (note 13)	21

9 **Taxation**

No provision for Hong Kong profits tax has been made in this Financial Information as Yuke Coal did not generate any assessable profits in Hong Kong during the Relevant Period.

Reconciliation between income tax expense and accounting loss at applicable tax rate is as follows:

	US$'000
Loss before taxation	(21)
Tax on loss before taxation calculated at the statutory tax rate of 17.5%	(4)
Tax effect of non-deductible expenses	4
Taxation	—

No deferred tax assets/liabilities have been recognised in the Financial Information as there was no temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the Financial Information and their respective tax bases.

10 **Loss per Share**

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

	US$'000
Loss	
Loss attributable to equity holder of Yuke Coal, used to determine basic loss per share	(21)
Number of shares	
Weighted average number of ordinary share, used to determine basic loss per share	1

Yuke Coal had no dilutive potential ordinary shares for the Relevant Period.

11 **Deposit**

On 8 August 2007, a contract was concluded and signed for the acquisition of four exploration licences with the total transfer price of Renminbi ("**RMB**") 158 million (equivalent to approximately US$21,067,000) of which RMB5 million (equivalent to US$650,000) was paid on 14 March 2007 as a deposit.

The fair value of the deposit was the same as stated in the balance sheet.

12 **Amount due to a Shareholder**

The amount is unsecured, interest-free and repayable on demand.

13 **Loan Payable**

On 24 August 2007, a loan agreement was concluded and signed between Yuke Coal and CCEC, an unrelated third party, on which CCEC has agreed to provide Yuke Coal with a loan totaling US$5,000,000, provided in instalments, for the purpose of paying a portion of the total transfer price for the acquisition of four exploration licences.

Interest on the loan is charged at 6-month LIBOR plus 3%, or at 10% in the event of default. The loan and interest is payable on demand or otherwise in instalments within 12 months from being drawn down. Security for the loan is to be provided if requested by CCEC. As at 31 July 2007 and at the date of this report, no security has been requested by CCEC. As well as standard events of default, in the event that Yuke Coal receives any portion of the transfer price back as a result of the acquisition of these exploration licences not proceeding or any other reason whatsoever, the loan becomes immediately due and payable.

As at 31 July 2007, Yuke Coal has drawn down US$650,000 of the loan to finance the payment of deposit (note 11).

14 **Share Capital**

	US$'000
Authorised	
10,000 ordinary shares of HK$1 each	1
Issued and fully paid	
1 ordinary share of HK$1 each	—

1 ordinary share of HK$1 each was issued at par on 29 November 2006, date of incorporation.

15 **Accumulated loss**

Yuke Coal's accumulated loss and the movement therein for the Relevant Period is presented in the statement of changes in equity in Section I of the Financial Information.

16 **Capital Commitments**

	US$'000
Contracted but not provided for the acquisition of four exploration licences	20,417

17 **Contingent Liabilities**

Yuke Coal has no material contingent liabilities as at 31 July 2007.

18 **Related Party Transaction**

Yuke Coal has no material related party transactions for the Relevant Period.

19 **Financial Risk Management Objectives And Policies**

Yuke Coal is exposed to a variety of financial risks which result from both its operating and investing activities. Yuke Coal'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 Yuke Coal is exposed to are described below:

Foreign currency risk

Yuke Coal does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rate between RMB and US$.

Credit risk

The carrying amount of deposit represents Yuke Coal's maximum exposure to credit risk in relation to its financial assets. This financial asset is actively monitored to avoid significant concentrations of credit risk. No other financial assets carry a significant exposure to credit risk.

Interest rate risk

Yuke Coal's exposure to changes in interest rates is mainly attributable to its loan payable. Loan payable at variable interest rates exposes Yuke Coal to cash flow interest rate risk. Details of Yuke Coal's loan payable is disclosed in note 13.

Fair value estimation

The fair value of Yuke Coal's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

Liquidity risk

As mentioned in Section II note 3, the going concern basis of Yuke Coal has been adopted on the basis of undertaking from CCEC not to demand repayment of loan due from Yuke Coal until such time when repayment will not affect Yuke Coal's ability to repay other creditors in the normal course of business and of the undertaking from the shareholder of Yuke Coal to provide continual financial support to Yuke Coal. The director of Yuke Coal is satisfied that Yuke Coal will be able to meet its financial obligations as they fall due in the foreseeable future.

20 **Post Balance Sheet Events**

On 8 August 2007, a contract was concluded and signed for the acquisition of four exploration licences with the total transfer price of RMB158 million (equivalent to approximately US$21,067,000).

On 24 August 2007, a loan agreement was concluded and signed between Yuke Coal and CCEC on which CCEC has agreed to provide Yuke Coal with a loan totaling US$5,000,000, provided in instalments, for the purpose of paying a portion of the total transfer price for the acquisition of four exploration licences.

On 17 August 2007, Yuke Coal has drawn down an additional amount of US$3,970,000 of the loan referred to in note 13 and the same amount was paid as the partial payment for the acquisition of four exploration licences.

21 **Subsequent Financial Statements**

No audited financial statements have been prepared for Yuke Coal in respect of any period subsequent to 31 July 2007.

Yours faithfully

Grant Thornton
Certified Public Accountants
Hong Kong

Grant Thornton
均富會計師行

Certified Public Accountants
Member of Grant Thornton International

13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

22 November 2007

The Directors
Regent Pacific Group Limited
Suite 1401, Henley Building
5 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Yunnan Dawei Ammonia Co., Ltd ("**Project 3**") including the balance sheets of Project 3 as at 31 December 2005 and 2006 and 31 July 2007, income statements, cash flow statements and statements of changes in equity for the periods from 29 March 2005 (being the date of establishment) to 31 December 2005 and year ended 31 December 2006 and the seven months ended 31 July 2007 (the "**Relevant Periods**") and notes thereto (the "**Financial Information**"), together with the unaudited financial information of Project 3 including the income statement, cash flow statement and statement of changes in equity for the seven months ended 31 July 2006 (the "**31 July 2006 Corresponding Information**"), for inclusion in the circular of Regent Pacific Group Limited (the "**Company**") dated 22 November 2007 (the "**Circular**") in connection with its proposed very substantial transaction involving issue of consideration shares: proposed acquisitions of CCEC Ltd. and certain mining assets in the Peoples' Republic of China (the "**PRC**") (the "**Acquisition**").

Project 3 was established in the PRC with limited liability on 29 March 2005 with a registered capital of RMB320,000,000. The registered office and principal place of business of Project 3 is at Huashan Industrial Zone, Zhanyi County, Qujing City, Yunnan Province, PRC. Project 3 has been designed for annual production of 500,000 tonnes of synthetic ammonium and the construction work of Project 3's facilities are expected to be completed by December 2007.

Project 3 has adopted 31 December as its financial year end. The statutory financial statements of Project 3 were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC. The statutory financial statements of Project 3 for the period from 29 March 2005 (date of establishment) to 31 December 2005 and year ended 31 December 2006 were audited by 亞太中滙會計師事務所有限公司 (Yatai-Zhonghui Certified Public Accountants Co., Ltd) (for identification purpose only), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for the seven months ended 31 July 2007.

For the purpose of this report, the directors of Project 3 have prepared financial statements of Project 3 for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), (the "**Underlying Financial Statements**"). We have, for the purpose of this report, carried out independent audit procedures on the financial statements of Project 3 for the Relevant Periods, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information as set out in this report has been prepared by the directors of Project 3 based on the Underlying Financial Statements and in accordance with all applicable HKFRSs. For the purpose of this report, we have examined the Financial Information of Project 3 and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of Project 3 are responsible for the preparation of the Financial Information and the Underlying Financial Statements which are prepared in accordance with accounting principles generally accepted in Hong Kong and which gives a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information and the Underlying Financial Statements which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

Opinion

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Project 3 as at 31 December 2005 and 2006 and 31 July 2007 and of its results and cash flows for each of the Relevant Periods.

For the purpose of this report, we have reviewed the 31 July 2006 Corresponding Information, which are prepared in accordance with accounting policies generally accepted in Hong Kong and for which the directors of Project 3 are responsible, in accordance with Hong Kong Standards on Review Engagements 2400 "Engagement to Review Financial Statements" issued by the HKICPA. Our review consisted principally of making enquires of management and applying analytical procedures to the 31 July 2006 Corresponding Information and based thereon assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 July 2006 Corresponding Information.

For the purpose of this report and on the basis of our review of the 31 July 2006 Corresponding Information, which does not constitute an audit, we are not aware of any material modifications that should be made to the unaudited 31 July 2006 Corresponding Information.

I FINANCIAL INFORMATION

INCOME STATEMENTS

	Notes	Seven months ended 31 July 2007	(Unaudited) Seven months ended 31 July 2006	Year ended 31 December 2006	Period from 29 March 2005 (date of establishment) to 31 December 2005
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	5	—	—	—	—
Expenses					
Employee benefits expenses	8	(3,452)	(1,631)	(8,759)	(1,657)
Other operating expenses		(2,224)	(2,241)	(4,893)	(2,544)
Loss before taxation	7	(5,676)	(3,872)	(13,652)	(4,201)
Taxation	9	—	—	—	—
Loss for the period/year		(5,676)	(3,872)	(13,652)	(4,201)

BALANCE SHEETS

	Notes	As at 31 July 2007 RMB'000	As at 31 December 2006 RMB'000	As at 31 December 2005 RMB'000
Non-current assets				
Property, plant and equipment	11	1,614	1,537	701
Construction in progress	12	2,449,620	1,790,602	818,212
Land use right	13	21,770	21,591	18,694
		2,473,004	1,813,730	837,607
Current assets				
Cash and bank balances	14	355,977	12,227	6,302
Inventories	15	7,803	2,109	—
Prepayments and other receivables	16	14,502	11,143	29,350
Loan to a fellow subsidiary	17	100,000	—	—
Amount due from ultimate holding company	18	—	19,500	—
Amount due from a fellow subsidiary	18	19	—	—
		478,301	44,979	35,652
Current liabilities				
Payables to contractors		(79,575)	(52,538)	(14,447)
Accruals and other payables	19	(20,174)	(5,050)	(1,235)
Loan from ultimate holding company	20	(100,000)	(300,000)	(150,000)
Loan from a fellow subsidiary	21	—	(564,990)	(306,700)
Amount due to ultimate holding company	18	—	(97,500)	—
Amounts due to fellow subsidiaries	18	(13,775)	(95,174)	(85,078)
Bank loan	22	(180,000)	—	—
		(393,524)	(1,115,252)	(557,460)
Net current assets/ (liabilities)		84,777	(1,070,273)	(521,808)
Total assets less current liabilities		2,557,781	743,457	315,799
Non-current liability				
Bank loan	22	(1,820,000)	—	—
Net assets		737,781	743,457	315,799
Equity				
Paid-up capital	23	761,310	761,310	320,000
Accumulated losses	24	(23,529)	(17,853)	(4,201)
Total equity		737,781	743,457	315,799

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 29 March 2005 (date of establishment)	320,000	—	320,000
Loss for the period	—	(4,201)	(4,201)
Total recognised income and expense for the period	—	(4,201)	(4,201)
At 31 December 2005 and 1 January 2006	320,000	(4,201)	315,799
Loss for the year	—	(13,652)	(13,652)
Total recognised income and expense for the year	—	(13,652)	(13,652)
Increase of capital	441,310	—	441,310
At 31 December 2006 and 1 January 2007	761,310	(17,853)	743,457
Loss for the period	—	(5,676)	(5,676)
Total recognised income and expense for the period	—	(5,676)	(5,676)
At 31 July 2007	761,310	(23,529)	737,781

CASH FLOW STATEMENTS

	Note	Seven months ended 31 July 2007 RMB'000	(Unaudited) Seven months ended 31 July 2006 RMB'000	Year ended 31 December 2006 RMB'000	Period from 29 March 2005 (date of establishment) to 31 December 2005 RMB'000
Cash flows from operating activities					
Loss before taxation		(5,676)	(3,872)	(13,652)	(4,201)
Adjustment for					
Depreciation of property, plant and equipment		99	60	102	44
Operating loss before working capital changes		(5,577)	(3,812)	(13,550)	(4,157)
Increase in inventories		(5,694)	—	(2,109)	—
(Increase)/Decrease in prepayments and other receivables		(3,359)	27,351	18,207	(29,350)
Decrease/(Increase) in amount due from ultimate holding company		19,500	—	(19,500)	—
Increase in amount due from a fellow subsidiary		(19)	—	—	—
Increase in payables to contractors		27,037	17,218	38,091	14,447
Increase/(Decrease) in accruals and other payables		15,124	(261)	3,815	1,235
(Decrease)/Increase in amount due to ultimate holding company		(97,500)	97,500	97,500	—
(Decrease)/Increase in amounts due to fellow subsidiaries		(81,399)	—	60,096	85,078
Cash (used in)/generated from operations		(131,887)	137,996	182,550	67,253
Income tax paid		—	—	—	—
Net cash (used in)/generated from operating activities		(131,887)	137,996	182,550	67,253

	Note	Seven months ended 31 July 2007 RMB'000	(Unaudited) Seven months ended 31 July 2006 RMB'000	Year ended 31 December 2006 RMB'000	Period from 29 March 2005 (date of establishment) to 31 December 2005 RMB'000
Cash flows from investing activities					
Purchase of property, plant and equipment		(176)	(469)	(938)	(745)
Payment made for the construction in progress		(658,757)	(560,351)	(971,990)	(564,669)
Payment made for the land use right		(440)	(38)	(3,297)	(18,973)
Net cash used in investing activities		(659,373)	(560,858)	(976,225)	(584,387)
Cash flows from financing activities					
Capital injection from equity holders		—	—	120,000	66,736
Loan to a fellow subsidiary		(100,000)	—	—	—
(Repayment of loan)/ Loan from ultimate holding company		(200,000)	150,000	300,000	150,000
(Repayment of loan)/ Loan from a fellow subsidiary		(564,990)	343,767	379,600	306,700
New bank loan		2,000,000	—	—	—
Net cash generated from financing activities		1,135,010	493,767	799,600	523,436
Net increase in cash and cash equivalents		343,750	70,905	5,925	6,302
Cash and cash equivalents at the beginning of the period/year		12,227	6,302	6,302	—
Cash and cash equivalents at the end of the period/year	14	355,977	77,207	12,227	6,302

II NOTES ON THE FINANCIAL INFORMATION

1 Basis of Presentation

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by HKICPA.

The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 Adoption of new or amended HKFRSs

Project 3 has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of Project 3 anticipate that the adoption of such HKFRSs will not result in material financial impact on the Financial Information of Project 3:

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) Interpretation 11	Group and Treasury Share Transactions[2]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 March 2007

3 Summary of Significant Accounting Policies

3.1 *Basis of preparation*

The Financial Information has been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities. The measurement bases are fully described in the accounting policies below.

Reconciliation and description of the effect of the transaction from PRC GAAP to HKFRSs on Project 3's total equity and loss for the periods are set out in note 30.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. 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 Information, are disclosed in note 4.

3.2 *Foreign currency translation*

The Financial Information is presented in Renminbi (RMB), which is also the functional currency of Project 3.

Foreign currency transactions are translated into the functional currency of Project 3 using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statements.

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

3.3 ***Property, plant and equipment***

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

The cost of an item of property, plant and equipment comprises its purchase price and any other directly attributable costs of bringing the assets to the working condition and location for its intended use.

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 Project 3 and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statements during the financial period in which they are incurred.

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

Motor vehicle	12 years
Computer equipment	8 years
Other equipment	10-12 years

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

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

3.4 ***Construction in progress***

Construction in progress represents property, plant and equipment under construction and equipment pending installation and is stated at cost less impairment losses (see note 3.6). Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are complete.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

3.5 ***Land use right***

Land use right acquired separately is recognised initially at cost. After initial recognition, land use right is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for land use right is provided on straight-line basis over their estimated useful lives. All amortisation charges are capitalised in construction in progress. Capitalisation ceased when the construction completed and the buildings and assets are substantially ready for use, and then the amortisation charges are recognised as expenses in the income statements.

3.6 ***Impairment of assets***

Property, plant and equipment, construction in progress and land use right are subject to impairment testing.

All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under Project 3's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their presented value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

3.7 ***Financial assets***

Project 3's financial assets include prepayments and other receivables, loan to a fellow subsidiary, amount due from ultimate holding company and amount due from a fellow subsidiary. These are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when Project 3 becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

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

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

Impairment of financial assets

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

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

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

3.8 ***Cash and cash equivalents***

Cash and cash equivalents include cash at bank and in hand and fixed deposits with banks with original maturities of three months or less.

3.9 ***Inventories***

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct material, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

3.10 ***Paid-up capital***

Paid-up capital is classified as equity.

3.11 ***Financial liabilities***

Project 3's financial liabilities include bank loan, payables to contractors, accruals and other payables, loan from ultimate holding company, loan from a fellow subsidiary, amount due to ultimate holding company and amounts due to fellow subsidiaries.

Financial liabilities are recognised when Project 3 becomes a party to the contractual provisions of the instrument. All interest related charges directly attributable to the construction in progress are capitalised as part of the cost. Capitalisation of such interest related charges ceased when the assets are substantially ready for their intended use or sale and the then interest related charges are recognised as an expense in finance costs in the income statements.

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

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

Bank loan

Bank loan is recognised initially at fair value, net of transaction costs incurred. Bank loan is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statements over the period of the bank loan using the effective interest method.

Bank loan is classified as current liabilities unless Project 3 has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet.

Payables to contractors, accruals and other payables, loan from ultimate holding company, loan from a fellow subsidiary, amount due to ultimate holding company and amounts due to fellow subsidiaries

Payables to contractors, accruals and other payables, loan from ultimate holding company, loan from a fellow subsidiary, amount due to ultimate holding company and amounts due to fellow subsidiaries are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.12 ***Taxation***

Income tax comprises current tax and deferred tax.

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.13 ***Employee benefits***

Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the income statements as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

3.14 ***Provisions and contingent liabilities***

Provisions are recognised when Project 3 has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Project 3 are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.15 ***Segment reporting***

In accordance with Project 3's internal financial reporting, Project 3 has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

3.16 ***Related party transactions***

A party is considered to be related to Project 3 if:

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

(i) controls, is controlled by, or is under common control with, Project 3;

(ii) has an interest in the entity that gives it significant influence over Project 3; or

(iii) has joint control over Project 3;

(b) the party is an associate of Project 3;

(c) the party is a jointly-controlled entity of Project 3;

(d) the party is a member of the key management personnel of Project 3;

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

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

(g) the party is a post-employment benefit plan for the benefit of employees of Project 3, or of any entity that is a related party of Project 3.

4. **Critical Accounting Estimates and Assumptions**

Project 3 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Project 3 does not have any material 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.

5. **Revenue**

Project 3 did not generate any revenue during the Relevant Periods and seven months ended 31 July 2006.

6. **Segment Information**

No separate analysis of segment information by business or geographical segments is presented as Project 3 did not carry out any business during the Relevant Periods and seven months ended 31 July 2006. Project 3 operates within one geographical segment and all its assets and liabilities and capital expenditure are located in the PRC.

7. **Loss before Taxation**

	Seven months ended 31 July 2007	(Unaudited) Seven months ended 31 July 2006	Year ended 31 December 2006	Period from 29 March 2005 (date of establishment) to 31 December 2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss before taxation is arrived at after charging:				
Depreciation of owned property, plant and equipment	99	60	102	44

8. **Employee Benefit Expenses (Including Directors' Emoluments)**

	Seven months ended 31 July 2007	(Unaudited) Seven months ended 31 July 2006	Year ended 31 December 2006	Period from 29 March 2005 (date of establishment) to 31 December 2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wages and salaries, pensions and benefits in kind	3,452	1,631	8,759	1,657

a) ***Directors' and senior management's emoluments***

The remuneration of every director for the seven months ended 31 July 2007 is set out below:

	Fees	Salaries and benefits in kind	Total
	RMB'000	*RMB'000*	*RMB'000*
Name of director			
Zhang Yue Long	4	—	4
Liu Xin	4	42	46
Song Xiang Li	4	—	4
Yin Wei	4	—	4
Shen Li Qian	4	—	4
Li Hong	4	—	4
Total	24	42	66

The remuneration of every director for the seven months ended 31 July 2006 (unaudited) is set out below:

	Fees	Salaries and benefits in kind	Total
	RMB'000	*RMB'000*	*RMB'000*
Name of director			
Zhang Yue Long	—	—	—
Liu Xin	—	—	—
Song Xiang Li	—	—	—
Yin Wei	—	—	—
Shen Li Qian	—	—	—
Li Hong	—	—	—
Total	—	—	—

The remuneration of every director for the year ended 31 December 2006 is set out below:

	Fees	Salaries and benefits in kind	Total
	RMB'000	*RMB'000*	*RMB'000*
Name of director			
Zhang Yue Long	1	—	1
Liu Xin	1	373	374
Song Xiang Li	1	—	1
Yin Wei	1	—	1
Shen Li Qian	1	—	1
Li Hong	1	—	1
Total	6	373	379

The remuneration of every director for the period from 29 March 2005 (date of establishment) to 31 December 2005 is set out below:

	Fees	Salaries and benefits in kind	Total
	RMB'000	*RMB'000*	*RMB'000*
Name of director			
Zhang Yue Long	2	—	2
Liu Xin	2	309	311
Song Xiang Li	2	—	2
Yin Wei	2	—	2
Shen Li Qian	2	—	2
Li Hong	2	—	2
Total	12	309	321

No directors waived or agreed to waive any emoluments in respect of the Relevant Periods and seven months ended 31 July 2006.

b) ***Five highest paid individuals***

The five individuals whose emoluments were the highest in the Company included one director for the Relevant Periods and seven months ended 31 July 2006 whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals for the Relevant Periods and seven months ended 31 July 2006 are as follows:

	Seven months ended 31 July 2007	(Unaudited) Seven months ended 31 July 2006	Year ended 31 December 2006	Period from 29 March 2005 (date of establishment) to 31 December 2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wages and salaries, pensions and benefits in kind	252	74	605	360

During the Relevant Periods and seven months ended 31 July 2006, no emolument was paid by Project 3 to the directors as an inducement to join or upon joining Project 3, or as compensation for loss of office.

9. **Taxation**

No provision for PRC income tax has been made in this Financial Information as Project 3 did not generate any taxable income subject to taxation during the Relevant Periods and seven months ended 31 July 2006.

Reconciliation between income tax expense and accounting loss at applicable tax rate is as follows:

	Seven months ended 31 July 2007	(Unaudited) Seven months ended 31 July 2006	Year ended 31 December 2006	Period from 29 March 2005 (date of establishment) to 31 December 2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss before taxation	(5,676)	(3,872)	(13,652)	(4,201)
Tax on loss before taxation calculated at the statutory taxation rate of 33%	(1,873)	(1,278)	(4,505)	(1,386)
Tax effect of tax loss not recognised	1,873	1,278	4,505	1,386
Taxation	—	—	—	—

No deferred tax assets have been recognised due to the uncertainty of future taxable profit. Project 3 has unrecognised tax losses of RMB 23,529,000, RMB 17,853,000 and RMB 4,201,000 as at 31 July 2007, 31 December 2006 and 31 December 2005 respectively to carry forward against future taxable income.

10. **Loss per Share**

No loss per share is presented as the paid-up capital of Project 3 is not divisible into per share basis for calculation purpose.

11. **Property, Plant and Equipment**

	Motor vehicle	**Computer equipment**	**Other equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Period ended 31 December 2005				
Opening net book amount	—	—	—	—
Additions	385	330	30	745
Depreciation charge for the period	(10)	(33)	(1)	(44)
Closing net book amount	375	297	29	701
At 31 December 2005				
Cost	385	330	30	745
Accumulated depreciation	(10)	(33)	(1)	(44)
Net book amount	375	297	29	701
Year ended 31 December 2006				
Opening net book amount	375	297	29	701
Additions	628	108	202	938
Depreciation charge for the year	(43)	(46)	(13)	(102)
Closing net book amount	960	359	218	1,537
At 31 December 2006				
Cost	1,013	438	232	1,683
Accumulated depreciation	(53)	(79)	(14)	(146)
Net book amount	960	359	218	1,537
Period ended 31 July 2007				
Opening net book amount	960	359	218	1,537
Additions	—	24	152	176
Depreciation charge for the period	(48)	(30)	(21)	(99)
Closing net book amount	912	353	349	1,614
At 31 July 2007				
Cost	1,013	462	384	1,859
Accumulated depreciation	(101)	(109)	(35)	(245)
Net book amount	912	353	349	1,614

12. **Construction in Progress**

	RMB'000
Period ended 31 December 2005	
Opening net book amount	—
Additions	818,212
Closing net book amount	818,212
Year ended 31 December 2006	
Opening net book amount	818,212
Additions	972,390
Closing net book amount	1,790,602
Period ended 31 July 2007	
Opening net book amount	1,790,602
Additions	659,018
Closing net book amount	2,449,620

At 31 July 2007 and 31 December 2006, construction in progress of the net book amount of approximately RMB 279,458,000 is secured for the loan from ultimate holding company referred to in note 20.

According to a syndicated loan agreement dated 29 March 2007, all of Project 3's construction in progress will be pledged to secure the bank loan referred to in note 22 upon their completion.

At 31 July 2007, 31 December 2006 and 31 December 2005, the legal titles of certain equipment included in construction in progress with net book amount of RMB 337,994,000, RMB 213,225,000 and RMB 82,437,000 respectively are still under the name of Yunnan Yunwei Group Co., Ltd. ("**Yunnan Yunwei Group**"), one of the equity holders of Project 3. Project 3 had obtained written consent from Yunnan Yunwei Group to operate, manage and benefit from those equipment included in construction in progress.

Some of the buildings and facilities constructed by Project 3 are located on a parcel of land with an area of approximately 200,000m^2 to which Yunnan Yunwei Group has the land use right. Project 3 will not be able to obtain the building ownership certificates in respect of such buildings unless it can obtain the land use right in respect of the underlying parcel of land. Further, Project 3 has not obtained requisite construction work planning permits or construction commencement permits for any of the buildings constructed by it. Project 3 had obtained written consent from Yunnan Yunwei Group to manage and benefit from the use of the parcel of land.

The cost incurred for the construction in progress with value of RMB 253 million, were invested as assets by the equity holders at the date of establishment.

Included in construction in progress is accumulated net interest capitalised of RMB 108,134,000, RMB 56,659,000 and RMB 15,232,000 as at 31 July 2007, 31 December 2006 and 31 December 2005 respectively.

Included in construction in progress is accumulated amortisation of land use right capitalised of RMB 940,000, RMB 679,000 and RMB 279,000 as at 31 July 2007, 31 December 2006 and 31 December 2005 respectively (note 13).

13. **Land use right**

	RMB'000
Period ended 31 December 2005	
Opening net book amount	—
Additions	18,973
Amortisation charge capitalised to construction in progress	(279)
Closing net book amount	18,694
At 31 December 2005	
Cost	18,973
Accumulated amortisation capitalised to construction in progress	(279)
Net book amount	18,694
Year ended 31 December 2006	
Opening net book amount	18,694
Additions	3,297
Amortisation charge capitalised to construction in progress	(400)
Closing net book amount	21,591
At 31 December 2006	
Cost	22,270
Accumulated amortisation capitalised to construction in progress	(679)
Net book amount	21,591
Period ended 31 July 2007	
Opening net book amount	21,591
Additions	440
Amortisation charge capitalised to construction in progress	(261)
Closing net book amount	21,770
At 31 July 2007	
Cost	22,710
Accumulated amortisation capitalised to construction in progress	(940)
Net book amount	21,770

The land use right is located in the PRC with the lease term of 50 years.

14. **Cash and Bank Balances**

	As at 31 July 2007	As at 31 December 2006	As at 31 December 2005
	RMB'000	*RMB'000*	*RMB'000*
Cash and balances with banks	89,977	12,227	6,302
Fixed deposits — mature within one month	266,000	—	—
	355,977	12,227	6,302

15. **Inventories**

	As at 31 July 2007	As at 31 December 2006	As at 31 December 2005
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	3,562	2,109	—
Work in progress	4,241	—	—
	7,803	2,109	—

16. **Prepayments and Other Receivables**

	As at 31 July 2007	As at 31 December 2006	As at 31 December 2005
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for construction in progress	10,129	8,432	27,229
Other receivables	1,764	2,701	2,121
Value added tax receivables	2,609	10	—
	14,502	11,143	29,350

The fair value of prepayments and other receivables as at 31 July 2007, 31 December 2006 and 31 December 2005 were the same as illustrated above.

17. **Loan to a Fellow Subsidiary**

The amount due is unsecured, bears interest at 6.84% per annum and repayable within one year.

18. **Amounts Due from/to Ultimate Holding Company and Fellow Subsidiaries**

The amounts due are unsecured, interest-free and repayable within one year.

19. **Accruals and Other Payables**

	As at 31 July 2007	**As at 31 December 2006**	**As at 31 December 2005**
	RMB'000	*RMB'000*	*RMB'000*
Accrued payroll	1,004	2,995	—
Accrued expenses	105	—	—
Bank interest and other payables	19,065	1,870	1,159
Welfare payables	—	185	76
	20,174	5,050	1,235

20. **Loan from Ultimate Holding Company**

Except for the amount due of RMB 150,000,000 at 31 December 2005, which is unsecured, interest-free and repayable within one year, the amounts due at 31 December 2006 and 31 July 2007 are secured by certain machineries of Project 3, included in the construction in progress which totaled to RMB 279,458,000 as disclosed in note 12, bear interest at 5.56% to 6.84% per annum and are repayable within one year.

21. **Loan from a Fellow Subsidiary**

The amount due is unsecured, bears interest at the prevailing market rate and repayable within one year.

22. Bank Loan

	As at 31 July 2007 RMB'000	As at 31 December 2006 RMB'000	As at 31 December 2005 RMB'000
Bank loan			
Secured	2,000,000	—	—
Total bank loan			
Amount due within one year	180,000	—	—
Amount due after one year	1,820,000	—	—
Bank loan was repayable as follows:			
Within one year	180,000	—	—
In the second year	280,000	—	—
In the third to fifth years, inclusive	840,000	—	—
Wholly payable within 5 years	1,300,000	—	—
After the fifth year	700,000	—	—
	2,000,000	—	—

The bank loan bears interest at 7.11% per annum from March 2007 to March 2008 and is thereafter subject to interest at the prevailing market rate. At 31 July 2007, the bank loan is guaranteed by Project 3's ultimate holding company. As disclosed in note 12, all of Project 3's construction in progress will be pledged to secure the bank loan upon their completion.

23. Paid-up Capital

	Total *RMB'000*
Capital contribution stipulated by the memorandum and articles	
At 31 December 2005	320,000
At 31 December 2006 and 31 July 2007	761,310
Paid-up capital	
Increase of capital *(note 1)*	320,000
At 31 December 2005 and 1 January 2006	320,000
Increase of capital *(note 2)*	441,310
At 31 December 2006 and 31 July 2007	761,310

Note 1: Paid-up capital, including cash contribution and capitalisation of construction in progress injected amounted to RMB 66,736,000 and RMB 253,264,000 respectively, has been verified by 亞太中匯會計師事務所有限公司 (Yatai-Zhonghui Certified Public Accountants Co., Ltd) (for identification purpose only) in capital verification report dated 24 March 2005 (亞太驗 A 字(2005)第 30號) (Ya Tai Yan A Zi (2005) No. 30) (for identification purpose only).

Note 2: Paid-up capital, including cash contribution and loan restructuring amounted to RMB 120,000,000 and RMB 321,310,000 respectively, has been verified by 亞太中匯會計師事務所有限公司 (Yatai-Zhonghui Certified Public Accountants Co., Ltd) (for identification purpose only) in capital verification report dated 10 November 2006 (亞太驗字 (2006) B-A-63號) (Ya Tai Yan Zi (2006) B-A-No. 63) (for identification purpose only).

24. Accumulated Losses

Project 3's accumulated losses and the movements therein for the Relevant Periods are presented in the statements of changes in equity in Section I of the Financial Information.

25. Capital Commitments

	As at 31 July 2007	As at 31 December 2006	As at 31 December 2005
	RMB'000	*RMB'000*	*RMB'000*
Construction in progress			
Contracted but not provided for	418,560	978,124	1,726,680
Authorised but not contracted for	556,390	—	—

26. Contingent Liabilities

Project 3 currently has legal title to a parcel of land in Yunnan. Initial land transfer price of RMB 6,534,000 was paid to the authority for a land area of 217,800m^2. Project 3 was subsequently granted an extra area of approximately 38,000m^2 by the local authority, which no additional transfer price was paid. On 31 October 2006, RMB 3,260,000 was refunded to Project 3 at its request, accordingly, the actual rate of land transfer price is approximately RMB 15/m^2, which is considered to be lower than the minimum price permitted under the relevant regulations at the time of transfer of approximately RMB 60/m^2.

Project 3 may be requested by the authority to make up for the difference in land transfer price, failing which the authority may revoke the land transfer contract and nullify the land use right. The contingent liability in this regard, estimated by the directors of Project 3 is approximately RMB 12,000,000.

27. Related Party Transactions

In addition to the transactions disclosed elsewhere in the Financial Information, Project 3 had the following significant transactions with related parties:

		As at 31 July 2007	As at 31 December 2006	As at 31 December 2005
		RMB'000	*RMB'000*	*RMB'000*
(i)	Sales of samples to a fellow subsidiary	18,601	—	—
(ii)	Purchase of raw materials from a fellow subsidiary	15,927	—	—
(iii)	Purchase of property, plant and equipment from a fellow subsidiary	48,400	88,560	—
(iv)	Interest expense on loan from ultimate holding company, capitalised in construction in progress	10,357	40,806	15,297

28. Ultimate Holding Company

The directors of Project 3 consider the ultimate holding company of Project 3 to be Yunnan Coal Chemical Industry Group Co., Ltd.

29. Financial Risk Management Objectives And Policies

Project 3 is exposed to a variety of financial risks which result from both its operating and investing activities. Project 3'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 Project 3 is exposed to are described below:

Foreign currency risk

Project 3 has not taken any currency hedge as currently Project 3 has no financial assets and liabilities denominated in foreign currencies other than RMB.

Credit risk

All the cash and cash equivalents are deposited with major banks located in the PRC.

The carrying amounts of prepayment and other receivables, loan to a fellow subsidiary, amount due from ultimate holding company and amount due from a fellow subsidiary represent Project 3's maximum exposure to credit risk in relation to its financial assets. These financial assets are actively monitored to avoid significant concentrations of credit risk. No other financial assets carry significant exposures to credit risk.

Interest rate risk

Cash and cash equivalents, bank loan, loan to a fellow subsidiary, loan from ultimate holding company and loan from a fellow subsidiary are the major types of Project 3's financial instruments subject to interest rate risk.

Cash and cash equivalents comprise mainly bank deposits with fixed and floating interest rates announced by the People's Bank of China from time to time.

The interest rates and maturity information of Project 3's bank loan, loan to a fellow subsidiary, loan from ultimate holding company and loan from a fellow subsidiary are shown in notes 22, 17, 20 and 21 respectively.

Fair value estimation

The fair value of Project 3's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity.

30. Summary of differences between HKFRSs and PRC GAAP

The financial statements prepared under HKFRSs, and those prepared under PRC GAAP has the major difference on pre-operating expenses, which are capitalised under PRC GAAP, while pre-operating expenses are charged to income statements as incurred under HKFRSs.

The adjustments arising from difference between HKFRSs and PRC GAAP and impact on the financial results and total equity are summarised as follows:

	As at 31 July 2007	**As at 31 December 2006**	**As at 31 December 2005**
	RMB'000	*RMB'000*	*RMB'000*
Total equity under PRC GAAP	761,310	761,310	320,000
Adjustment for different accounting treatment on pre-operating expenses	(23,529)	(17,853)	(4,201)
Total equity under HKFRSs	737,781	743,457	315,799

	Seven months ended 31 July 2007	**Year ended 31 December 2006**	**Period from 29 March 2005 (date of establishment) to 31 December 2005**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(Loss) for the period/year under PRC GAAP	—	—	—
Adjustment for different accounting treatment on pre-operating expenses	(5,676)	(13,652)	(4,201)
Loss for the period/year under HKFRSs	(5,676)	(13,652)	(4,201)

31. Post Balance Sheet Events

There is no material post balance sheet events subsequent to 31 July 2007.

32. Subsequent Financial Statements

No audited financial statements have been prepared for Project 3 in respect of any period subsequent to 31 July 2007.

Yours faithfully

Grant Thornton
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUPS

I. INTRODUCTION

The following are the unaudited pro forma financial information of the Enlarged Groups upon completion of the Transaction prepared in accordance with the Listing Rules for the purpose of illustrating the effect of the Transaction on the financial position of the Enlarged Groups as at 31 July 2007 and the results and cash flows of the Enlarged Groups for the year ended 31 March 2007.

The unaudited pro forma financial information have been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position, results and cash flows of the Enlarged Groups upon the completion of the Transaction.

For a better understanding of the Transaction by the shareholders, two sets of unaudited pro forma financial information have been prepared under two Enlarged Groups.

First Enlarged Group

Assuming only definitive share purchase agreements are executed in the Transaction, the first set of unaudited pro forma financial information includes the audited financial information of the Group and, CCEC, ACIL and ACMC (the "**Target Group**", and together with the Group named the "**First Enlarged Group**"). It reflects (i) the acquisition by the Company of the entire share capital of CCEC (including the Sale Shares and the CCEC shares issued pursuant to CCEC's Post-Signing Placing) under the Share Purchase Agreement and the Offer; (ii) the execution and performance of the Finder's Fee Agreement; (iii) the issuance of the Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares; and (iv) the consummation by CCEC of the transactions contemplated in (a) the ACIL Project SPA (excluding the Possible Project 3 Further Acquisition) and (b) the Ji Ri Ga Lang Project SPA (the "**Definitive SPAs**").

Second Enlarged Group

It is the intention of the Company that, following Completion and the placing under the Proposed Specific Mandate, the Company (through CCEC) will exercise the option under the Yuke Coal Option Agreement and will consummate the Possible Project 3 Further Acquisition as soon as possible.

Taking into account (i) the exercise of the option under the Yuke Coal Option Agreement with the completion of the Yuke Coal Acquisition Agreement and (ii) the completion of the Possible Project 3 Further Acquisition with the Definitive SPAs, the second set of unaudited pro forma financial information includes the audited financial information of the Group and, the Target Group and Yuke Coal (the "**Enlarged Target Group**", and together with the Group named the "**Second Enlarged Group**").

II. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE FIRST ENLARGED GROUP

The unaudited pro forma consolidated balance sheet of the First Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2007 extracted from the published audited annual report of the Group as of 31 March 2007 as set out in Appendix I to this circular and the audited balance sheets of the Target Group as at 31 July 2007 as extracted from the accountants' reports set out in Appendix II to this circular (translated into US$ at the exchange rates of US$1 = HK$7.8 and US$1 = RMB7.5) as if the Definitive SPAs have been completed on 31 July 2007.

The unaudited pro forma consolidated income statement and cash flow statement of the First Enlarged Group are prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2007 extracted from the published audited annual report of the Group as of 31 March 2007 as set out in Appendix I to this circular and the audited income statement and cash flow statement of the Target Group for the year ended 31 December 2006 as extracted from the accountants' reports set out in Appendix II to this circular (translated into US$ at the exchange rates of US$1 = HK$7.8 and US$1 = RMB7.5) as if the Definitive SPAs have been completed on 1 April 2006.

The accompanying unaudited pro forma financial information of the First Enlarged Group is prepared based upon the audited historical financial information of the Group as set out in Appendix I and the Target Group as set out in Appendix II after incorporating the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments that are (i) directly attributable to the transactions and not relating to future events or decisions; and (ii) factually supportable, are summarised in the accompanying notes.

1. Unaudited Pro Forma Consolidated Balance Sheet of the First Enlarged Group

	(Audited) The Group as at 31 March 2007	(Audited) Target Group as at 31 July 2007			Pro forma adjustments						(Unaudited) Pro forma First Enlarged Group
		CCEC	ACIL	ACMC	1	2	3	4	5	6	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Non-current assets											
Goodwill	1,876	—	—	—			198,186	13,269	16,873	18,958	249,162
Exploration and evaluation assets	78	—	—	4,793							4,871
Property, plant and equipment	195	167	—	26							388
Interests in associates	2,768	—	10,396	—							13,164
Interest in a jointly controlled entity	25,180	—	—	—							25,180
Available-for-sale financial assets	620	—	—	—							620
	30,717	167	10,396	4,819							293,385
Current assets											
Cash and bank balances	3,938	16,774	511	223	42,721	42,796			(27,780)	(24,000)	55,183
Financial assets at fair value through profit and loss	6,290	—	—	—							6,290
Trade receivables	173	—	—	—							173
Prepayments, deposits and other receivables	1,779	671	—	—							2,450
	12,180	17,445	511	223							64,096
Current liabilities											
Derivative financial instruments	(17)	—	—	—							(17)
Trade payables, accruals and other payables	(647)	(1,323)	—	—							(1,970)
Amounts due to equity holders	—	(680)	—	(5,678)						5,678	(680)
Amount due to a director	—	—	(3,400)	—					3,400		—

	(Audited) The Group as at 31 March 2007	(Audited) Target Group as at 31 July 2007			Pro forma adjustments						(Unaudited) Pro forma First Enlarged Group
		CCEC	ACIL	ACMC	1	2	3	4	5	6	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Borrowings	(29)	—	—	—							(29)
	(693)	(2,003)	(3,400)	(5,678)							(2,696)
Net current assets/(liabilities)	11,487	15,442	(2,889)	(5,455)							61,400
Total assets less current liabilities	42,204	15,609	7,507	(636)							354,785
Non-current liabilities											
Borrowings	(21,631)	—	—	—							(21,631)
Net assets/(liabilities)	20,573	15,609	7,507	(636)							333,154
Equity											
Equity attributable to the Company's equity holders											
Share capital	14,959	24,506	10	533	2,933	42,796	(52,799)	750	(10)	(533)	33,145
Reserves	5,127	(8,897)	7,497	(1,169)	39,788		250,985	12,519	(7,497)	1,169	299,522
	20,086	15,609	7,507	(636)							332,667
Minority interests	487	—	—	—							487
Total equity	20,573	15,609	7,507	(636)							333,154

2. **Unaudited Pro Forma Consolidated Income Statement of the First Enlarged Group**

	(Audited) The Group for the year ended 31 March 2007	Target Group for the year ended 31 December 2006 (Audited) CCEC	ACIL	ACMC	(Unaudited) Pro forma First Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue/Turnover					
Asset management and corporate finance income	123	—	—	—	123
Corporate investment income	377	—	—	—	377
Other income	509	—	4	—	513
	1,009	—	4	—	1,013
Fair value gain	2,675	—	—	—	2,675
Total income	3,684	—	4	—	3,688
Expenses					
Employee benefit expenses	(3,156)	(300)	—	(48)	(3,504)
Rental and office expenses	(224)	—	(43)	—	(267)
Information and technology expenses	(199)	—	—	—	(199)
Marketing costs and commissions	(100)	—	—	—	(100)
Professional fees	(2,175)	(97)	(120)	—	(2,392)
Investment advisory fee	(95)	—	(1,301)	—	(1,396)
Other operating expenses	(716)	—	(49)	(273)	(1,038)
Impairment of intangible asset	—	—	—	(667)	(667)
Finance costs	(2,613)	—	—	—	(2,613)
Operating loss	(5,594)	(397)	(1,509)	(988)	(8,488)
Share of profits of associates	1,828	—	1,333	—	3,161
Share of profit of a jointly controlled entity	4,378	—	—	—	4,378
Profit/(Loss) before taxation	612	(397)	(176)	(988)	(949)
Taxation	—	—	—	—	—
Profit/(Loss) for the year	612	(397)	(176)	(988)	(949)
Attributable to:					
Equity holders of the Company	582	(397)	(176)	(988)	(979)
Minority interests	30	—	—	—	30
	612	(397)	(176)	(988)	(949)

3. **Unaudited Pro Forma Consolidated Cash Flow Statement of the First Enlarged Group**

	(Audited) The Group for the year ended 31 March 2007	(Audited) Target Group for the year ended 31 December 2006 CCEC	ACIL	ACMC	Pro forma adjustments 1	2	5	6	(Unaudited) Pro forma First Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cash flows from operating activities									
Profit/(Loss) before taxation	612	(397)	(176)	(988)					(949)
Adjustments for:									
Depreciation of property, plant and equipment	26	—	—	1					27
Impairment of intangible asset	—	—	—	667					667
Bad debts written off	124	—	—	—					124
Introduction fee settled by issue of new shares	1,129	—	—	—					1,129
Interest income	(131)	—	(4)	—					(135)
Dividend income from available-for-sale financial assets	(246)	—	—	—					(246)
Finance costs on convertible bonds	2,443	—	—	—					2,443
Finance costs on redeemable convertible preference shares	170	—	—	—					170
Employee share-based payment	651	—	—	—					651
Share of profits of associates	(1,828)	—	(1,333)	—					(3,161)
Share of profit of a jointly controlled entity	(4,378)	—	—	—					(4,378)
Change in fair value on derivative financial instruments	17	—	—	—					17
Change in fair value on financial assets at fair value through profit and loss	(1,827)	—	—	—					(1,827)
Loss on disposal of a subsidiary	301	—	—	—					301
Gain on disposal of an associate	(39)	—	—	—					(39)
Profit on disposal of financial assets at fair value through profit and loss	(1,179)	—	—	—					(1,179)

	(Audited) The Group for the year ended 31 March 2007	(Audited) Target Group for the year ended 31 December 2006			Pro forma adjustments				(Unaudited) Pro forma First Enlarged Group
	2007	CCEC	ACIL	ACMC	1	2	5	6	Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Operating loss before working capital changes	(4,155)	(397)	(1,513)	(320)					(6,385)
Decrease in trade receivables	2	—	—	—					2
Decrease in prepayments, deposits and other receivables	2,992	—	—	—					2,992
Increase/(Decrease) in amount due to a director	—	—	1.331	—			(3,400)		(2,069)
Increase/(Decrease) in amounts due to equity holders	—	—	—	167				(5,678)	(5,511)
(Decrease)/Increase in trade payables, accruals and other payables	(3,269)	397	—	—					(2,872)
Cash used in operations	(4,430)	—	(182)	(153)					(13,843)
Income tax paid	—	—	—	—					—
Net cash used in operating activities	(4,430)	—	(182)	(153)					(13,843)
Cash flows from investing activities									
Purchase of exploration and evaluation assets	(78)	—	—	—					(78)
Purchase of property, plant and equipment	(84)	—	—	(30)					(114)
Increase in investment in an associate	—	—	(2,436)	—					(2,436)
Cash capital injection in a jointly controlled entity	(19,931)	—	—	—					(19,931)
Purchase of financial assets at fair value through profit and loss	(1,869)	—	—	—					(1,869)
Proceeds from disposal of financial assets at fair value through profit and loss	3,852	—	—	—					3,852
Acquisition of subsidiaries	—	—	—	—			(24,380)	(18,322)	(42,702)
Proceeds from disposal of an associate	90	—	—	—					90

	(Audited) The Group for the year ended 31 March 2007	(Audited) Target Group for the year ended 31 December 2006			Pro forma adjustments				(Unaudited) Pro forma First Enlarged Group
		CCEC	ACIL	ACMC	1	2	5	6	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Interest received	131	—	4	—					135
Dividend received from available-for-sale financial assets	246	—	—	—					246
Dividend received from an associate	—	—	2,436	—					2,436
Net cash (used in)/generated from investing activities	(17,643)	—	4	(30)					(60,371)
Cash flows from financing activities									
Proceeds from exercise of share options	79	—	—	—					79
Net proceeds from issue of share capital	—	—	—	—	42,721	42,796			85,517
Gross proceeds from issue of redeemable convertible preference shares	6,250	—	—	—					6,250
Cash capital injection from equity holders	—	—	—	183					183
Transaction cost on issue of redeemable convertible preference shares	(373)	—	—	—					(373)
Finance cost on convertible bonds paid	(2,026)	—	—	—					(2,026)
Net cash generated from financing activities	3,930	—	—	183					89,630
Net (decrease)/increase in cash and cash equivalents	(18,143)	—	(178)	—					15,416
Cash and cash equivalents at the beginning of the year	22,067	—	266	—					22,333
Effects of foreign currency fluctuations	14	—	—	—					14
Cash and cash equivalents at the end of the year	3,938	—	88	—					37,763

III. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE SECOND ENLARGED GROUP

The unaudited pro forma consolidated balance sheet of the Second Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2007 extracted from the published audited annual report of the Group as of 31 March 2007 as set out in Appendix I to this circular and the audited balance sheets of the Enlarged Target Group as at 31 July 2007 as extracted from the accountants' reports set out in Appendix II to this circular (translated into US$ at the exchange rates of US$1 = HK$7.8 and US$1 = RMB7.5) as if the Transaction has been completed on 31 July 2007.

The unaudited pro forma consolidated income statement and cash flow statement of the Second Enlarged Group are prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2007 extracted from the published audited annual report of the Group as of 31 March 2007 as set out in Appendix I to this circular and the audited income statements and cash flow statements of the Enlarged Target Group for the year ended 31 December 2006 as extracted from the accountants' reports set out in Appendix II to this circular (translated into US$ at the exchange rates of US$1 = HK$7.8 and US$1 = RMB7.5) as if the Transaction has been completed on 1 April 2006.

The accompanying unaudited pro forma financial information of the Second Enlarged Group is prepared based upon the audited historical financial information of the Group as set out in Appendix I and the Enlarged Target Group as set out in Appendix II after incorporating the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments that are (i) directly attributable to the transactions and not relating to future events or decisions; and (ii) factually supportable, are summarised in the accompanying notes.

1. **Unaudited Pro Forma Consolidated Balance Sheet of the Second Enlarged Group**

	(Audited) The Group as at 31 March 2007	(Audited) Enlarged Target Group as at 31 July 2007				Pro forma adjustments										(Unaudited) Pro forma Second Enlarged Group
		CCEC	ACIL	ACMC	Yuke Coal	1	2	3	4	5	6	7	8	9	10	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Non-current assets																
Goodwill	1,876	—	—	—	—			198,186	13,269	16,873	18,958		40,830	2,688		292,680
Exploration and evaluation assets	78	—	—	4,793	—									21,067		25,938
Property, plant and equipment	195	167	—	26	—											388
Interests in associates	2,768	—	10,396	—	—								41,030			54,194
Interest in a jointly controlled entity	25,180	—	—	—	—											25,180
Available-for-sale financial assets	620	—	—	—	—											620
	30,717	167	10,396	4,819	—											399,000
Current assets																
Cash and bank balances	3,938	16,774	511	223	1	42,721	42,796			(27,780)	(24,000)	250,000	(81,860)	(23,734)		199,590
Financial assets at fair value through profit and loss	6,290	—	—	—	—											6,290
Trade receivables	173	—	—	—	—											173
Prepayments, deposits and other receivables	1,779	671	—	—	650										(650)	2,450
	12,180	17,445	511	223	651											208,503
Current liabilities																
Derivative financial instruments	(17)	—	—	—	—											(17)
Trade payables, accruals and other payables	(647)	(1,323)	—	—	(21)											(1,991)

	(Audited) The Group as at 31 March 2007	(Audited) Enlarged Target Group as at 31 July 2007				Pro forma adjustments										(Unaudited) Pro forma Second Enlarged Group
		CCEC	ACIL	ACMC	Yuke Coal	1	2	3	4	5	6	7	8	9	10	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Amounts due to equity holders	—	(680)	—	(5,678)	(1)						5,678					(681)
Amount due to a director	—	—	(3,400)	—	—					3,400						—
Borrowings	(29)	—	—	—	(650)										650	(29)
	(693)	(2,003)	(3,400)	(5,678)	(672)											(2,718)
Net current assets/(liabilities)	11,487	15,442	(2,889)	(5,455)	(21)											205,785
Total assets less current liabilities	42,204	15,609	7,507	(636)	(21)											604,785
Non-current liabilities																
Borrowings	(21,631)	—	—	—	—											(21,631)
Net assets/(liabilities)	20,573	15,609	7,507	(636)	(21)											583,154
Equity																
Equity attributable to the Company's equity holders																
Share capital	14,959	24,506	10	533	—	2,933	42,796	(52,799)	750	(10)	(533)	15,035				48,180
Reserves	5,127	(8,897)	7,497	(1,169)	(21)	39,788		250,985	12,519	(7,497)	1,169	234,965		21		534,487
	20,086	15,609	7,507	(636)	(21)											582,667
Minority interests	487	—	—	—	—											487
Total equity	20,573	15,609	7,507	(636)	(21)											583,154

2. **Unaudited Pro Forma Consolidated Income Statement of the Second Enlarged Group**

	(Audited) The Group for the year ended 31 March 2007	(Audited) Enlarged Target Group for the year ended 31 December 2006 CCEC	ACIL	ACMC	Yuke Coal	(Unaudited) Pro forma Second Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue/Turnover						
Asset management and corporate finance income	123	—	—	—	—	123
Corporate investment income	377	—	—	—	—	377
Other income	509	—	4	—	—	513
	1,009	—	4	—	—	1,013
Fair value gain	2,675	—	—	—	—	2,675
Total income	3,684	—	4	—	—	3,688
Expenses						
Employee benefit expenses	(3,156)	(300)	—	(48)	—	(3,504)
Rental and office expenses	(224)	—	(43)	—	—	(267)
Information and technology expenses	(199)	—	—	—	—	(199)
Marketing costs and commissions	(100)	—	—	—	—	(100)
Professional fees	(2,175)	(97)	(120)	—	—	(2,392)
Investment advisory fee	(95)	—	(1,301)	—	—	(1,396)
Other operating expenses	(716)	—	(49)	(273)	—	(1,038)
Impairment of intangible asset	—	—	—	(667)	—	(667)
Finance costs	(2,613)	—	—	—	—	(2,613)
Operating loss	(5,594)	(397)	(1,509)	(988)	—	(8,488)
Share of profits of associates	1,828	—	1,333	—	—	3,161
Share of profit of a jointly controlled entity	4,378	—	—	—	—	4,378
Profit/(Loss) before taxation	612	(397)	(176)	(988)	—	(949)
Taxation	—	—	—	—	—	—
Profit/(Loss) for the year	612	(397)	(176)	(988)	—	(949)
Attributable to:						
Equity holders of the Company	582	(397)	(176)	(988)	—	(979)
Minority interests	30	—	—	—	—	30
	612	(397)	(176)	(988)	—	(949)

3. **Unaudited Pro Forma Consolidated Cash Flow Statement of the Second Enlarged Group**

	(Audited) The Group for the year ended 31 March 2007	(Audited) Enlarged Target Group for the year ended 31 December 2006				Pro forma adjustments							(Unaudited) Pro forma Second Enlarged Group
		CCEC	ACIL	ACMC	Yuke Coal	1	2	5	6	7	8	9	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cash flows from operating activities													
Profit/(Loss) before taxation	612	(397)	(176)	(988)	—								(949)
Adjustments for:													
Depreciation of property, plant and equipment	26	—	—	1	—								27
Impairment of intangible asset	—	—	—	667	—								667
Bad debts written off	124	—	—	—	—								124
Introduction fee settled by issue of new shares	1,129	—	—	—	—								1,129
Interest income	(131)	—	(4)	—	—								(135)
Dividend income from available-for-sale financial assets	(246)	—	—	—	—								(246)
Finance costs on convertible bonds	2,443	—	—	—	—								2,443
Finance costs on redeemable convertible preference shares	170	—	—	—	—								170
Employee share-based payment	651	—	—	—	—								651
Share of profits of associates	(1,828)	—	(1,333)	—	—								(3,161)
Share of profit of a jointly controlled entity	(4,378)	—	—	—	—								(4,378)
Change in fair value on derivative financial instruments	17	—	—	—	—								17

	(Audited) The Group for the year ended 31 March 2007	(Audited) Enlarged Target Group for the year ended 31 December 2006				Pro forma adjustments							(Unaudited) Pro forma Second Enlarged Group
		CCEC	ACIL	ACMC	Yuke Coal	1	2	5	6	7	8	9	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Change in fair value on financial assets at fair value through profit and loss	(1,827)	—	—	—	—								(1,827)
Loss on disposal of a subsidiary	301	—	—	—	—								301
Gain on disposal of an associate	(39)	—	—	—	—								(39)
Profit on disposal of financial assets at fair value through profit and loss	(1,179)	—	—	—	—								(1,179)
Operating loss before working capital changes	(4,155)	(397)	(1,513)	(320)	—								(6,385)
Decrease in trade receivables	2	—	—	—	—								2
Decrease in prepayments, deposits and other receivables	2,992	—	—	—	—								2,992
Increase/(Decrease) in amount due to a director	—	—	1.331	—	—			(3,400)					(2,069)
Increase/(Decrease) in amounts due to equity holders	—	—	—	167	—				(5,678)				(5,511)
(Decrease)/Increase in trade payables, accruals and other payables	(3,269)	397	—	—	—								(2,872)

	(Audited) The Group for the year ended 31 March 2007	(Audited) Enlarged Target Group for the year ended 31 December 2006				Pro forma adjustments							(Unaudited) Pro forma Second Enlarged Group
		CCEC	ACIL	ACMC	Yuke Coal	1	2	5	6	7	8	9	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cash used in operations	(4,430)	—	(182)	(153)	—								(13,843)
Income tax paid	—	—	—	—	—								—
Net cash used in operating activities	(4,430)	—	(182)	(153)	—								(13,843)
Cash flows from investing activities													
Purchase of exploration and evaluation assets	(78)	—	—	—	—							(21,067)	(21,145)
Purchase of property, plant and equipment	(84)	—	—	(30)	—								(114)
Increase in investment in an associate	—	—	(2,436)	—	—								(2,436)
Cash capital injection in a jointly controlled entity	(19,931)	—	—	—	—								(19,931)
Purchase of financial assets at fair value through profit and loss	(1,869)	—	—	—	—								(1,869)
Proceeds from disposal of financial assets at fair value through profit and loss	3,852	—	—	—	—								3,852
Acquisition of subsidiaries	—	—	—	—	—			(24,380)	(18,322)			(2,667)	(45,369)
Proceeds from disposal of an associate	90	—	—	—	—								90
Increase in investment in jointly controlled entity	—	—	—	—	—						(81,860)		(81,860)
Interest received	131	—	4	—	—								135

	(Audited) The Group for the year ended 31 March 2007	(Audited) Enlarged Target Group for the year ended 31 December 2006				Pro forma adjustments							(Unaudited) Pro forma Second Enlarged Group
		CCEC	ACIL	ACMC	Yuke Coal	1	2	5	6	7	8	9	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Dividend received from available-for-sale financial assets	246	—	—	—	—								246
Dividend received from an associate	—	—	2,436	—	—								2,436
Net cash (used in)/generated from investing activities	(17,643)	—	4	(30)	—								(165,965)
Cash flows from financing activities													
Proceeds from exercise of share options	79	—	—	—	—								79
Net proceeds from issue of share capital	—	—	—	—	—	42,721	42,796			250,000			335,517
Gross proceeds from issue of redeemable convertible preference shares	6,250	—	—	—	—								6,250
Cash capital injection from equity holders	—	—	—	183	—								183
Transaction cost on issue of redeemable convertible preference shares	(373)	—	—	—	—								(373)
Finance cost on convertible bonds paid	(2,026)	—	—	—	—								(2,026)

	(Audited) The Group for the year ended 31 March 2007	(Audited) Enlarged Target Group for the year ended 31 December 2006 CCEC	ACIL	ACMC	Yuke Coal	Pro forma adjustments 1	2	5	6	7	8	9	(Unaudited) Pro forma Second Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Net cash generated from financing activities	3,930	—	—	183	—								339,630
Net (decrease)/increase in cash and cash equivalents	(18,143)	—	(178)	—	—								159,822
Cash and cash equivalents at the beginning of the year	22,067	—	266	—	—								22,333
Effects of foreign currency fluctuations	14	—	—	—	—								14
Cash and cash equivalents at the end of the year	3,938	—	88	—	—								182,169

Notes to Unaudited Pro Forma Financial Information of the Enlarged Groups

1. As further disclosed in the VSA Announcement and the "Letter from the Board" of this circular, it was CCEC's stated intention to raise additional funding by placing new CCEC shares to the Investors (other than the Excluded Investors) in order to finance certain of CCEC's capital commitments for the Projects ("**CCEC's Post-Signing Placing**"). Under the Share Purchase Agreement and the Amendment Agreement, CCEC's Post-Signing Placing (or any other such interim financing) was subject to the Company's prior consent, was only to be raised from the Investors (other than the Excluded Investors) and was to take place at or around the same time as a capital raising by the Company upon exercising its 2006 General Mandate. The purpose of such arrangement was to facilitate both the Company and CCEC raising the same or similar amount of funds to finance certain of CCEC's capital commitments for the Projects such that CCEC had sufficient funds to acquire its interest in Project 1 and sufficient working capital for its operations.

   On 28 September 2007, the Company completed the September Placing by placing 293,339,464 Shares at the placing price of HK$1.20 per share to raise gross cash proceeds of approximately HK$352,007,000 (approximately US$45,129,000). Net cash proceeds of approximately HK$333,227,000 (approximately US$42,721,000) were generated after offsetting the placing commission and expenses of approximately HK$18,780,000 (approximately US$2,408,000). It resulted in an increase in share capital of US$2,933,000 and share premium of US$39,788,000 (after netting off the share issuing expenses of US$2,408,000).

2. On 3 October 2007, CCEC completed CCEC's Post-Signing Placing by placing of 53,242 (rounded up) new CCEC shares at the placing price of HK$6,611.25 per share, raising gross cash proceeds of approximately HK$351,996,000 (approximately US$45,128,000). Net cash proceeds of approximately HK$333,810,000 (approximately US$42,796,000) were generated after offsetting the placing commission and expenses of approximately HK$18,186,000 (approximately US$2,332,000). It resulted in an increase in CCEC's share capital of US$42,796,000 (after netting off the share issuing expenses of US$2,332,000).

3. Under the Share Purchase Agreement dated 4 September 2007, 235,801,126 Consideration Shares will be issued for acquiring 42,800 Sale Shares held by the Sellers. On 12 October 2007, Morgan Stanley, the financial adviser to the Company in respect of the Transaction, made the Offer on behalf of the Company to the Investors to acquire 167,200 Sale Shares and 53,242 CCEC shares (issued pursuant to CCEC's Post-Signing Pacing) held by them by issuing 921,167,015 Consideration Shares and 293,328,570 Additional Consideration Shares upon full acceptance of the Offer.

   At Completion, the Company will issue 1,156,968,141 Consideration Shares and 293,328,570 Additional Consideration Shares to acquire 100 per cent. of the existing share capital of CCEC. A total of 1,450,296,711 Shares will be issued at a consideration of US$256,591,000, resulting in an increase in share capital of US$14,503,000 and share premium of US$242,088,000. The fair value of the Consideration Shares and Additional Consideration Shares of US$256,591,000 is based on the closing market price of the Shares (being HK$1.38 per Share) as at 20 November 2007, being the Latest Practicable Date. Since the fair value of the Consideration Shares and Additional Consideration Shares at Completion may be substantially different from their fair value used in the preparation of the pro forma financial information, the actual consideration may be different from the estimated consideration.

	US$'000	US$'000
Total consideration paid for the acquisition of CCEC by the issuance of Consideration Shares and Additional Consideration Shares		256,591
Net fair value of the identifiable assets, liabilities and contingent liabilities of CCEC as at 31 July 2007 as per Appendix II to this circular	15,609	
New CCEC shares issued pursuant to CCEC's Post-Signing Placing	42,796	
Adjusted net fair value of the identifiable assets, liabilities and contingent liabilities of CCEC	58,405	58,405
Goodwill representing the amount of the excess of the cost of investment over the net fair value of the identifiable assets, liabilities and contingent liabilities of CCEC		198,186

Goodwill will be tested for impairment annually.

4. On 5 September 2007, the Company entered into the Finder's Fee Agreement with Stephen Dattels, existing chairman and director of CCEC and shareholder of the Company, pursuant to which the Company has agreed to issue 75,000,000 Shares by way of consideration for Stephen Dattels introducing the Transaction to the Company. At Completion, 75,000,000 Shares will be issued at a consideration of US$13,269,000, resulting in an increase in share capital of US$750,000 and share premium of US$12,519,000. The fair value of the Finder's Fee Shares of US$13,269,000 is based on the closing market price of the Shares (being HK$1.38 per Share) as at 20 November 2007, being the Latest Practicable Date. Since the fair value of the Finder's Fee Shares at Completion may be substantially different from their fair value used in the preparation of the pro forma financial information, the actual consideration may be different from the estimated consideration. The Finder's Fee Shares will be considered as part of the cost of investment of CCEC and the amount of US$13,269,000 will be added to the goodwill mentioned in note 3 above.

5. At closing of the ACIL Project SPA on 5 October 2007, CCEC acquired the entire issued share capital of ACIL for a total amount of approximately US$24,380,000 in cash and an interest free shareholder's loan granted by CCAC to ACIL with an amount of approximately US$3,400,000 in cash. Goodwill of US$16,873,000 resulted from the amount by which the Enlarged Group's cost of investment in ACIL of US$24,380,000 exceeds the net fair value of ACIL's identifiable assets, liabilities and contingent liabilities of US$7,507,000. The net fair value of ACIL's

identifiable assets, liabilities and contingent liabilities of US$7,507,000 is determined from the net assets of ACIL as at 31 July 2007 as set out in the accountants' report in Appendix II to this circular (translated into US$ at the exchange rates of US$1 = HK$7.8). Goodwill will be tested for impairment annually.

6. Pursuant to the Ji Ri Ga Lang SPA, CCEC will acquire a 100 per cent. equity interest in ACMC for approximately RMB137,412,000 (approximately US$18,322,000) in cash and an amount payable to the ACMC Sellers of approximately RMB42,588,000 (approximately US$5,678,000) in cash. Goodwill of US$18,958,000 resulted from the amount by which the Enlarged Group's cost of investment in ACMC of US$18,322,000 exceeds the net fair value of ACMC's identifiable assets, liabilities and contingent liabilities of US$636,000. The net fair value of ACMC's identifiable assets, liabilities and contingent liabilities of US$636,000 is determined from the net liabilities of ACMC as at 31 July 2007 as set out in the accountants' report in Appendix II to this circular (translated into US$ at the exchange rates of US$1 = RMB7.5). Goodwill will be tested for impairment annually.

   After the completion of the First-Stage ACMC Acquisition, no minority interest will be resulted and accounted for in the pro forma financial information of the Enlarged Groups due to the net liabilities of ACMC as at 31 July 2007.

7. The Company will not seek to exercise the option under the Yuke Coal Option Agreement and will not seek to consummate the Possible Project 3 Further Acquisition until the Proposed Specific Mandate has been approved at the EGM and sufficient funds raised following the exercise thereof. Assuming US$266 million is raised at the closing market price of the Shares (being HK$1.38 per Share) as at 20 November 2007, being the Latest Practicable Date, 1,503,478,260 Shares will be issued and allotted. Net cash proceeds of approximately US$250 million will be generated after offsetting the placing commission and expenses of approximately US$16 million will result in an increase in share capital of US$15,035,000 and share premium of US$234,965,000 (after netting off the share issuing expenses of US$16 million).

   The issue of new Shares pursuant to the Proposed Specific Mandate is subject to the satisfaction of a number of terms and conditions and is also subject to the absolute discretion of the Directors whether the Proposed Specific mandate shall be exercised. If the Proposed Specific Mandate is approved, the Directors can issue and allot all or some of the new Shares at any time on such terms and conditions as the Directors consider to be appropriate and in the best interests of the Company and subject to the other conditions, including size, timing and price, as mentioned in this circular. The price at which any or all of the new Shares may be issued and allotted by the Directors under the Proposed Specific Mandate will be determined by reference to the prevailing market price of the Shares at the time of entering into an agreement for the issuance of the new Shares and all other relevant market considerations. Therefore the actual price, fund raising amount and number of Shares to be issued may be substantially different from those used in the preparation of the pro forma financial information.

8. CCEC, ACIL or any entities controlled by them are considering a possible acquisition of a further interest in Project 3. Subject to the entering into of a definitive and legally binding sale and purchase agreement, CCEC, ACIL or any entities controlled by them will acquire a direct or indirect equity interest of up to a maximum of 45 per cent. in Project 3 (inclusive of the existing effective 3.29 per cent. interest held through ACIL and Project 1).

It is the intention of the Company that, following Completion and the placing under the Proposed Specific Mandate, the Company (through CCEC) will consummate the Possible Project 3 Further Acquisition as soon as possible.

In the event that a maximum of 45 per cent. equity interest in Project 3 (inclusive of the existing effective 3.29 per cent. interest held through ACIL and Project 1) is acquired, a maximum additional amount of US$76.86 million shall be payable by CCEC, ACIL or any entities controlled by them. In addition to the consideration of US$76.86 million paid in cash, CCEC, ACIL or any entities controlled by them will pay a further US$5 million to CCAC in cash resulting in the total consideration of US$81.86 million for the acquisition of the additional 41.71 per cent. of the equity interest in Project 3.

Assuming ACIL will acquire an additional 41.71 per cent. equity interest of Project 3 (together with the existing effective 3.29 per cent. interest held through Project 1, making a total of 45 per cent. equity interest held by ACIL effectively), the interests in associates and goodwill will be resulted according to the below calculation.

	US$'000	*US$'000*
Total cash consideration paid for the acquisition of the additional 41.71% equity interest in Project 3		81,860
Net fair value of the identifiable assets, liabilities and contingent liabilities of Project 3 as at 31 July 2007 as determined from the net assets of Project 3 as set out in the accountants' report in Appendix II to this circular (RMB 737,781,000)	98,371	
ACIL's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of Project 3 (being 41.71% of US$98,371,000)		41,030
Goodwill representing the amount of excess of the cost of investment over ACIL's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of Project 3		40,830
Equity accounted for the increase in equity interest in Project 3 as shown in the interests in associates		41,030

Goodwill will be tested for impairment annually.

9. Pursuant to the Yuke Coal Option Agreement, CCEC holds the option to acquire the entire issued share capital of Yuke Coal at the consideration of RMB20,000,000 (approximately US$2,667,000). Yuke Coal is a party to the Yuke Coal Acquisition Agreement whereby four Shandong Exploration Licences are to be transferred to Yuke Coal with the total transfer price of RMB158,000,000 (approximately US$21,067,000). It is the intention of the Company that, following Completion and the placing of the Proposed Specific Mandate, the Company (through CCEC) will exercise the option under the Yuke Coal Option Agreement as soon as possible.

   At the completion of the Yuke Coal Option Agreement with the completion of the Yuke Coal Acquisition Agreement, the total consideration of RMB178,000,000 (approximately US$23,734,000) will be paid in cash. Four Shandong Exploration Licences will be acquired as an asset with the fair value of US$21,067,000 equivalent to the acquisition cost at the completion of the Yuke Coal Acquisition Agreement.

   Goodwill of US$2,688,000 resulted from the amount by which the Enlarged Group's cost of investment in Yuke Coal of US$2,667,000 exceeds the net fair value of Yuke Coal's identifiable assets, liabilities and contingent liabilities of US$21,000. The net fair value of Yuke Coal's identifiable assets, liabilities and contingent liabilities of US$21,000 is determined from the net liabilities of Yuke Coal as at 31 July 2007 as set out in the accountants' report in Appendix II to this circular. Goodwill will be tested for impairment annually.

10. On 24 August 2007, CCEC has agreed to provide Yuke Coal with a loan totalling US$5,000,000, provided in instalments, for the purpose of paying a portion of the Transfer Price under the Yuke Coal Acquisition Agreement. As at 31 July 2007, Yuke Coal has drawn down US$650,000 of the loan. Following the completion of the Yuke Coal Option Agreement stated in note 9 above, Yuke Coal will become a wholly-owned subsidiary of CCEC and any intra-group balance between group companies will be eliminated in preparing the consolidated financial information.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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22 November 2007

Directors
Regent Pacific Group Limited
Suite 1401, Henley Building
5 Queen's Road Central
Hong Kong

Dear Sirs

Regent Pacific Group Limited

We report on the unaudited pro forma financial information of Regent Pacific Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") and CCEC Ltd. ("**CCEC**"), Amerinvest Coal Industry Holding Company Limited ("**ACIL**") and Abagaqi Chanjiang Mining Co., Ltd. ("**ACMC**"), (the "**Target Group**" and together with the Group named the "**First Enlarged Group**") and the unaudited pro forma financial information of the First Enlarged Group taking into account of the exercise of the option under the Yuke Coal Option Agreement with the completion of the Yuke Coal Acquisition Agreement and the completion of the Possible Project 3 Further Acquisition in Yunnan Dawei Ammonia Co., Ltd ("**Project 3**") with the Definitive SPAs, the second set of unaudited pro forma financial information includes the audited financial information of the Group, the Target Group and Yuke Coal (the "**Enlarged Target Group**", and together with the Group named the "**Second Enlarged Group**"), which have been prepared by the directors of the Company for illustrative purposes only, to provide information about how the acquisition of the entire equity interest in CCEC and certain mining assets in the Peoples' Republic of China involving issue of consideration shares (the "**Acquisition**") might have affected the financial information presented, for inclusion in Appendix III of the Company's circular dated 22 November 2007 (the "**Circular**"). The basis of preparation of the unaudited pro forma financial information is set out in the section headed "Unaudited Pro Forma Financial Information of the Enlarged Groups" on pages 2 and 9 of Appendix III to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guildeline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of

— the financial position of the First Enlarged Group and Second Enlarged Group as at 31 July 2007 or any future date, or

— the results and cash flows of the First Enlarged Group and Second Enlarged Group for the year ended 31 March 2007 or any future periods.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

Grant Thornton
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE ENLARGED GROUP

The following is the management discussion and analysis of the Group principally extracted from the annual reports of the Company for each of the three years ended 31 March 2007, 2006 and 2005.

For the year ended 31 March 2007

REVENUE AND PROFITS

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

The jointly controlled entity and the associate of the Group, Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**") and Regent Markets Holdings Limited ("**Regent Markets**"), contributed a share of profit of US$4.38 million and US$1.83 million respectively to the Group for the year ended 31 March 2007. YSSCCL recorded a profit of RMB86.93 million (equivalent to US$10.95 million) for the period from its incorporation (8 March 2006) to 31 March 2007.

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

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

The main elements of the profit are analysed as follows:

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

BALANCE SHEET

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

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

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

FUNDING

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

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

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

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

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

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 50%.

MANAGEMENT OF RISK

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

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

Price Risk

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

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

Co-operation of the YSSCCL Partners

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

Operational Risks

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

Uncertainties Related to Exploration

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

Licence Period of Exploration and Mining Rights

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

Capital Requirements and Funding Sources

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

Potential Cost Overruns on Expansion

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

Operational Costs

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

Government Regulations

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

Political and Economic Considerations

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

Legal Considerations

The PRC legal system is a statutory law system. Unlike the common law system, decided legal cases have little significance for guidance, and rulings by the court can only be used as reference with little value as precedents. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs. However, these regulations are relatively new and the availability of public cases as well as the judicial interpretation of them are limited in number. Furthermore, as they are not binding, both the implementation and interpretation of these regulations are uncertain in many areas.

Competition for Resources and Copper/Zinc Concentrates

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

Foreign Exchange Risk

The Company operates using American dollars. As such the Company is exposed to foreign currency fluctuations arising from operations of its subsidiaries, associates and jointly controlled entity. This exposure relates mainly to the translation between US dollars and non-US dollar currencies. Currency fluctuations may affect the revenues which the Company realises from its subsidiaries and associates and, in particular, its 40% interest in YSSCCL. This exposes the Company to increased volatility in earnings as reported in American dollars due to fluctuations in foreign exchange rates. While foreign currencies are generally convertible into American dollars, there is no guarantee that they will continue to be so convertible or that fluctuations in the value of such currencies will not have an adverse effect on the Company.

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

Credit Risk

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

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

Interest Rate Risk

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

Environmental Risk

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

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

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

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

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

FINANCIAL INSTRUMENTS

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

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 March 2007, the amount of these margin deposits was US$58,000 (2006: US$382,000).

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

CONTINGENT LIABILITIES

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

EMPLOYEES

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

For the year ended 31 March 2006

REVENUE AND PROFITS

The Group recorded a profit after tax and minority interests of US$8.1 million for the year ended 31 March 2006.

The profit attributable to the Group was mainly contributed by share of profit after tax of US$12.9 million (after adjustment in accordance with the Group's accounting policy) from its associate, Bridge Investment Holding Limited ("**BIH**"). BIH recorded a profit attributable to shareholders of US$33.6 million for the year ended 31 March 2006.

The BIH profit is mainly attributable to:

	US$ million
By business:	
— Bridge Securities Co., Ltd (before the following significant item)	(1.6)
— Early retirement cost	(10.8)
	(12.4)
— Corporate and other interests	46.0
Pre-tax profit	33.6
Tax	(3.0)
Minority interest	3.0
Net profit for the year	33.6

The revenue of the corporate investment business division increased slightly to US$0.3 million, while the revenue of the asset management business division was reduced to US$0.7 million.

The main elements of the profit are as follows:

	US$ million
Share of profit connected with BIH (after adjustment in accordance with the Group's accounting policy)	12.9
Share of profit from other associates	0.1
Corporate investment	(1.5)
Asset management and corporate finance	(3.4)
Profit before tax	8.1
Tax	—
Profit after tax and minority interests	8.1

BALANCE SHEET

The shareholders' equity decreased by 74.3% to US$13.2 million from US$51.4 million during the year which was mainly due to paying out a special interim dividend of US$33.9 million. Since BIH had distributed out a final dividend to its shareholders and no further distribution was expected, the Group no longer accounted for its equity interest in BIH as at 31 March 2006. The Group's assets comprised: (i) cash of US$22.1 million and (ii) other corporate investments of US$13.8 million. The Group's liabilities comprised: (i) convertible bonds (liability portion) of US$18.4 million and (ii) other liabilities of US$3.9 million.

DIVIDEND

On 17 October 2005, the Company received a dividend of US$37.7 million from BIH. On 18 November 2005, the Company's shareholders approved the payment of a special interim dividend of 22 HK cents (2.837 US cents) per share. On the basis of the Company's then existing issued share capital, payment of the final dividend amounted to US$33.9 million or approximately 90% of the proceeds received from BIH, which is in line with the Directors' stated intention concerning the distributions received from BIH. The dividend was paid on 16 December 2005.

FUNDING

As at 31 March 2006, the Group had US$22.1 million in cash or 167.8% of its total shareholders' equity, which does not take into account the Group's holding of listed securities that amounted to US$3.4 million.

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

Save as above, there were no other material charges against the Group's assets as at 31 March 2006.

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

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 51%.

MANAGEMENT OF RISK

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

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

Price Risk

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

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

Co-operation of YSSCCL Partners

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

Operational Risks

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

Uncertainties Related to Exploration

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

Licence Period of Exploration and Mining Rights

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

Capital Requirements and Funding Sources

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

Potential Cost Overruns on Expansion

In recent years, there have been cost over runs in mining and oil projects as the cost of raw materials such as steel have spiked unexpectedly. YSSCCL may expand its current mining operations. If such expansion does take place in the future, 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 a shortage of power in April and May 2006 when the electricity bureau upgraded a power line to the mine site. In addition, an increase in the price of such raw materials and/or electricity may have an adverse impact on the operation of YSSCCL.

Government Regulations

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

Political and Economic Considerations

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

Legal Considerations

The PRC legal system is a statutory law system. Unlike the common law system, decided legal cases have little significance for guidance, and rulings by the court can only be used as reference with little value as precedents. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs. However, these regulations are relatively new and the availability of public cases as well as the judicial interpretation of them are limited in number. Furthermore, as they are not binding, both the implementation and interpretation of these regulations are uncertain in many areas.

Competition for Resources and Copper Concentrates

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

Foreign Exchange Risk

The Company operates using American dollars. As such the Company is exposed to foreign currency fluctuations arising from operations of its subsidiaries 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 Company realises from its subsidiaries and associates and, in particular, its 40% interest in YSSCCL. This exposes the Company to increased volatility in earnings as reported in American dollars due to fluctuations in foreign exchange rates. While foreign currencies are generally convertible into American dollars, there is no guarantee that they will continue to be so convertible or that fluctuations in the value of such currencies will not have an adverse effect on the Company.

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

Credit Risk

YSSCCL is subject to credit risk through trade receivables. YSSCCL has one customer for its concentrate. Credit risk is mitigated through the use of provisional payment arrangements whereby

80% is paid within five business days after the issuance of the monthly provisional delivery notice and the balance of 20% being paid within five business days after the issuance of the final monthly invoice. From 1 July 2006, this risk will be further mitigated as YSSCCL will receive 100% prepayment rather than 80%.

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

Interest Rate Risk

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

Environmental Risk

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

Currently YSSCCL's environmental and health and safety standards are far below international requirements. Management of YSSCCL is currently reviewing an internationally recognised consultancy firm's 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 consultancy firm's recommendations will require the support and "buy in" of the Chinese joint venture partners, management and the operating personnel of YSSCCL.

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

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

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

FINANCIAL INSTRUMENT

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

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 March 2006, the amount of these margin deposits was US$382,000 (2005: US$275,000).

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

CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 31 March 2006.

EMPLOYEES

The Group, including subsidiaries but excluding associates, employed approximately 10 employees at 31 March 2006. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by the remuneration committee of the Board. In all cases, grants of share options will be agreed by the Board as a whole. During the year and up to the date of this report, options in respect of an aggregate of 89,200,000 ordinary shares in the Company were granted to eligible participants.

For the year ended 31 March 2005

REVENUE AND RPOFITS

The Group recorded a loss after tax and minority interests of US$42.3 million for the year ended 31 March 2005.

The loss was mainly attributable to the Group's share of loss after tax of US$42.6 million (after adjustment in accordance with the Group's accounting policy) from its associate, BIH. BIH recorded a loss attributable to shareholders of US$106.1 million for the year ended 31 March 2005.

The BIH loss is mainly attributable to:

	US$ million
By business:	
— Bridge Securities Co., Ltd (before the following significant items)	(3.6)
— Profit on sale of properties (including the sale of the BSC Building and Regent Securities Building)	5.7
— Revaluation of the Korea Exchange	5.4
— Restructuring charge	(30.9)
— Impairment based on estimated proceeds from the Mandatory Capital Reduction (as defined in the Chairman's Statement) and subsequent sale	(62.9)
	(86.3)
— Corporate and other interests	(8.9)
Pre-tax loss	(95.2)
Write-down of deferred tax assets	(0.3)
Korean withholding tax	(16.4)
Minority interest	5.8
Net loss for the year	(106.1)

The revenue of the corporate investment business division increased significantly to US$2.8 million (2004: US$1.4 million), while the revenue of the asset management business division was reduced by 29.3% to US$0.8 million (2004: US$1.1 million), which was primarily due to the reduction in assets under management.

The main elements of the loss are as follows:

	US$ million
Share of loss connected with BIH (after adjustment in accordance with the Group's accounting policy)	(35.9)
Share of profit from other associates	0.7
Corporate investments	1.2
Asset management	(1.4)
Others	(0.1)
Loss before tax	(35.5)
Tax	(6.8)
Loss after tax and minority interests	(42.3)

BALANCE SHEET

The shareholders' equity decreased by 47.2% to US$51.4 million from US$97.3 million during the year and BIH accounted for approximately 80.7% of the Group's total shareholders' equity as at 31 March 2005. The remaining Group assets comprised: (i) cash of US$1.1 million, (ii) technology investments of US$3 million and (iii) other corporate investments of US$5.8 million.

DIVIDEND

On 20 August 2004, the Company received a dividend of US$36 million from BIH. On 26 August 2004, the Company's shareholders approved the payment of a final dividend of 2.72 US cents per share. On the basis of the Company's then issued share capital, payment of the final dividend amounted to approximately US$32.5 million. Accordingly, together with the 2004 special interim dividend, the Directors have approved a distribution in aggregate of 3.015 US cents per share or approximately 90% of the proceeds received from BIH, which is in line with the Directors' stated intention concerning distributions received from BIH. The dividend was paid on 17 September 2004.

FUNDING

As at 31 March 2005, the Group had US$1.1 million net cash or 2.1% of its total shareholders' equity, which does not take into account of the Group's holding of listed securities that amounts to US$4 million. There were no material charges against Group assets.

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

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 0%.

MANAGEMENT OF RISK

The Company 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. The Group has not taken any currency hedge against the investments in Korea and United Kingdom due to their non-cash nature and the high cost such hedging would involve.

As BIH was responsible for approximately 80.7% of the total shareholders' equity as at 31 March 2005, the Company is exposed to the fluctuations in the equity values of BIH. The exposure is to the Korean economy, and its credit and equity markets. The responsibility for management of these risks rests with the BIH management.

Through investments of Interman Holdings Limited and Interman Limited in technology related ventures, the Group is exposed to the technology sector. The ability of these companies in controlling their operating cash requirements is key to their development and hence the value of the Group's investment in them. The Group closely monitors the operations and performance of these companies.

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

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 March 2005, the amount of these margin deposits was US$275,000 (2004: US$185,000).

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

CONTINGENT LIABILITIES

The Group was not involved in any material litigation or disputes during the year ended 31 March 2005 apart from the action commenced by the former executive directors of BIH against BIH, which is described in the financial statements contained in this annual report.

EMPLOYEES

The Group, including subsidiaries but excluding associates, employed approximately 10 employees at 31 March 2005. 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 a remuneration committee of the Board. In all cases, grants of share options will be agreed by the Board as a whole. During the year and up to the date of this annual report, options in respect of an aggregate of 21,400,000 ordinary shares in the Company were granted to eligible participants.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE CCEC GROUP

For the seven months ended 31 July 2007

REVENUE AND PROFITS

CCEC and its subsidiary (collectively referred to as the "**CCEC Group**") recorded a loss after tax and minority interests of US$8.50 million for the seven months ended 31 July 2007. The CCEC Group did not generate any revenue from its investment holding activities during the period. Financial revenue represented interest income on bank deposits and loan receivable of US$0.02 million. The majority of the operating expenses were (i) the directors' emoluments amounting to US$4.26 million, (ii) the consultancy fee of US$1.93 million, and (iii) the project expenses of US$1.91 million.

BALANCE SHEET

The shareholders' equity decreased by 47.27% to US$15.61 million as at 31 July 2007 from US$29.60 million as at 31 December 2006. The decrease was mainly due to (i) the cancellation of the old CCEC shares of US$30 million and the issue of new CCEC shares of US$21.48 million, (ii) the issue of shares as share-based compensation of US$3.03 million, and (iii) the loss of US$8.50 million for the seven months ended 31 July 2007.

The CCEC Group's assets comprised: (i) cash of US$16.77 million and (ii) loan and other receivable of US$0.67 million as at 31 July 2007. The CCEC Group's liabilities comprised: (i) accruals of US$1.32 million and (ii) amounts due to shareholders of US$0.68 million as at 31 July 2007.

On 24 August 2007, the Yuke Coal Loan Agreement was concluded and signed between Yuke Coal and CCEC, on which CCEC has agreed to provide Yuke Coal with a loan totaling US$5 million, provided in instalments, for the purpose of paying a portion of the total transfer price for the acquisition of the Shandong Exploration Licences.

Interest on the loan is charged at 6-month LIBOR plus 3%, or at 10% in the event of default. The loan and interest is payable on demand or otherwise in instalments within 12 months from being drawn down. Security for the loan is to be provided if requested by CCEC. As at 31 July 2007 and at the date of this Circular, no security has been requested by CCEC. As well as standard events of default, in the event that Yuke Coal receives any portion of the transfer price back as a result of the acquisition of these exploration licences not proceeding or any other reason whatsoever, the loan becomes immediately due and payable.

As at 31 July 2007, Yuke Coal has drawn down US$0.65 million of the loan which amount was reflected as loan receivable in the balance sheet.

FUNDING

As at 31 July 2007, the CCEC Group had US$16.77 million cash or 107.46% of its total shareholders' equity.

On 27 June 2007, CCEC issued 60,000 new shares to raise gross cash proceeds of US$20 million or net cash proceeds of US$18.45 million (after netting off placing commission and expenses of US$1.55 million) for the purposes of developing and consummating the proposed investments in the Projects.

There were no material charges against the CCEC Group's assets as at 31 July 2007.

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

On 3 October 2007, CCEC completed CCEC's Post-Signing Placing by placing 53,242 (rounded up) new CCEC shares, raising approximately HK$333.81 million (equivalent to approximately US$42.79 million) in cash net of placing commission and estimated expenses.

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 4%.

MANAGEMENT OF RISK

The CCEC Group is exposed to a variety of financial risks which result from both its operating and investing activities. The CCEC 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 CCEC Group is exposed to are described below:

Foreign currency risk

The CCEC Group does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rate between RMB and US$.

Credit risk

All the cash and cash equivalents are deposited with major banks located in Canada and the PRC.

The carrying amounts of loan and other receivable represent the CCEC Group's maximum exposure to credit risk in relation to its financial assets. These financial assets are actively monitored to avoid significant concentrations of credit risk. No other financial assets carry a significant exposure to credit risk.

Interest rate risk

The CCEC Group has no significant interest bearing assets and liabilities.

Fair value estimation

The fair value of the CCEC Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

CONTINGENT LIABILITIES

On 30 May 2007, Nuenco Ltd, a subsidiary of CCEC, had entered into three conditional agreements in relation to the acquisition of equity interests in certain entities with a total consideration of RMB239.65 million (equivalent to approximately US$31.95 million).

Pursuant to the Ji Ri Ga Lang Project SPA, CCEC will acquire a 100 per cent. equity interest in ACMC for approximately RMB137.41 million (approximately US$18.32 million) in cash and an amount payable to the ACMC Sellers of approximately RMB42.59 million (approximately US$5.68 million) in cash.

EMPLOYEES

The CCEC Group, including subsidiaries, employed approximately 5 employees (including directors) at 31 July 2007.

For the period from 27 July 2006 (date of incorporation) to 31 December 2006

REVENUE AND PROFITS

The CCEC Group recorded a loss after tax and minority interests of US$0.40 million for the period from 27 July 2006 (date of incorporation) to 31 December 2006. The CCEC Group did not generate any revenue during the period.

BALANCE SHEET

The shareholders' equity was US$29.60 million as at 31 December 2006. The CCEC Group's only asset was amounts due from shareholders of US$30 million and the CCEC Group's only liability was accruals of US$0.40 million as at 31 December 2006. The amounts due from shareholders represented the capital contribution for 29,999,000 no par value shares of US$1 each on 1 December 2006.

FUNDING

As at 31 December 2006, the CCEC Group did not have any cash.

There were no material charges against the CCEC Group's assets as at 31 December 2006.

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

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 0%.

MANAGEMENT OF RISK

The CCEC Group is exposed to a variety of financial risks which result from both its operating and investing activities. The CCEC 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 CCEC Group is exposed to are described below:

Foreign currency risk

The CCEC Group does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rate between RMB and US$.

Credit risk

The carrying amount of amounts due from shareholders represents the CCEC Group's maximum exposure to credit risk in relation to its financial assets. This financial asset is actively monitored to avoid significant concentrations of credit risk. No other financial assets carry a significant exposure to credit risk.

Interest rate risk

The CCEC Group has no significant interest bearing assets and liabilities.

Fair value estimation

The fair value of the CCEC Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

CONTINGENT LIABILITIES

The CCEC Group and CCEC have no material contingent liabilities as at 31 December 2006.

EMPLOYEES

The CCEC Group, including subsidiaries, employed approximately 2 employees (including directors) at 31 December 2006.

MANAGEMENT DISCUSSION AND ANALYSIS OF ACIL

For the seven months ended 31 July 2007

REVENUE AND PROFITS

ACIL recorded a profit after tax of HK$8.95 million for the seven months ended 31 July 2007. ACIL did not generate any revenue from its investment holding activities during the period. Financial revenue represented interest income on bank deposits.

The associate of ACIL, Project 1, contributed a share of profit after tax of HK$17.69 million to ACIL for the seven months ended 31 July 2007. Project 1 recorded a profit of HK$70.74 million for the seven months ended 31 July 2007.

The majority of the operating expenses were (i) the advisory fee paid to CCAC amounting to HK$7.03 million, and (ii) the legal and professional expenses of HK$1.12 million.

BALANCE SHEET

The shareholders' equity increased by 23.21% to HK$58.55 million as at 31 July 2007 from HK$47.52 million as at 31 December 2006. The increase was mainly due to (i) the foreign currency translation adjustment of HK$2.08 million, and (ii) the profit of HK$8.95 million for the seven months ended 31 July 2007.

Project 1 contributed 138.49% of ACIL's shareholders' equity as at 31 July 2007. ACIL's other asset comprised cash of HK$3.98 million and ACIL's only liability was amount due to a director of HK$26.52 million as at 31 July 2007.

FUNDING

As at 31 July 2007, ACIL had HK$3.98 million in cash or 6.80% of its total shareholders' equity. The funding of ACIL's operation was provided by the sole director of ACIL which was reflected in the amount due to a director in the balance sheet.

There were no material charges against ACIL's assets as at 31 July 2007.

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 31%.

MANAGEMENT OF RISK

ACIL is exposed to a variety of financial risks which result from both its operating and investing activities. ACIL'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 ACIL is exposed to are described below:

Foreign currency risk

ACIL does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rate between RMB and HK$.

Liquidity risk

As mentioned in the accountants' report set out in Appendix II to this Circular, the going concern basis of ACIL has been adopted on the basis of an undertaking from ACIL's director to provide continual financial support to ACIL and not to demand for repayment of the amounts due from ACIL until such time when repayment will not affect ACIL's ability to repay other creditors in the normal course of business. The director of ACIL is satisfied that ACIL will be able to meet its financial obligations as they fall due in the foreseeable future.

Credit risk

ACIL has no financial assets and is not exposed to credit risk.

Interest rate risk

ACIL has no significant interest bearing assets and liabilities.

Fair value estimation

The fair value of ACIL's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

CONTINGENT LIABILITIES

ACIL has no material contingent liabilities as at 31 July 2007.

EMPLOYEES

ACIL employed one employee (including its sole director) at 31 July 2007.

For the year ended 31 December 2006

REVENUE AND PROFITS

ACIL recorded a loss after tax of HK$1.38 million for the year ended 31 December 2006. ACIL did not generate any revenue from its investment holding activities during the year. Financial revenue represented interest income on bank deposits.

The associate of ACIL, Project 1, contributed a share of profit after tax of HK$10.39 million to ACIL for the year ended 31 December 2006. Project 1 recorded a profit of HK$41.58 million for the year ended 31 December 2006.

The majority of the operating expenses were (i) the advisory fee paid to CCAC amounting to HK$10.15 million, and (ii) the legal and professional expenses of HK$0.94 million.

BALANCE SHEET

The shareholders' equity increased by 1.27% to HK$47.52 million as at 31 December 2006 from HK$46.93 million as at 31 December 2005. The increase was mainly due to (i) the foreign currency translation adjustment of HK$1.97 million, and (ii) the loss of HK$1.38 million for the year ended 31 December 2006.

Project 1 contributed 141.04% of ACIL's shareholders' equity as at 31 December 2006. ACIL's other asset comprised cash of HK$0.69 million and ACIL's only liability was amount due to a director of HK$20.19 million as at 31 December 2006.

FUNDING

As at 31 December 2006, ACIL had HK$0.69 million cash or 1.44% of its total shareholders' equity. The funding of ACIL's operation was provided by the sole director of ACIL which was reflected in the amount due to a director in the balance sheet.

There were no material charges against ACIL's assets as at 31 December 2006.

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 30%.

MANAGEMENT OF RISK

ACIL is exposed to a variety of financial risks which result from both its operating and investing activities. ACIL'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 ACIL is exposed to are described below:

Foreign currency risk

ACIL does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rate between RMB and HK$.

Liquidity risk

As mentioned in the accountants' report set out in Appendix II to this Circular, the going concern basis of ACIL has been adopted on the basis of an undertaking from ACIL's director to provide continual financial support to ACIL and not to demand for repayment of the amounts due from ACIL until such time when repayment will not affect ACIL's ability to repay other creditors in the normal course of business. The director of ACIL is satisfied that ACIL will be able to meet its financial obligations as they fall due in the foreseeable future.

Credit risk

ACIL has no financial assets and is not exposed to credit risk.

Interest rate risk

ACIL has no significant interest bearing assets and liabilities.

Fair value estimation

The fair value of ACIL's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

CONTINGENT LIABILITIES

ACIL has no material contingent liabilities as at 31 December 2006.

EMPLOYEES

ACIL employed one employee (including its sole director) at 31 December 2006.

For the year ended 31 December 2005

REVENUE AND PROFITS

ACIL recorded a profit after tax of HK$4 million for the year ended 31 December 2005. ACIL did not generate any revenue from its investment holding activities during the year. Financial revenue represented interest income on bank deposits.

The associate of ACIL, Project 1, contributed a share of profit after tax of HK$11.53 million to ACIL for the year ended 31 December 2005. Project 1 recorded a profit of HK$46.11 million for the year ended 31 December 2005.

The majority of the operating expenses were (i) the advisory fee paid to CCAC amounting to HK$6.96 million, and (ii) the legal and professional expenses of HK$0.39 million.

BALANCE SHEET

The shareholders' equity increased by 984% to HK$46.93 million as at 31 December 2005 from HK$4.33 million as at 31 December 2004. The increase was mainly due to (i) the issue of 9,999 new shares resulting in a total increase of share capital and share premium of HK$37.48 million, (ii) the foreign currency translation adjustment of HK$1.12 million, and (iii) the profit of HK$4 million for the year ended 31 December 2005.

Project 1 contributed 116.47% of ACIL's shareholders' equity as at 31 December 2005. ACIL's other asset comprised cash of HK$2.07 million and ACIL's only liability was amount due to a director of HK$9.80 million as at 31 December 2005.

FUNDING

As at 31 December 2005, ACIL had HK$2.07 million cash or 4.42% of its total shareholders' equity. The funding of ACIL's operation was provided by the sole director of ACIL which was reflected in the amount due to a director in the balance sheet.

There were no material charges against ACIL's assets as at 31 December 2005.

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 17%.

MANAGEMENT OF RISK

ACIL is exposed to a variety of financial risks which result from both its operating and investing activities. ACIL'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 ACIL is exposed to are described below:

Foreign currency risk

ACIL does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rate between RMB and HK$.

Liquidity risk

As mentioned in the accountants' report set out in Appendix II to this Circular, the going concern basis of ACIL has been adopted on the basis of an undertaking from ACIL's director to provide continual financial support to ACIL and not to demand for repayment of the amounts due from ACIL until such time when repayment will not affect ACIL's ability to repay other creditors in the normal course of business. The director of ACIL is satisfied that ACIL will be able to meet its financial obligations as they fall due in the foreseeable future.

Credit risk

ACIL has no financial assets and is not exposed to credit risk.

Interest rate risk

ACIL has no significant interest bearing assets and liabilities.

Fair value estimation

The fair value of ACIL's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

CONTINGENT LIABILITIES

ACIL has no material contingent liabilities as at 31 December 2005.

EMPLOYEES

ACIL employed one employee (including its sole director) at 31 December 2005.

For the year ended 31 December 2004

REVENUE AND PROFITS

ACIL recorded a profit after tax of HK$4.33 million for the year ended 31 December 2004. ACIL did not generate any revenue during the year.

On 8 December 2004, ACIL acquired a 25% equity interest in Project 1. The amount of excess of ACIL's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of Project 1 (amounted to HK$42.01 million) over the purchase consideration (amounted to HK$34.41 million) of HK$7.60 million was recognised in and credited to the income statement.

The majority of the operating expenses was the advisory fee paid to CCAC amounting to HK$2.73 million.

BALANCE SHEET

The shareholders' equity was HK$4.33 million as at 31 December 2004, representing mainly the profit of HK$4.33 million for the year ended 31 December 2004.

Project 1 contributed 406.61% of ACIL's shareholders' equity as at 31 December 2004. ACIL's other asset comprised cash of HK$0.78 million and ACIL's only liability was amount due to a director of HK$14.06 million as at 31 December 2004.

FUNDING

As at 31 December 2004, ACIL had HK$0.78 million cash or 18.11% of its total shareholders' equity. The funding of ACIL's operation was provided by the sole director of ACIL which was reflected in the amount due to a director in the balance sheet.

There were no material charges against ACIL's assets as at 31 December 2004.

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 76%.

MANAGEMENT OF RISK

ACIL is exposed to a variety of financial risks which result from both its operating and investing activities. ACIL'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 ACIL is exposed to are described below:

Foreign currency risk

ACIL does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rate between RMB and HK$.

Liquidity risk

As mentioned in the accountants' report set out in Appendix II to this Circular, the going concern basis of ACIL has been adopted on the basis of an undertaking from ACIL's director to provide continual financial support to ACIL and not to demand for repayment of the amounts due from ACIL until such time when repayment will not affect ACIL's ability to repay other creditors in the normal course of business. The director of ACIL is satisfied that ACIL will be able to meet its financial obligations as they fall due in the foreseeable future.

Credit risk

ACIL has no financial assets and is not exposed to credit risk.

Interest rate risk

ACIL has no significant interest bearing assets and liabilities.

Fair value estimation

The fair value of ACIL's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

CONTINGENT LIABILITIES

ACIL has no material contingent liabilities as at 31 December 2004.

EMPLOYEES

ACIL employed one employee (including its sole director) at 31 December 2004.

MANAGEMENT DISCUSSION AND ANALYSIS OF ACMC

For the seven months ended 31 July 2007

REVENUE AND PROFITS

ACMC recorded a loss after tax of RMB1.36 million for the seven months ended 31 July 2007. ACMC did not generate any revenue during the period.

BALANCE SHEET

ACMC's assets comprised: (i) property, plant and equipment of RMB0.19 million, (ii) exploration assts of RMB35.95 million, and (iii) cash of RMB1.67 million as at 31 July 2007. ACMC's only liability was amounts due to equity holders of RMB42.59 million as at 31 July 2007.

On 27 July 2007, MLR has granted ACMC the exploration licence for conducting geographical exploration over the Ji Ri Ga Lang Coal Mine in Abagaqi, Inner Mongolia, the PRC, for the period up to 9 June 2009 which covers an exploration area of 132.23 square kilometres. Exploration assets represented the cost incurred on the geographical exploration work and the related tax, and charges for the exploration licence.

FUNDING

As at 31 July 2007, ACMC had RMB1.67 million cash. The funding of ACMC's operation was provided by the equity holders of ACMC which was reflected in the amounts due to equity holders.

There were no material charges against ACMC's assets as at 31 July 2007.

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 113%.

MANAGEMENT OF RISK

ACMC is exposed to a variety of financial risks which result from both its operating and investing activities. ACMC's management is in close cooperation with the board of directors, and focuses on minimising the exposure to financial markets. The most significant financial risks to which ACMC is exposed to are described below:

Foreign currency risk

ACMC has not taken any currency hedge as currently ACMC has no financial assets and liabilities denominated in foreign currencies other than RMB.

Fair value estimation

The fair value of ACMC's current financial liability is not materially different from its carrying amount because of the immediate or short term maturity.

Liquidity risk

As mentioned in the accountants' report set out in Appendix II to this Circular, the going concern basis of ACMC has been adopted on the basis of an undertaking from ACMC's equity holders to provide continual financial support to ACMC and not to demand for repayment of the amounts due from ACMC until such time when repayment will not affect ACMC's ability to repay other creditors in the normal course of business. The director of ACMC is satisfied that ACMC will be able to meet its financial obligations as they fall due in the foreseeable future.

CONTINGENT LIABILITIES

ACMC has no material contingent liabilities as at 31 July 2007.

EMPLOYEES

ACMC employed approximately 6 employees (including directors) at 31 July 2007.

For the period from 19 October 2006 (date of establishment) to 31 December 2006

REVENUE AND PROFITS

ACMC recorded a loss after tax of RMB7.41 million for the period from 19 October 2006 (date of establishment) to 31 December 2006. ACMC did not generate any revenue during the period.

The loss was mainly due to the impairment of the intangible asset. The cost incurred for the construction permit with a value of RMB5 million, invested as assets by the equity holders at the date of establishment, represents the land occupied fee and movement fee paid to the local authority for the construction permit and then for the land use right when the construction work has been completed. In December 2006, the construction permit was expired and the director of ACMC decided not to develop the construction project. As a result, the intangible asset has been fully impaired.

BALANCE SHEET

ACMC's only asset was property, plant and equipment of RMB0.22 million and ACMC's only liability was amounts due to equity holders of RMB3.63 million as at 31 December 2006.

FUNDING

As at 31 December 2006, ACMC did not have any cash. The funding of ACMC's operation was provided by the equity holders of ACMC which was reflected in the amounts due to equity holders.

There were no material charges against ACMC's assets as at 31 December 2006.

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 1,636%.

MANAGEMENT OF RISK

ACMC is exposed to a variety of financial risks which result from both its operating and investing activities. ACMC's management is in close cooperation with the board of directors, and focuses on minimising the exposure to financial markets. The most significant financial risks to which ACMC is exposed to are described below:

Foreign currency risk

ACMC has not taken any currency hedge as currently ACMC has no financial assets and liabilities denominated in foreign currencies other than RMB.

Fair value estimation

The fair value of ACMC's current financial liability is not materially different from its carrying amount because of the immediate or short term maturity.

Liquidity risk

As mentioned in the accountants' report set out in Appendix II to this Circular, the going concern basis of ACMC has been adopted on the basis of an undertaking from ACMC's equity holders to provide continual financial support to ACMC and not to demand for repayment of the amounts due from ACMC until such time when repayment will not affect ACMC's ability to repay other creditors in the normal course of business. The director of ACMC is satisfied that ACMC will be able to meet its financial obligations as they fall due in the foreseeable future.

CONTINGENT LIABILITIES

ACMC has no material contingent liabilities as at 31 December 2006.

EMPLOYEES

ACMC employed approximately 17 employees (including directors) at 31 December 2006.

MANAGEMENT DISCUSSION AND ANALYSIS OF YUKE COAL

For the period from 29 November 2006 (date of incorporation) to 31 July 2007

REVENUE AND PROFITS

Yuke Coal recorded a loss after tax of US$0.02 million for the period from 29 November 2006 (date of incorporation) to 31 July 2007. Yuke Coal did not generate any revenue during the period.

Yuke Coal has not carried out any business from 29 November 2006 (date of incorporation) to 31 December 2006. Accordingly, no financial information is presented as at 31 December 2006.

BALANCE SHEET

Yuke Coal's assets comprised: (i) cash of US$1,000 and (ii) deposit of US$0.65 million as at 31 July 2007. Yuke Coal's liabilities comprised: (i) accruals of US$21,000, (ii) amount due to a shareholder of US$1,000, and (iii) loan payable of US$0.65 million as at 31 July 2007.

On 8 August 2007, the Yuke Coal Acquisition Agreement was concluded and signed for the acquisition of the Shandong Exploration Licences with the total transfer price of RMB158 million (equivalent to approximately US$21.07 million) of which RMB5 million (equivalent to US$0.65 million) was paid on 14 March 2007 as a deposit.

FUNDING

On 24 August 2007, the Yuke Coal Loan Agreement was concluded and signed between Yuke Coal and CCEC, on which CCEC has agreed to provide Yuke Coal with a loan totaling US$5 million, provided in instalments, for the purpose of paying a portion of the total transfer price for the acquisition of the Shandong Exploration Licences.

Interest on the loan is charged at 6-month LIBOR plus 3%, or at 10% in the event of default. The loan and interest is payable on demand or otherwise in instalments within 12 months from being drawn down. Security for the loan is to be provided if requested by CCEC. As at 31 July 2007 and at the date of this Circular, no security has been requested by CCEC. As well as standard events of default, in the event that Yuke Coal receives any portion of the transfer price back as a result of the acquisition of these exploration licences not proceeding or any other reason whatsoever, the loan becomes immediately due and payable.

As at 31 July 2007, Yuke Coal has drawn down US$0.65 million of the loan to finance the payment of the deposit. On 17 August 2007, Yuke Coal has drawn down an additional amount of US$3.97 million of the loan and the same amount was paid as the partial payment for the acquisition of the Shandong Exploration Licences.

There were no material charges against Yuke Coal's assets as at 31 July 2007.

GEARING RATIO

The gearing ratio calculated as a percentage of total borrowings over total assets was 100%.

MANAGEMENT OF RISK

Yuke Coal is exposed to a variety of financial risks which result from both its operating and investing activities. Yuke Coal'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 Yuke Coal is exposed to are described below:

Foreign currency risk

Yuke Coal does not hedge its foreign currency risks, as the management does not expect any significant movements in the exchange rate between RMB and US$.

Credit risk

The carrying amount of deposit represents Yuke Coal's maximum exposure to credit risk in relation to its financial assets. This financial asset is actively monitored to avoid significant concentrations of credit risk. No other financial assets carry a significant exposure to credit risk.

Interest rate risk

Yuke Coal's exposure to changes in interest rates is mainly attributable to its loan payable. Loan payable at variable interest rates exposes Yuke Coal to cash flow interest rate risk.

Fair value estimation

The fair value of Yuke Coal's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

Liquidity risk

As mentioned in the accountants' report set out in Appendix II to this Circular, the going concern basis of Yuke Coal has been adopted on the basis of an undertaking from CCEC not to demand repayment of a loan due from Yuke Coal until such time when repayment will not affect Yuke Coal's ability to repay other creditors in the normal course of business and of the undertaking from the shareholder of Yuke Coal to provide continual financial support to Yuke Coal. The director of Yuke Coal is satisfied that Yuke Coal will be able to meet its financial obligations as they fall due in the foreseeable future.

CAPITAL COMMITMENTS

Yuke Coal has a capital commitment contracted but not provided for the acquisition of the Shandong Exploration Licences of US$20.42 million as at 31 July 2007.

CONTINGENT LIABILITIES

Yuke Coal has no material contingent liabilities as at 31 July 2007.

EMPLOYEES

Yuke Coal has one employee (including a director) as at 31 July 2007.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular, received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 31 August 2007 of the property interests of the Enlarged Group and Yunnan Dawei Ammonia Co., Ltd.

Sallmanns 西門

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22 November 2007

The Board of Directors
Regent Pacific Group Limited

Dear Sirs,

In accordance with your instructions to value the property interests of Regent Pacific Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") after completion of the Transaction (hereinafter collectively referred to as the "Enlarged Group") in Hong Kong and the People's Republic of China (the "PRC") and the property interest of Yunnan Dawei Ammonia Co., Ltd. ("Project 3") in the PRC, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 31 August 2007 (the "date of valuation").

Our valuation of the property interests represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Where, due to the nature of the buildings and structures of the property in the PRC, there are no market sales comparables readily available, the property interest in Group III has been valued on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the Market Value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Groups I and II, which are leased by the Enlarged Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition May 2003) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition January 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Enlarged Group and Yunnan Dawei Ammonia Co., Ltd. and have accepted advice given to us on such matters as floor area, tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been, in some instances, provided by the Enlarged Group and Yunnan Dawei Ammonia Co., Ltd. with extracts of the title documents relating to the properties in the PRC and have caused searches to be made at the Hong Kong Land Registries in respect of Hong Kong properties. Where possible, we have searched the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Group's PRC legal advisors — King & Wood, concerning the validity of the Enlarged Group's titles and Yunnan Dawei Ammonia Co., Ltd's titles to the property interests located in the PRC.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services, etc, for any development thereon. Our valuation is prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Enlarged Group and Yunnan Dawei Ammonia Co., Ltd.. We have also sought confirmation from the Company and Yunnan Dawei Ammonia Co., Ltd. that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 24 years' experience in the valuation of properties in the PRC and 27 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE ENLARGED GROUP IN HONG KONG

No.	Property	Capital Value in existing state as at 31 August 2007 *RMB*
1.	Unit 627(6A) on the 6th Floor Kwai Shun Industrial Centre Nos. 51-63 Container Port Road Kwai Chung New Territories Hong Kong	No commercial value
2.	Unit 1401 on 14th Floor Henley Building No. 5 Queen's Road Central Hong Kong	No commercial value
3.	House No. 11 No. 39 Deep Water Bay Road Shouson Hill Hong Kong	No commercial value
	Sub-total:	Nil

GROUP II — PROPERTY INTEREST RENTED AND OCCUPIED BY THE ENLARGED GROUP IN THE PRC

No.	Property	Capital Value in existing state as at 31 August 2007 *RMB*
4.	Unit No. 7 on 18th Floor of NCI Tower No. 12 Jianguomenwai Main Road Jia Zhaoyang District Beijing The PRC	No commercial value
	Sub-total:	Nil

GROUP III — PROPERTY INTEREST HELD AND OCUPIED BY YUNNAN DAWEI AMMONIA CO., LTD. IN THE PRC

No.	Property	Capital Value in existing state as at 31 August 2007 *RMB*	Interest attributable to the Enlarged Group	Capital Value Attributable to the Enlarged Group as at 31 August 2007 *RMB*
5.	A parcel of land, various buildings and structures located at Huashan Industrial Zone Panjiang Town Zhanyi County Qujing City Yunnan Province the PRC	57,296,000	45%	25,783,000
			Sub-total:	25,783,000
			Total:	25,783,000

Note:

1. Subsequent to the date of valuation, the Group has entered into a Tenancy Agreement with an independent third party to rent a property in Hong Kong for warehouse purpose. We have attributed no commercial value to the property. Please refer to page V-13.

VALUATION CERTIFICATE

GROUP I — PROPERTY INTEREST RENTED AND OCCUPIED BY THE ENLARGED GROUP IN HONG KONG

	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 August 2007 *RMB*
1.	Unit 627 (6A) on the 6th Floor, Kwai Shun Industrial Centre, Nos. 51-63 Container Port Road, Kwai Chung, New Territories, Hong Kong	The property comprises a unit on the 6th floor of a 13-storey industrial building completed in about 1979. The property has a gross floor area of approximately 1,000 sq.ft. (92.90 sq.m.). The property was rented to Regent Pacific Group (Hong Kong) Limited from Fine Profit Corporation Limited, an independent third party, for a term commencing from 15 October 2006 and expiring on 14 September 2007 at a monthly rent of HK$5,995.	The property was occupied by the Group as warehouse as at the date of valuation.	No commercial value

Notes:

1. The registered owner of the property is Union Step Limited vide Memorial No. 07042600910164 dated 30 March 2007.

2. The property is subject to a Deed of Mutual Covenant vide Memorial No. TW194754 dated 12 May 1980.

3. The property is subject to a Mortgage and a Assignment of Rentals vide Memorial Nos. 07042600910175 and 07042701560011 both date 30 March 2007.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 August 2007 *RMB*
2.	Unit 1401 on 14th Floor Henley Building No. 5 Queen's Road Central Hong Kong	The property comprises an office on the 14th floor of a 34-storey commercial building completed in about 1997. The property has a gross floor area of approximately 2,740 sq.ft. (254.55 sq.m.). The property is rented to Regent Pacific Group (Hong Kong) Limited from Holita Company Limited, an independent third party, for a term commencing from 6 May 2007 and expiring on 5 May 2010 at a monthly rent of HK$137,000.	The property is currently occupied by the Group for office purposes.	No commercial value

Note:

1. The registered owner of the property is Holita Company Limited vide Memorial No. UB5128319 dated 9 December 1991.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 31 August 2007 *RMB*
3.	House No. 11 No. 39 Deep Water Bay Road Shouson Hill Hong Kong	The property comprises a detached garden house completed in about 1986. The property has a gross floor area of approximately 5,282.97 sq.ft. (490.80 sq.m.). The property is rented to Regent Financial Services Limited from Playgain Company Limited, an independent third party, for a term commencing from 21 February 2007 and expiring on 20 February 2009 at a monthly rent of HK$240,000.	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. The registered owner of the property is Playgain Company Limited vide Memorial No. UB3152304 dated 3 September 1986.

2. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. UB3152305 dated 3 September 1986.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTEREST RENTED AND OCCUPIED BY THE ENLARGED GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2007 *RMB*
4.	Unit No. 7 on 18th Floor of NCI Tower, No. 12 Jianguomenwai Main Road Jia Zhaoyang District Beijing The PRC	The property comprises a unit on the 18th floor of an commercial building completed in about 2004. The property has a leased area of approximately 278.75 sq.m. The property is leased to Consolidated Coal & Energy Corporation from Beijing Cheng Zhong Tower Real Estate Co., Ltd. (北京成中大廈房地產有限公司), an independent third party, for a term of 2 years commencing from 8 June 2007 and expiring on 7 June 2009 at a monthly rent of RMB102,925.65 (including management fee).	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Beijing Cheng Zhong Tower Real Estate Co., Ltd. (北京成中大廈房地產有限公司) (Party A) and Consolidated Coal & Energy Corporation (聯合煤業能源有限公司) ("CCEC") (Party B) dated 30 April 2007, the property with a leased area of approximately 278.75 sq.m. is leased to Party B from Party A for a term of 2 years commencing from 8 June 2007 at a monthly rent of RMB102,925.65 (including management fee).

2. Pursuant to an Agreement on the Change of Lessor entered into by and between CCEC, Beijing Cheng Zhong Tower Real Estate Co., Ltd. and New China Life Insurance Joint Stock Co., Ltd. ("New China Life") dated 27 August 2007, the lessor of the tenancy agreement as stated in Note 1 above has been changed to New China Life.

3. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisors, which contains, inter alia, the following:

   (i) The tenancy agreements have not been filed with the local real property authority as required by the relevant regulations. Therefore, the parties may be required by the authority to perform such procedure, and may be subject to administrative penalties. However, such incompliance will not impair the validity or effectiveness of the tenancy agreements.

   (ii) New China Life has good title to and the right to lease the property. CCEC's use of the property as provided in the tenancy agreements is in conformity with such property's purpose. CCEC has the right to use the property in accordance with the tenancy agreements.

VALUATION CERTIFICATE

GROUP III — PROPERTY INTEREST HELD AND OCCUPIED BY YUNNAN DAWEI AMMONIA CO., LTD. IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 August 2007 *RMB*
5.	A parcel of land, various buildings and structures located at Huashan Industrial Zone Panjiang Town Zhanyi County Qujing City Yunnan Province the PRC	The property comprises a parcel of land with a site area of approximately 256,100.1 sq.m. ("Land 1") and various buildings and structures erected thereon. The property also comprises various buildings and structures erected on an adjoining land parcel ("Land 2"), which, as advised by Yunnan Dawei Ammonia Co., Ltd. (雲南大為製氨有限公司), is held by Yunnan Yunwei Group Co., Ltd. Construction of the buildings and structures are completed recently. The buildings have a total gross floor area of approximately 66,600.95 sq.m. The buildings mainly include workshops, warehouses and office buildings. The structures mainly include ponds, roads, boundary walls, stack yard, etc. The land use rights of Land 1 were granted for a term expiring on 29 December 2055 for industrial use.	The property is currently in the process of setting up for production purpose by Yunnan Dawei Ammonia Co., Ltd. (雲南大為製氨有限公司).	57,296,000 45% interest attributable to the Enlarged Group: RMB25,783,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resource Bureau of Zhanyi County of Yunnan Province of the PRC (Party A) and 雲南沾化有限責任公司 (Party B) dated 10 May 2004, the land use rights of a parcel of land with a site area of approximately 259,590 sq.m. were granted from Party A to Party B for a term of 50 years for industrial use at a land grant premium of RMB6,780,840.

2. Pursuant to a State-owned Land Use Rights Certificate — Zhan Guo Yong (2006) No. 0332 (沾國用(2006)第 0332號) dated 27 October 2006, the land use rights of a parcel of land with a site area of approximately 217,801 sq.m. were granted to Yunnan Dawei Ammonia Co., Ltd. (雲南大為製氨有限公司) for a term expiring on 29 December 2055 for industrial use.

3. Pursuant to a Land Registration Form dated 23 July 2007, as the construction works have been completed, therefore, the land use rights of the land parcel as mentioned in note 2 above were approved to be registered with a site area of approximately 256,100.1 sq.m. for a term expiring on 29 December 2055 for industrial use and the original certificate (Zhan Guo Yong (2006) No. 0332) was resumed and a new certificate will be issued with a certificate no. of Zhan Guo Yong (2007) No. 0494.

4. Pursuant to a Construction Land Planning Permit — No. 11004004 dated 15 April 2004 in favour of 雲南沾化有限責任公司, the use of the land parcel with a site area of approximately 259,590 sq.m. was in compliance with the planning requirements.

5. Yunnan Dawei Ammonia Co., Ltd. will become an associate of the Enlarged Group after completion of the ACIL Project SPA with a maximum equity interest up to 45 per cent.

6. In view that the State-owned Land Use Rights Certificate of Land 1 is legally valid, binding and enforceable and with reference to the legal opinion provided by the Group's PRC legal advisors, we have, in the course of our valuation, assumed that Yunnan Dawei Ammonia Co., Ltd. will not be required to pay transfer price in respect of the 38,299.1 sq.m. portion of Land 1.

7. As advised by Yunnan Dawei Ammonia Co., Ltd. (雲南大為製氨有限公司), Land 2 is held by Yunnan Yunwei Group Co., Ltd. (雲南雲維集團有限公司). As such, we have not included Land 2 in our valuation.

8. In the course of our valuation, we have not ascribed any commercial value to the buildings and structures erected on Land 1 as the relevant construction permits and building ownership certificates have not been obtained and the buildings and structures erected on Land 2 as the relevant title certificates have not been obtained. However, for reference purposes, we are of the opinion that the capital value of these buildings and structures (excluding the land) as at the date of valuation would be RMB137,463,000 assuming relevant granted land use rights certificate and building ownership certificates and relevant construction permits have been obtained and these buildings and structures could be freely transferred individually and separately without payment of any outstanding fees or monies.

9. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisors, which contains, inter alia, the following:

   (i) Yunnan Dawei Ammonia Co., Ltd. has paid a land transfer price of RMB6,534,030 for a land area of 217,801 sq.m. (or RMB30 per sq.m.) of which RMB3,260,000 was refunded to Yunnan Dawei Ammonia Co., Ltd. in October 2006. Therefore, the actual rate of land transfer price is approximately RMB15 per sq.m. In respect of the extra 38,299.1 sq.m. granted to Yunnan Dawei Ammonia Co., Ltd., Yunnan Dawei Ammonia Co., Ltd. has not paid any transfer price. For the 217,801 sq.m. for which Yunnan Dawei Ammonia Co., Ltd. has paid land transfer price, there has not been provided with any documents relating to the valuation of such land use rights, which is required to be conducted before execution of the land use rights contract. It is noted that the land transfer price has been paid by Yunnan Dawei Ammonia Co., Ltd. at an actual rate of approximately RMB15 per sq.m. If the land transfer price is lower than the minimum price permitted under the relevant regulations at the time of the transfer, Yunnan Dawei Ammonia Co., Ltd. may be required by the authority to make up for the difference, failing which the authority may revoke the land transfer contract and nullify the land use rights. In respect of the extra 38,299.1 sq.m., Yunnan Dawei Ammonia Co., Ltd. may be required by the authority to make up for such outstanding amount.

   (ii) The State-owned Land Use Rights Certificate (Zhan Guo Yong (2007) No. 0494) with respect to Land 1, except for the inconsistencies of the owner between the State-owned Land Use Rights Grant Contract and the State-owned Land Use Rights Certificate and the risks discussed in note 9(i) above, is legally valid, binding and enforceable in accordance with its terms under the PRC law. Yunnan Dawei Ammonia Co., Ltd. has the right to transfer, lease or mortgage Land 1 according to the relevant law.

   (iii) With respect to the construction of the buildings and structures on Land 1 and Land 2, Yunnan Dawei Ammonia Co., Ltd. has not obtained any Construction Work Planning Permit, nor has it obtained Construction Commencement Permit. Pursuant to relevant rules in Yunnan Province, building constructions without planning permit will result in administrative penalties to the project owner.

(iv) The lack of Construction Work Planning Permit and Construction Commencement Permit will adversely affect Yunnan Dawei Ammonia Co., Ltd's application for building title certificates as the authority in charge of the administration of real properties shall check such permits to ensure all planning and construction requirements have been complied with in processing Yunnan Dawei Ammonia Co., Ltd's application for title certificates.

(v) Yunnan Dawei Ammonia Co., Ltd. has not been able to fully comply with the planning and construction requirements under the construction law, which may result in administrative penalties to Yunnan Dawei Ammonia Co., Ltd. and impair its successful application for title certificates for these properties.

VALUATION CERTIFICATE

PROPERTY INTEREST RENTED BY THE GROUP IN HONG KONG AFTER THE DATE OF VALUATION

Property	Description and tenure	Particulars of occupancy
Unit No. 525 on the 5th Floor of Kwai Shun Industrial Centre Nos. 51-63 Container Port Road Kwai Chung New Territories Hong Kong	The property comprises a unit on the 5th floor of a 13-storey industrial building completed in about 1979. The property has a gross floor area of approximately 900 sq.ft. (83.61 sq.m.). The property is rented to Regent Pacific Group (Hong Kong) Limited from Union Step Limited, an independent third party, for a term commencing from 15 September 2007 and expiring on 14 September 2009 at a monthly rent of HK$5,800.	The property is currently occupied by the Group as warehouse.

Notes:

1. The registered owner of the property is Union Step Limited.

Regent Pacific Group Limited

Technical Report
Ji Ri Ga Lang Project
Inner Mongolia, China

Report Prepared for

Regent Pacific Group Limited

Prepared by

SRK Consulting
Engineers and Scientists

Project Number RPG001
18th October 2007

Technical Report
Ji Ri Ga Lang Coal Project
Inner Mongolia, China

Regent Pacific Group Limited

SRK Project Number RPG001
SRK Consulting, Brisbane
Level 6, 141 Queen Street
Brisbane Queensland
Australia 4000

18th October 2007

Compiled by:

Tri Yoso
Senior Consultant (Coal Geology)

Peer Review by:

Patrick Hanna
Principal Consultant (Coal Geology)

EXECUTIVE SUMMARY

Regent Pacific Group Limited (Regent Pacific or the Company or the Group) commissioned SRK Consulting (Australasia) Pty Ltd trading as SRK Consulting (SRK) to undertake an independent review of the exploration asset, Ji Ri Ga Lang Coal Project, in Inner Mongolia. SRK was required to provide a Competent Person's Report (CPR) in a form acceptable under Chapter 18 of the listing rules of The Stock Exchange of Hong Kong Limited and which provides potential investors with a clear and un-biased view of the asset and its future production potential. This report summarises the major findings of the SRK review and states the Coal Resources for the project area in accordance with the 1999 Chinese Resource and Reserve Standard.

A preliminary drilling exploration program at the Ji Ri Ga Lang Coal Project has delineated ten coal seams of which two have economic potential for extraction using open cut mining methods.

The exploration program comprised of 38 boreholes which delineated a prospective area identified as Ji Ri Ga Lang in the southern part of the Exploration Licence Area. Ten of these boreholes intersected the most prospective seams which were sampled and analysed.

The major coal seam ranges in thickness from 24.97 to 34.75 metres (m) and based on the analytical results, the coal is suitable for the Inner Mongolian domestic thermal market.

Based on the current drilling results, a Coal Resource has been estimated at a total of 99 Million tonnes (Mt) for categories 332 (40Mt) and 333 (59Mt) with a strip ratio of less than 1 bank cubic metre (bcm) of waste per tonne of coal. The Resource estimate has been evaluated and verified by the Office of Land and Resources of Inner Mongolia autonomous region, dated 31st July 2006.

Although these estimates cannot be reported under the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code), the 99Mt would be equivalent to an Inferred Coal Resource based on the principles of the JORC Code.

The conclusions of this report recommend that, given the excellent potential for the Ji Ri Ga Lang Coal Project to become an economic open cut coal mine, further drilling should be conducted to provide sufficient detail for a final feasibility study for the project.

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GLOSSARY OF TERMS

Abbreviation	Terminology
^{o}	degrees
^{o}C	degrees Celsius
2-D	2 dimensional
5L	5Lower Coal Seam
ad	air dried
AusIMM	Australasian Institute of Mining and Metallurgy
bcm	Bank cubic metre
bcm/t	Bank cubic metre per tonne
CCEC	CCEC Ltd
cm	centimetre/s
Coal Resource	A Coal Resource is that portion of a deposit in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, geological characteristics and continuity of a Coal Resource are known, estimated or interpreted from specific geological evidence and knowledge. Coal Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Competent Person	A geologist or engineer with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination thereof, has experience relevant to the subject matter of the mineral project and the technical report and is a member in good standing of a professional association
CPR	Competent Person's Report
d	dry
D_1a	Ao Bao Ting Hui Formation of Devonian era
daf	dry ash free
JORC	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004)
JORC Committee	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
K_1b	Ba Yan Hua Formation of Lower Cretaceous era

Abbreviation	Terminology
K_1b^1	Lower Ba Yan Hua Formation
K_1b^2	Upper Ba Yan Hua Formation
km	kilometre/s
km^2	square kilometre/s
m	metre/s
Mj/kg	Megajoules per kilogram
mm	millimetre/s
Mt	Million tonne/s
Q	Quaternary
Regent Pacific	Regent Pacific Group Limited
SRK	SRK Consulting (Australasia) Pty Ltd trading as SRK Consulting
t/m^3	tonnes per cubic metre
the Company	Regent Pacific Group Limited
the Group	Regent Pacific Group Limited

DISCLAIMER

The opinions expressed in this report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd trading as SRK Consulting (SRK) by CCEC Pty Ltd (CCEC) from the Geological Party of Geophysical Exploration, Hebei Province Geological Bureau of Coalfield. The opinions in this report are provided in response to a specific request from Regent Pacific Group Limited (Regent Pacific) to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

1 INTRODUCTION

SRK was commissioned by Regent Pacific to undertake an independent review of the Ji Ri Ga Lang Coal Project in Inner Mongolia.

The purpose of the evaluation is to provide a CPR in a form acceptable under Chapter 18 of the listing rules of The Stock Exchange of Hong Kong Limited and which provides the shareholders of Regent Pacific with a clear and un-biased view of the asset and its future production potential. This report summarises the major findings of the SRK review.

This report has been prepared using the Canadian reporting standard (N43-101) which is required by the Toronto Stock Exchange, and is similar to other international standards such as Australia's JORC code.

1.1 Statement of Qualification

The author of this report, Tri Yoso, is employed as a Senior Consultant for SRK Consulting, Brisbance, Australia. Tri has the following qualifications and relevant experience in the reporting of Coal Resources:

- Graduate of Padjadjaran University, Bandung, Indonesia with a Bachelor of Engineering degree in Geology (1997).
- Technical experience includes activities in exploration, geological modelling, reporting of Coal Resources, due diligence studies and the evaluation of coal deposits.
- 10 years experience as a coal geologist in coal deposits exploration throughout Indonesia and Australia.
- Professional qualifications include Member of the Australasian Institute of Mining and Metallurgy (AusIMM).
- Competent Person in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004) (JORC Code).

1.2 Statement of Independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the report.

SRK, or any of the authors of this Report, hold any share capital Regent Pacific or CCEC.

2 PROPERTY DESCRIPTION AND LOCATION

2.1 The Mineral Asset

The coal tenement, known as Ji Ri Ga Lang Coal Project, is located in the north of the A Ba Ga Qi region, Inner Mongolia (Table 2-1). The project area is situated 130 kilometres (km) north of Xin Hao Te town where the A Ba Ga Qi government is located, and about 200km west of Xi Lin Hao Te city.

The area has undergone detailed exploration drilling and the results indicate a potential coal mine amenable to open pit mining methods.

The coal is suited to the local thermal coal market.

2.2 Exploration Tenement

The Ministry of Land and Resources People's Republic of China issued the exploration licence to Abaga Qi Chang Jiang Mining Co. Ltd., on 27th July, 2007. The licence certificate number is 0100000730244, and is valid for the period commencing 27th July, 2007 until 9th June, 2009.

The licence permits the company to undertake exploration activity for the purpose of developing a feasibility study.

The tenement covers a total area of 132.23 square km (km^2) and is delineated by the coordinates in Table 2-1. The exploration activity will include topography survey, borehole coring of the coal seams, down hole geophysical logging, analytical testing of the coal cores, coal seam gas testing, hydrology and geotechnical testing, and seismic surveys. This work will be managed and conducted by consultant geologists.

Table 2-1: Tenement Coordinates for Ji Ri Ga Lang Coal Project

	Geodetic Coordinate		Plane Coordinate	
No. of Flex Points	**E**	**N**	**Y**	**X**
1	114°56'00"	45°15'00"	337757.824	5014895.122
2	115°03'00"	45°15'00"	346916.641	5014667.024
3	115°03'00"	45°07'00"	346588.753	4999848.765
4	114°56'00"	45°07'00"	337378.505	5000076.858
5	114°56'00"	45°11'00"	337568.054	5007485.947
6	114°57'00"	45°11'00"	338877.988	5007452.551
7	114°57'00"	45°12'30"	338948.544	5010230.670
8	114°56'00"	45°42'30"	337639.184	5010264.066

Based on information provided to SRK there is no evidence that there are any claims in relation to the exploration rights by third parties against the company.

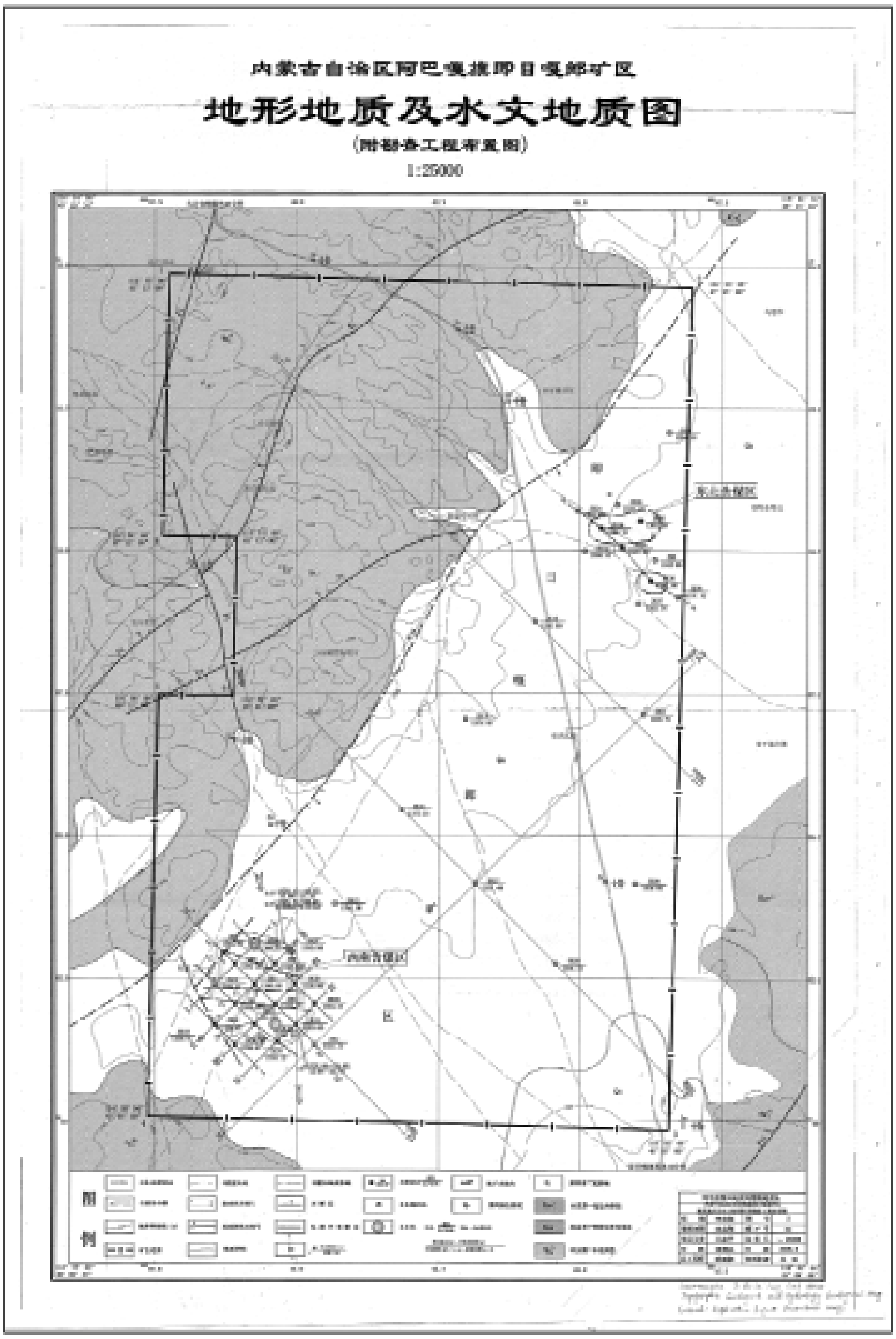

Figure 2-1: Location of the Ji Ri Ga Lang Coal Project

3 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The area is located in the middle and east of the Inner Mongolia Plateau. The regional terrain is low mountainous to hilly in the north and south and flat grassland in the middle. The altitude ranges from 1,330m to 1,500m. The coal project area is dominated by flat grassland (Figure 3-1).

The climate of the project area is semi-arid, continental monsoon and is cold and windy with large temperature differences. The rainy season is from July to August whilst the dry season is from March to June. The mean annual precipitation is 244 millimetres (mm), the maximum is 432mm and minimum 131mm. The mean years' evaporation is 1,934mm with the maximum being 2,285mm and minimum 1,661mm. The lowest temperatures reach -41.5 degrees Celsius (ºC) (February) while the highest temperatures reach 38.6ºC (July).

From November to April the weather is windy and freezing occurs from October to April. The maximum frozen soil depth reaches 2.97m.

The region lies in a low occurrence (IV) seismic zone. According to records, there have been no large earthquakes in or neighbouring the project area. The maximum intensity earthquake in the region is 5.9, located 130km away at A Ba Ga Qi.

The terrain of the project area is flat and the local roads are dominated by sandy soil roads. The A Er Shan Oilfield is located between the project area and Xi Lin Hao Te city. Rough highways connect the project area with A Ba Ga Qi and Xi Lin Hao Te city, the road between A Er Shan Oilfield and Xi Lin Hao Te city being a tar highway of 109km.

Figure 3-1: General Morphology of Ji Ri Ga Lang Coal Deposit

4 GEOLOGICAL SETTING

The Ji Ri Ga Lang area is situated in the XI Wu Zhu Mu Qin Qi late Varsican Geosyncline Fold System of the Middle Inner Mongolia Geosyncline Fold Belt. The regional structure is dominantly aligned to the northeast. Fault F16 (Figure 2-1) divides the area in two parts. A large area of the residual outcrop of the Devonian Ao Bao Ting Hui Di Formation (D_1a) is uplifted in the northwestern part of the area. The southeastern part is a Mesozoic faulted coal-bearing basin. At the side of the basins' boundary, near the fault, the coal-bearing strata of the upper member of the lower Cretaceous Ba Yan Hua Formation remain. The surface is covered by Cainozoic strata. Fault structures are dominated by northeast and nearly east-west trending faults and poorly developed fold structures.

The faults predominately trend northeasterly, northwesterly and east-west, with ten faults being delineated (Figure 2-1). Faults F3, F4, F5, F6 and F16 occur in the northern uplift area where the northeastely trending faults are most developed and have generally large displacements. There are five faults in the southwestern coal deposit, being f1, f2, f3, f4 and f5 (same name used for different faults, except lower case, see Figure 5-1). These are all normal faults. Fault f1 delineates the northwestern boundary of the deposit, f2 the southwestern boundary whilst f3, f4 and f5 traverse the whole deposit in an east-west direction.

The surface in the Ji Ri Ga Lang project area is covered by Quaternary (Q) sediments, consisting of alluvial sands, silt and soil. The average thickness of Q sediments is 5m, ranging from 2m to 9m.

The coal bearing formation within the Ji Ri Ga Lang project area is the Ba Yan Hua Formation of the Lower Cretaceous (K_1b) era. The thickness of these sediments is unknown.

The Ba Yan Hua Formation is divided into two groups:

- The lower section (K_1b^1) with a maximum thickness of greater than 225m and which consists of mudstone, sandy mudstone and siltstone with interbedded sandy conglomerate, conglomerate, and fine sandstone with occasional thin-layered coal streaks and carbonaceous mudstone

- The upper coal-bearing section (K_1b^2) with a maximum thickness of 165m consisting of up to ten coal seams and interbedded mudstones, siltstones, sandstones, glutenite, gritstone and gravel-containing mudstone. This section contains the mineable coal seams 5 and 5Lower (5L).

The base of the coal-bearing sequence is an unconformable contact with the D_1a. This formation consists of over 1,423m of grey, greyish green and yellow-green feldspar-quartz sandstone, altered andesite and silty shale with interbedded calcareous feldspar-quartz sandstone.

5 LOCAL GEOLOGY

The Project Area includes two exposures of the coal bearing Ba Yan Hua Formation. In the northeast (Figure 2-1) the coal is generally oxidised and comprises an area of 0.59km^2. The Ji Ri Ga Lang coal deposit is situated in the south-west and comprises an area of 2.67km^2. The two coal deposits are ten km apart.

Detailed exploration drilling in the two blocks and across the project area indicated that the southwestern block, Ji Ri Ga Lang, proved to have the most attractive potential for coal exploitation.

The Ji Ri Ga Lang deposit comprises a northeast trending, wide and flat syncline with the axis of the syncline occurring between exploration line I and II (Figure 5-1). The axis direction is north-east-east and extends approximately 950m. Additionally, the two ends rise and the two limbs are asymmetric due to fault disruption. The north-west limb is steep whilst the southeastern limb is flat with dips generally less than 12 degrees(^{o}).

Five normal faults, f1, f2, f3, f4 and f5, occur in the Ji Ri Ga Lang coal deposit (Figure 5-1). These faults were defined by seismic survey (J-Lines, Figure 2-1) and the differences in height between boreholes. Borehole ZK20 (Line 1) is intersected by fault f2, seam 5 being partially faulted out and seam 5L wholly faulted out.

Fault f1 forms the northwestern boundary of the deposit. The strike is north-east and it dips southeast at 60^o. Displacement is greater than 50m and the strike length approximately 1,500m (Figure 5-4).

Fault f2 forms the southwestern boundary of the deposit and strikes north-west for a distance of approximately 2,500m. The fault dips to the north-east at 60^o with a displacement of greater than 50m (Figure 5-2).

Fault f3 occurs in the north of the deposit, strikes north-west and dips 65^o to the north-east. Displacement is from 20 to 40m and the strike length is greater than 2,000m (Figure 5-5).

Fault f4 is located in the middle of the deposit. The strike is east-west, dipping 60^o to the south. Displacement is from 20 to 60m and the strike length is greater than 3,000m (Figure 5-4).

Fault f5 is the southernmost fault in the deposit. It strikes east-west, dips to the south at 60^o with a displacement of 20 to 40m. Strike length is greater than 2,500m (Figure 5-3, Figure 5-4).

The seams subcrop around all edges of the deposit except where they are truncated by f1 and f2 to the north-west and south-west respectively, the shallowest Seam 5 intersection being 7m whilst the deepest intersection is 88m.

Within the Ji Ri Ga Lang coal deposit there is no evidence from the current exploration results of igneous intrusives.

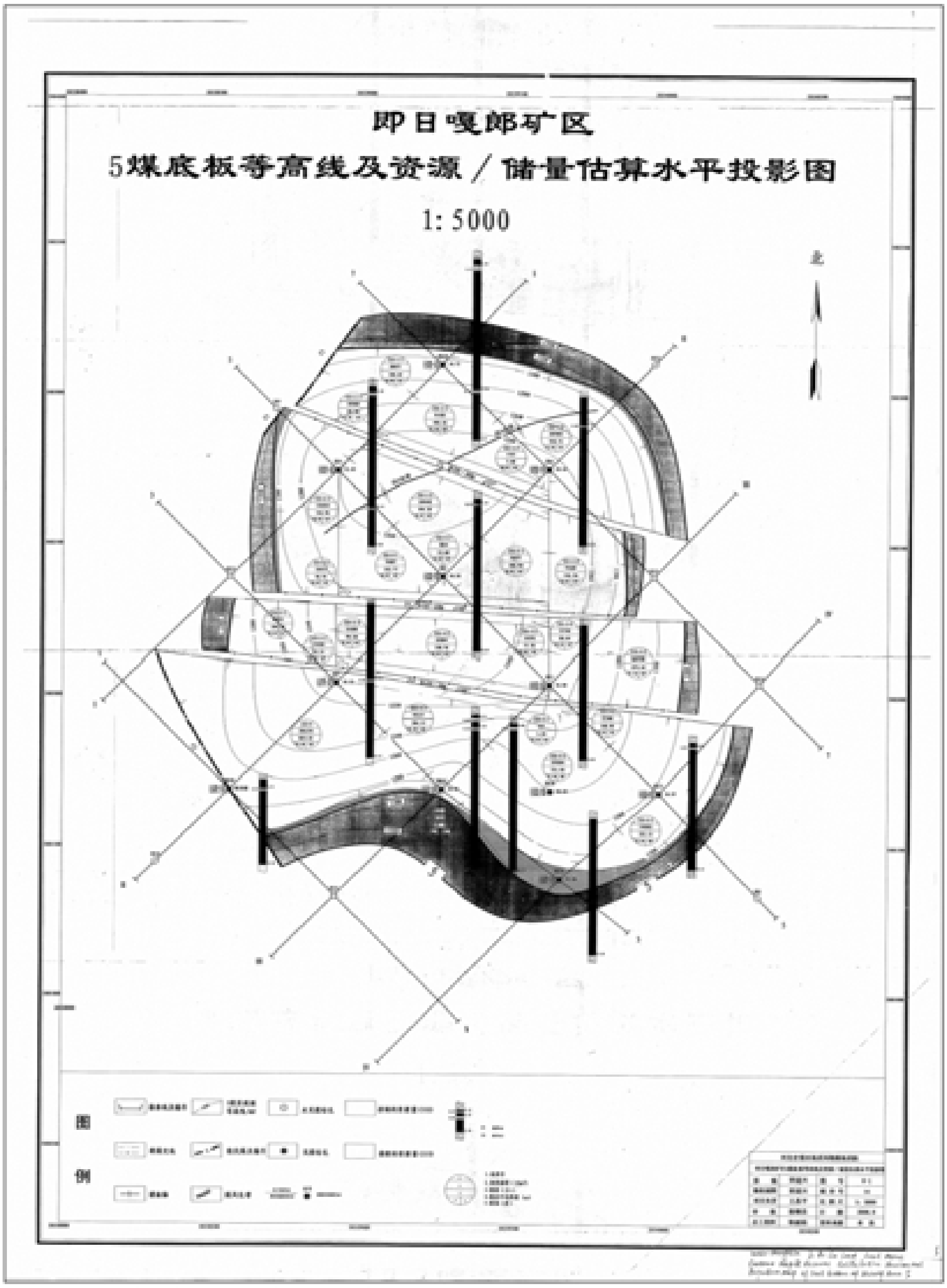

Figure 5-1: Ji Ri Ga Lang Coal Deposit. Borehole Locations, Structure and Resources, Seam 5

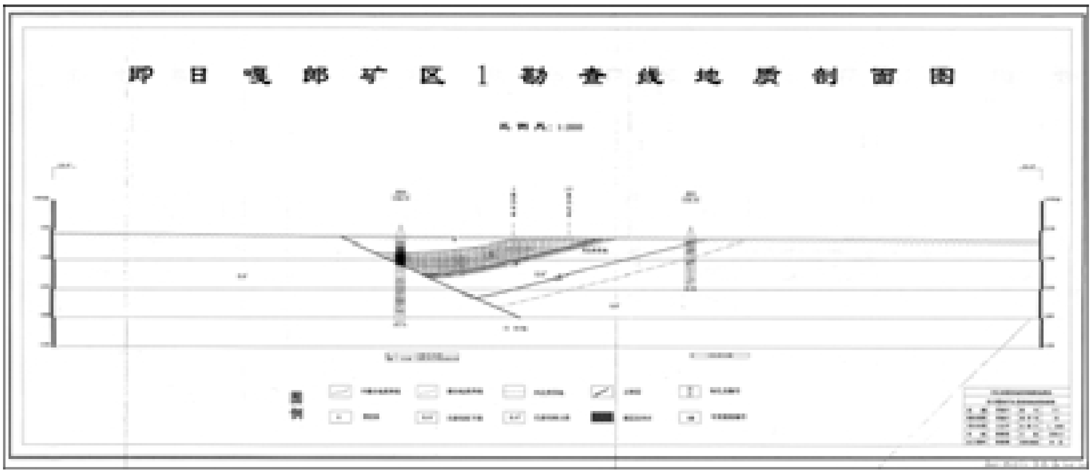

Figure 5-2: Ji Ri Ga Lang Coal Deposit. Borehole Locations, Prospecting Line 1

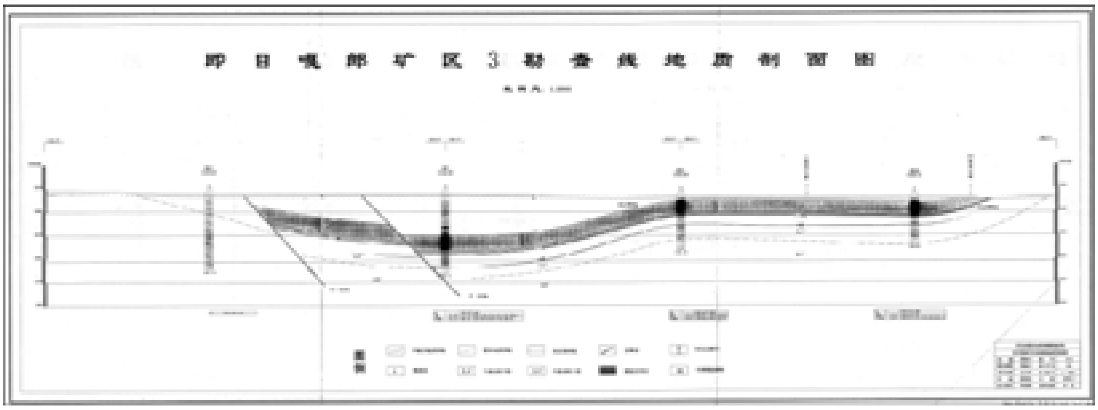

Figure 5-3: Ji Ri Ga Lang Coal Deposit. Borehole Locations, Prospecting Line 3

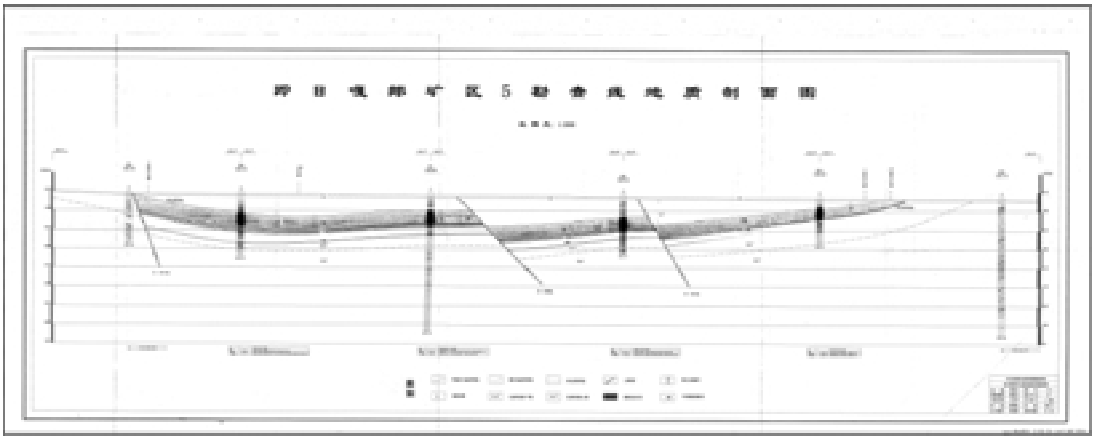

Figure 5-4: Ji Ri Ga Lang Coal Deposit. Borehole Locations, Prospecting Line 5

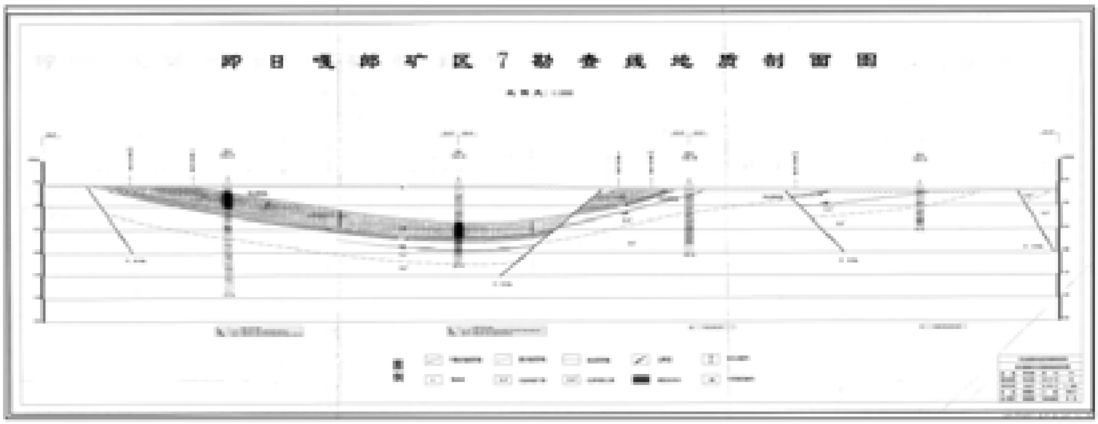

Figure 5-5: Ji Ri Ga Lang Coal Deposit. Borehole Locations, Prospecting Line 7

6 COAL GEOLOGY

There are ten identified seams in the Lower Cretaceous Ba Yan Hua Formation (Figure 6-1 and Table 6-1). The mineable seams are Seam 5 and Seam 5L.

Seam 5 is the thickest seam in the stratigraphic sequence. The thickness of Seam 5 coal ranges from 24.97m to 34.75m and averages 29.56m. The thickness of Seam 5 partings ranges up to 1.67m with an average of 1.09m and there are from zero to four parting layers, normally from one to two. A fault passes through Seam 5 in borehole ZK20 resulting in an anomalous reduced thickness intersection in that borehole (Figure 5-2).

Seam 5 L seam is the other mineable coal seam in the region. Seam 5L lies from 0.45m to 3.55m below Seam 5. Seam 5L ranges in thickness from 2.52m to 7.94m with an average of 4.81m. Parting thickness ranges from 0.45m to 8.24m with an average of 3.06m. Parting thickness increases to the northwest (ZK4, ZK18) and the seam is faulted out in borehole ZK20 (Figure 5-2).

Other Coal Seams — Seam 4 has six occurrences, two being of sufficient thickness for mining consideration (Table 6-1). Mineable thickness ranges from 1.60m to 2.15m with parting thicknesses up to 2.49m. Seam 4 has not been considered for economic extraction and has been excluded from the Resource estimation for the Ji Ri Ga Lang Project Area. Seam 4 may be mineable where sufficient thickness allows and it occurs from 0.99m to 3.7m above Seam 5.

Seam 8 has ten occurrences however only two are considered mineable. Mineable thickness is 1.50m and 1.55m. The seam is thin, discontinuous, lies from 16 to 28m below Seam 5L (Figure 6-1) and has not been considered for economic extraction. Seam 8 has been excluded from the Resource estimation for the Ji Ri Ga Lang Project Area.

Table 6-1: Seam Thickness Data for Ji Ri Ga Lang Project Area

	Total Thickness (Including Partings)				Recoverable Thickness (Excluding Partings)			
No. of Coal Seam	Min	Max	Av.	No. of Points	Min	Max	Av.	No. of Points
1	0.00	2.79		2				
2	0.00	0.90		4				
3	0.00	4.23		3				
4	0.00	5.04		6	1.60	2.15		2
5	25.36	36.42	30.53	11	24.97	34.75	29.56	11
5L	2.97	15.01	7.87	10	2.40	7.94	3.98	9
6	0.00	1.07		1				
7	0.00	0.95		2				
8	0.00	1.55	1.1	10	1.5	1.55		2
9	0.00	0.70		3				

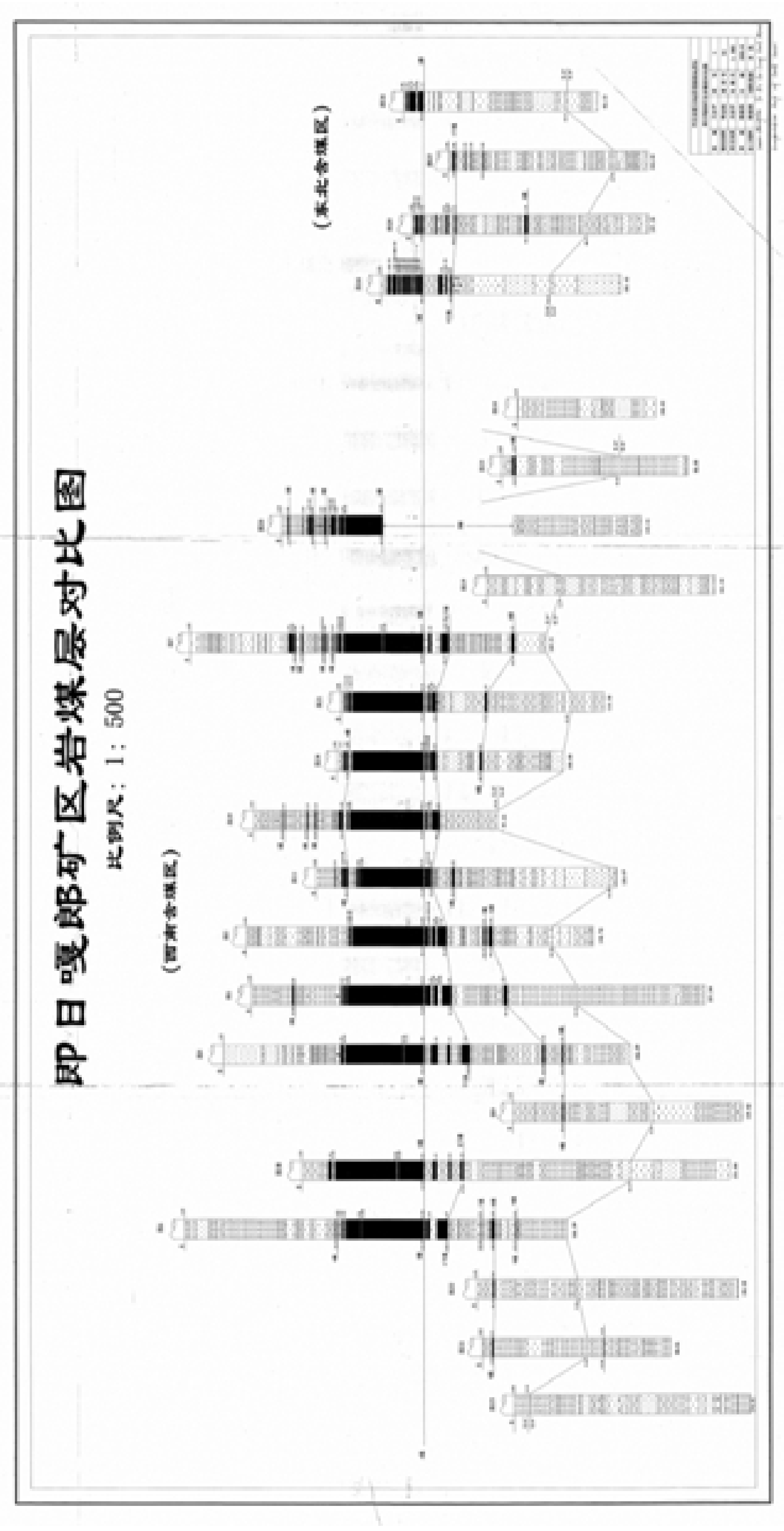

Figure 6-1: Ji Ri Ga Lang Coal Deposit and North-east Coal Deposit Borehole Profiles

Coal Quality

The coal in the analysed mineable seams is typical of Inner Mongolian Lower Cretaceous thermal coals. The Ji Ri Ga Lang coal deposit will produce a medium ash, medium to high sulphur, medium to high energy coal suitable for the Inner Mongolian domestic market

The coal quality of each seam varies across the project area, as well as from seam to seam (Table 6-3 and Table 6-4).

Total moisture was not analysed. Moisture holding capacity analysis indicates it is likely that the total moisture exceeds 20%.

Relative Density results analysed from four seam sub-samples from four boreholes varied considerably (Table 6-2). An average value of 1.37g/cm^3 was used in the estimation of resources.

Table 6-2: Relative Density for Seam 5 Sub-samples at Ji Ri Ga Lang Coal Project

Borehole	ZK7	ZK18	ZK20	ZK34
Apparent Density	1.34	1.37	1.46	1.30

Table 6-3: Coal Quality Summary for Mineable Seams at Ji Ri Ga Lang Coal Project

		Proximate Analysis			**CV**	
Seam Group	**Analytical Basis**	**Moisture % (ad)**	**Ash % (d)**	**Volatiles % (daf)**	**MJ/kg (daf)**	**Sulphur % (d)**
5	Raw coal	Range 2.18-19.88 Aver 8.05(10)	Range 13.42-21.06 Aver 15.37(10)	Range 38.68-45.39 Aver 43.30(10)	Range 27.19-28.36 Aver 27.73(10)	Range 1.07-2.21 Aver 1.50(10)
	Washed coal	Range 3.57-13.84 Aver 9.02(10)	Range 9.17-12.45 Aver 10.57(10)	Range 41.55-44.84 Aver 43.39(10)	Range 27.21-28.28 Aver 27.80(10)	Range 0.65-1.32 Aver 0.97(10)
5L	Raw coal	Range 2.07-19.52 Aver 8.73(9)	Range 10.58-29.90 Aver 16.83(9)	Range 44.83-47.10 Aver 46.06(9)	Range 26.94-29.14 Aver 27.66(9)	Range 1.30-4.33 Aver 2.26(9)
	Washed coal	Range 1.89-14.16 Aver 8.47(9)	Range 6.57-12.99 Aver 9.52(9)	Range 43.49-45.83 Aver 44.54(9)	Range 27.20-28.25 Aver 27.65(9)	Range 1.26-2.21 Aver 1.63(9)

Note: (n) is the number of samples

Table 6-4: Raw Coal Quality by Borehole for Mineable Seams at Ji Ri Ga Lang Coal Project

Borehole Name	Seam Name	Moisture % (ad)	Ash % (d)	Volatile Matter % (d)	Volatile Matter % (daf)	Fixed Carbon % (d)	Calorific Value Mj/kg (ad)	Calorific Value Mj/kg (d)	Calorific Value Mj/kg (daf)	Sulfur % (d)	Moisture Holding Capacity %
ZK1	5	9.60	13.50	37.55	43.42	48.95	21.95	24.26	28.05	1.24	20.94
ZK4	5	2.18	19.94	34.97	43.70	45.12	21.91	22.39	27.94	1.54	22.01
ZK5	5	2.43	13.96	36.61	42.59	49.43	23.60	24.19	28.10	1.15	21.46
ZK6	5	4.94	13.76	33.48	38.68	52.76	22.56	23.73	27.53	1.79	19.47
ZK7	5	6.48	13.45	37.00	42.76	49.55	22.97	24.54	28.36	1.42	20.83
ZK11	5	20.82	13.42	39.22	45.39	47.36	18.58	23.55	27.19	1.07	24.20
ZK18	5	12.52	13.99	38.54	44.83	47.47	20.67	23.64	27.50	1.62	31.22
ZK20	5	4.02	25.30	31.34	42.02	43.36	22.70	23.62	31.60	0.75	16.76
ZK21	5	5.97	15.29	36.83	43.49	47.88	21.83	23.22	27.41	2.21	22.93
ZK34	5	12.23	21.06	35.36	44.83	43.59	19.10	21.77	27.54	1.47	23.18
ZK1	5L	11.80	14.47	40.00	46.77	45.53	20.93	23.74	27.75	2.14	21.89
ZK4	5L	2.07	29.90	32.26	46.00	37.84	18.49	18.88	26.94	1.64	19.76
ZK5	5L	2.19	18.26	36.68	44.83	45.06	22.21	22.71	27.80	2.30	19.86
ZK6	5L	6.00	15.57	38.02	45.09	46.31	21.98	23.38	27.72	2.52	19.10
ZK7	5L	2.80	23.51	34.77	45.46	41.72	20.30	20.88	27.30	4.33	21.17
ZK11	5L	19.52	13.84	40.06	46.50	46.10	19.42	24.13	28.01	1.34	24.78
ZK18	5L	12.32	10.58	41.83	46.79	47.59	21.35	24.35	27.23	2.57	20.92
ZK21	5L	10.40	13.47	40.76	47.10	45.77	20.90	23.41	27.06	2.24	25.84
ZK34	5L	12.17	11.81	40.57	46.00	47.62	22.57	25.70	29.14	1.30	24.35

7 EXPLORATION

Regional mapping surrounding the project area was conducted between 1976 and 1978 by the Inner Mongolia Geologic Survey Bureau Regional Geological Survey. Prior to this survey, many professional geological teams conducted general survey and prospecting in the area. For example, the oil unit performed gravity and electric exploration work and the No.1 and No.2 Geophysical teams of Geology and Mineral resources Bureau explored for potential coal-bearing deposits in the Er Lian Basin, including the subject area.

The recently completed exploration program was conducted from August 2005 to July 2006, when drilling was completed, by the Geological Party of Geophysical Exploration, Hebei Province Geological Bureau of Coalfield. The exploration results were compiled in the report "Coal Detailed Survey Report of Ji Ri Ga Lang Project area, A Ba Ga Qi, Inner Mongolia" released in October 2006.

The recent exploration program includes:

- 36.40km 2-D seismic
- 34 geological boreholes totalling 5,236m

- 2 engineering boreholes totalling 253m
- 2 hydro-geological boreholes totalling 329m
- Geophysical logging of all boreholes
- 129 coal core samples, 102 of which are Seam 5
- 3 rock samples
- 11 parting palletisation samples
- 2 gas samples
- 3 ignition point samples
- 3 coal dust explosion samples
- 22 rock mechanical samples
- 1 rock mineralogy sample
- 7 water samples

The data for review by SRK included the written report and included raw coal quality tables for seams 5 and 5L, and the following plans:

1. 1:2000 Prospecting Line Geological Section Map of Ji Ri Ga Lang Mining Area 1 (SRK Report Figure 5-2)

2. 1:2000 Prospecting Line Geological Section Map of Ji Ri Ga Lang Mining Area 3 (SRK Report Figure 5-3)

3. 1:2000 Prospecting Line Geological Section Map of Ji Ri Ga Lang Mining Area 5 (SRK Report Figure 5-4)

4. 1:2000 Prospecting Line Geological Section Map of Ji Ri Ga Lang Mining Area 7 (SRK Report Figure 5-5)

5. 1:5000 Contour Map & Reserves Calcualtion Horizontal Projection Map of Coal Bottom of Ji Ri Ga Lang Mining Area Seam 5 (SRK Report Figure 5-1)

6. 1:5000 Contour Map & Reserves Calcualtion Horizontal Projection Map of Coal Bottom of Ji Ri Ga Lang Mining Area Seam 5 Lower

7. 1:25000 Topographic Geological and Hydrology Geological Map (attach: Exploration Project Distribute Map) (SRK Report Figure 2-1)

8. 1:500 Comparitive Map of Coal Stratum (SRK Report Figure 6-1)

The exploration area defined two coal bearing deposits, one to the northeast (Figure 2-1) and one to the southwest. The area to the northeast was found to be mostly oxidised. The subject coal deposit, to the southwest, comprises an area of 2.67km^2 and the detailed survey report was submitted to satisfy the mine management sectors' demand for registering the resource reserve of the project area and offering the geological basis for further coal mine exploration planning and design.

Boreholes were geophysically logged including natural gamma, density, sonic, resistivity, temperature and survey.

The location of a number of boreholes was inspected by SRK personnel in June 2007 (Figure 7-1).

Figure 7-1: Borehole Collar, ZK18, Ji Ri Ga Lang Coal Deposit, June, 2007

8 DRILLING

Following 2-D seismic acquisition, drilling was conducted along widely spaced grid lines (Figure 2-1) east of fault F16. The drilling program subsequently focussed on the two coal bearing areas, with close-spaced drilling being completed over both areas. At the Ji Ri Ga Lang coal deposit, 11 boreholes were located 500m apart along each grid line (Figure 5-1).

Six drill rigs were used in the exploration program. All boreholes were fully cored from the surface. The borehole diameter ranged from 110mm to 135mm, while the core size was 89mm for coal and 108mm for engineering geology drilling.

The total thickness of coal seams drilled is 320m whilst the total length of coal core is 298.3m. The length core recovery is reported as being from 81% to 99%, however the weight recovery is reported as 60% to 75% with an average of 69%. Whilst this is acceptable to Chinese classification standards, it is precluded under international (e.g. JORC) classification. Furthermore, photographs of coal core prior to sampling were not available for inspection nor are they reported as being acquired.

9 SAMPLING METHOD AND APPROACH

The coal core was weighed and stone bands greater than 5cm removed. The coal seam samples were packaged in thick plastic after cleaning and drying. The coal samples were sent to the Coalfield Geological Bureau in Hebei for analysis. The testing standard was the national Chinese standard.

From the coal analysis it is evident that sample drying to equilibrate moisture to an air-dried (ad) basis was inconsistent. This is evident in the extreme variation in air-dried moisture measurements. The higher air-dried values, for example values over 10% (ad) moisture, are likely to be incorrect. This type of "lignitic" coal requires longer than normal drying time in the laboratory to determine the correct inherent moisture due to the high total moisture content of the coal.

One hundred and twenty nine coal core samples were collected and analysed.

10 DATA VERIFICATION

The data reviewed in this report (listed in Section 7) by SRK was supplied from the Hebei Province Geological Bureau of Coalfield.

SRK conducted a site visit to the Ji Ri Ga Lang project area in June 2007 (Figure 7-1).

11 COAL BENEFICIATION TESTING

Beneficiation testing of coal seams was conducted. The results indicate that the seams benefited from washing (Table 6-3). Seams 5 and 5L indicate that they could meet the domestic market specifications requirement without the need for washing.

12 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

SRK has visited and reviewed the project area as discussed in relevant sections of this Report. In SRK's opinion, there is a good geological understanding of this project to indicate that the exploration target is sufficiently prospective to warrant further investigations and expenditure.

SRK has carried out a review of the resources as provided in the Hebei Geological Survey Report by CCEC for Ji Ri Ga Lang project and is satisfied that they have been calculated in adherence to the requirements as prescribed by the Chinese Resource and Reserve Standard. The Resource estimate has been evaluated and verified by the Office of Land and Resources of Inner Mongolia autonomous region, dated 29th May 2007.

Hebei Geological Bureau calculated the Resource estimation using a CAD-based computer system to determine the area of the Resource blocks. The calculation of tonnage for each Resource block is derived from the product of the average seam thickness for the block, the area of the block, the seam dip (cosine) and the default density of 1.37t/m^3.

SRK has reviewed and confirmed the Resource estimates presented in Table 12-1.

Table 12-1: Estimate of Coal Resources for Ji Ri Ga Lang Coal Deposit Project

Coal Seam	Elevation of Coal	Coal Resources (Million tonnes) 332	333	Total Resources (Million tonnes)
5	1240 to 1340	32	50	82
5L	1220 to 1320	8	9	17
Total		40	59	99

An explanation of the Australian JORC Code and its relationship with the Chinese Resource and Reserve Standard is presented in Appendix 1.

In addition, a further 17Mt of "weathered zone" coal is reported in the Hebei Report as "Identified" coal resource. Coal described as occurring in the weathered zone should be further defined by limit of oxidised coal (lox) drilling.

The Ji Ri Ga Lang Coal Project is considered to be at the detail survey stage of exploration at this point in time. Consequently, there is insufficient data to determine a mine design or to estimate a proven mineable reserve. The lack of supporting data for the coal sampled to date, including bore-core sample photographs and appropriate coal seam core recovery rates, limits the resource status of the deposit and excludes the classification of the resource to an international standard.

13 OTHER RELEVANT DATA AND INFORMATION

An analysis of the strip ratio of volume of waste to tonnes of coal was conducted, and the results indicated that most of the resources reported could be mined using open cut methods. Approximate stripping ratios for each borehole are listed in Table 13-1.

Table 13-1: Seam 5 Borehole Stripping Ratio. Density used 1.37t/m^3

Borehole	Seam Thickness (m)	Depth to Seam 5 (m)	Stripping Ratio (bcm/t)
ZK1	31.58	40.65	0.94
ZK11	25.36	26.24	0.76
ZK18	36.42	15.31	0.31
ZK21	29.98	7.18	0.17
ZK34	27.20	10.77	0.29
ZK39	29.47	44.65	1.11
ZK4	32.06	50.09	1.14
ZK5	28.73	53.80	1.37
ZK6	31.86	79.58	1.82
ZK7	32.65	88.40	1.98
ZK20	20.22	27.12	0.98

14 INTERPRETATION AND CONCLUSIONS

The Ji Ri Ga Lang Coal Project has been explored in detail to define a Resource of thermal coal suitable for the domestic market and amenable to open cut mining methods.

The borehole data has been well documented however the full data suite for the exploration program has not been reviewed.

At this stage of exploration activity, the classification of an Inferred Resource is encouraging to investors to commit to further development of the project. The next stage will aim to proving Measured and Indicated Resources to an international standard such as the JORC Code, in preparation for a full feasibility study.

Since the drilling to date has demonstrated the deposit has no igneous intrusions and the structural features appears well defined, it can be concluded that there appears to be no issues that may cause any significant impact on the mining of the coal.

The Ji Ri Ga Lang Coal Project has an excellent potential to be developed into an economic open cut coal mine servicing the Inner Mongolian domestic thermal market.

15 RECOMMENDATIONS

It is recommended that the current information for Ji Ri Ga Lang Coal Project is of sufficient merit to undertake a detail drilling program in order to prove the Coal Resources to higher categories at international standards and to test the coal resource potential in the margins of the deposit currently classified as “Identified”. This drilling campaign is expected to fulfill the requirements for a final feasibility study and to provide a JORC Code compliant Indicated Resource.

16 REFERENCES

Geological Party of Geophysical Exploration, Hebei Province Geological Bureau of Coalfield, *Coal Detailed Survey Report of Ji Ri Ga Lang Mine Area, A Ba Ga Qi, Inner Mongolia (Modified)*. Changjian Mine Limited Corporation, A Ba Ga Qi, October, 2006.

Office of Land and Resources of Inner Mongolia autonomous region, *Mineral resources reserves evaluation record proof about Ji ri Ga Lang mining area coal detailed survey report of A Ba Ga banner in Inner Mongolia autonomous region*. May 29th 2007.

17 DATE AND SIGNATURE

Dated this eighteenth day of October 2007

Tri Yoso
SRK Consulting

Appendices

APPENDIX 1: RESOURCE AND RESERVE STATEMENTS

Categorisation of Mineral Resources and Ore Reserves

The system for the categorisation of mineral resources and ore reserves in China is in a period of transition which commenced in 1999. The traditional system, which is derived from the former Soviet system, uses five categories based on decreasing levels of geological confidence - Categories A, B, C, D and E. The new system (Rule 66) promulgated by the Ministry of Land and Resources in 1999 uses three-dimensional matrices, based on economic, feasibility/mine design and geological degrees of confidence. These are categorised by a three number code of the form "123". This new system is derived from the UN Framework Classification proposed for international use. All new projects in China must comply with the new system. However, estimates and feasibility studies carried out before 1999 will have used the old system.

A broad comparison guide between the Chinese classification scheme and the JORC Code is presented in the following table.

	Chinese "Reserve" Category	
JORC Code Resource Category	**Previous System**	**Current system**
Measured	A	111, 111b, 121, 121b, 122, 122b, 2M11, 2M21,
Indicated	B	2M22, 2S21, 331
Inferred	C	112, 112b, 2S11, 2S12, 2S22, 332
	D	113, 113b, 123, 123b, 333

Relationship between JORC Code and the Chinese Reserves System

In China, the methods used to estimate the resources and reserves are generally prescribed by the relevant Government authority, and are based on the level of knowledge for that particular geological style of deposit. The parameters and computational methods prescribed by the relevant authority include cut-off grades, minimum thickness of mineralisation, maximum thickness of internal waste, and average minimum 'industrial' or 'economic' grades required. The resource classification categories are assigned largely on the basis of the spacing of sampling, trenching, underground tunnels and drill holes.

In the pre-1999 system, Category A generally included the highest level of detail possible, such as grade control information. However, the content of each category B, C & D may vary from deposit to deposit in China, and therefore must be carefully reviewed before assigning to an equivalent "JORC Code type" category. The traditional Categories B, C & D are broadly equivalent to the 'Measured', 'Indicated', and 'Inferred' categories that are provided by the JORC Code and USBM / USGS systems used widely elsewhere in the world. In the JORC Code system the 'Measured Resource' category has the most confidence and the 'Inferred' category has the least confidence, based on the increasing levels of geological knowledge and continuity of mineralisation.

With regards to the new Chinese Category Scheme, as shown in the following table, the three numbers refer to economic, feasibility/mine design and geological degrees of confidence.

Definition of the new Chinese Category Scheme

Category	Denoted	Comments
Economic	1	Full Feasibility Study considering economic factors has been conducted
	2	Pre-feasibility to scoping study which generally considers economic factors has been conducted
	3	No pre-feasibility or scoping study conducted to consider economic analysis
Feasibility	1	Further analysis of data collected in "2" by an external technical department
	2	More detailed feasibility work including more trenches, tunnels, drilling, detailed mapping etc
	3	Preliminary evaluation of feasibility with some mapping and trenches
Geologically controlled	1	Strong geological control
	2	Moderate geological control via closely-spaced data points (e.g. small-scale mapping)
	3	Minor work which projected throughout the area
	4	Review stage

Regent Pacific Group Limited

Technical Report
Zhun Dong Coal Project
Xinjiang, China

Report Prepared for

Regent Pacific Group Limited

Prepared by

SRK Consulting
Engineers and Scientists

Project Number RPG002
18th October 2007

Technical Report
Zhun Dong Coal Project
Xinjiang, China

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18th October 2007

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Peer Review by:

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EXECUTIVE SUMMARY

Regent Pacific Group Limited (Regent Pacific or the Company or the Group) commissioned SRK Consulting (Australasia) Pty Ltd trading as SRK Consulting (SRK) to undertake an independent review of the exploration asset, Zhun Dong Coal Project, in Xinjiang, China. SRK was required to provide a Competent Person's Report (CPR) in a form acceptable under Chapter 18 of the listing rules of The Stock Exchange of Hong Kong Limited and which provides potential investors with a clear and un-biased view of the asset and its future production potential. This report summarises the major findings of the SRK review and states the Coal Resources for the project area in accordance with the 1999 Chinese Resource and Reserve Standard.

A preliminary drilling exploration program at the Zhun Dong Coal Project has delineated ten coal seams of which at least one has economic potential for extraction using underground mining methods.

The exploration program comprised of 10 boreholes which delineated a prospective area identified as the proposed Zhun Dong mine situated in the southeastern part of the Exploration Licence Areas. Seven of the boreholes intersected the most prospective seam which were sampled and analysed, six of which are located in the southeast.

The uppermost coal seam, Seam 1, is the potential target seam and ranges from 16 metres (m) to 30m in thickness within the proposed mine area situated in the eastern portion of the project area. Seam 1 is located from a depth of 230m to over 800m from the surface and based on the analytical results, the coal is suitable for the Xinjiang domestic thermal market. Two other seams may be potential underground mining targets, Seams 4 and 6, however further work is required to delineate seam thickness variations, seam splitting and coal quality.

Based on the current drilling results, a Coal Resource has been estimated for Seam 1 at a total of 653 Million tonnes (Mt) for category 333. This estimate has not been accredited by MOLAR (Ministry of Land and Resources) and does not meet the requirements of an international standard for reporting Coal Resources such as the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

The conclusions of this report recommend that, given the potential for the Zhun Dong Coal Project to become an economic underground coal mine, further drilling should be conducted to provide sufficient detail for a comprehensive feasibility study for the project.

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GLOSSARY OF TERMS

Abbreviation	Terminology
%	percent
2-D	2 dimensional
ad	air-dried
AusIMM	Australasian Institute of Mining and Metallurgy
CaO	calcite
CCEC	CCEC Ltd
Coal Resource	A Coal Resource is that portion of a deposit in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, geological characteristics and continuity of a Coal Resource are known, estimated or interpreted from specific geological evidence and knowledge. Coal Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Competent Person	A geologist or engineer with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination thereof, has experience relevant to the subject matter of the mineral project and the technical report and is a member in good standing of a professional association
CPR	Competent Person's Report
CV	Calorific Value
db	dried basis
Fe_2O_3	High iron oxide
HRAM	high resolution airborne magnetic survey
J_1b	Badaowan Formation Lower Jurassic era
J_1s	Sangonghe Formation Lower Jurassic era
J_2x	Xishanyao Formation of Middle Jurassic era
JORC	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004)
JORC Committee	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
km	kilometre(s)

Abbreviation	Terminology
km^2	square kilometre(s)
m	metre(s)
M^3	cubic metre(s)
Mj/kg	Megajoules per kilogram
mm	millimetre(s)
Mt	Million tonne(s)
Mtpa	Million tonnes per annum
Q	Quaternary
Regent Pacific	Regent Pacific Group Limited
SGPL	Shandong Geological Printing Ltd
SGSMI	Shandong Geological Surveying and Mapping Institute
SRK	SRK Consulting (Australasia) Pty Ltd trading as SRK Consulting
the Company	Regent Pacific Group Limited
the Group	Regent Pacific Group Limited
^{o}	degrees
^oC	degrees Celsius

DISCLAIMER

The opinions expressed in this report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd trading as SRK Consulting (SRK) by CCEC Pty Ltd from the Shandong Geological Surveying and Mapping Institute (SGSMI). The opinions in this report are provided in response to a specific request from Regent Pacific Group Limited (Regent Pacific) to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

1 INTRODUCTION

SRK was commissioned by Regent Pacific to undertake an independent review of the Zhun Dong Coal Project in Xinjiang Province, China.

The purpose of the evaluation is to provide a CPR in a form acceptable under Chapter 18 of the listing rules of The Stock Exchange of Hong Kong Limited and which provides the shareholders of Regent Pacific with a clear and un-biased view of the asset and its future production potential. This report summarises the major findings of the SRK review.

This report has been prepared using the Canadian reporting standard (N43-101) which is required by the Toronto Stock Exchange, and is similar to other international standards such as Australia's JORC code.

1.1 Statement of Qualification

The author of this report, Tri Yoso, is employed as a Senior Consultant for SRK Consulting, Brisbane, Australia. Tri has the following qualifications and relevant experience in the reporting of Coal Resources:

- Graduate of Padjadjaran University, Bandung, Indonesia with a Bachelor of Engineering degree in Geology (1997).
- Technical experience includes activities in exploration, geological modelling, reporting of Coal Resources, due diligence studies and the evaluation of coal deposits.
- 10 years experience as a coal geologist in coal deposits exploration throughout Indonesia and Australia.
- Professional qualifications include Member of the Australasian Institute of Mining and Metallurgy (AusIMM).
- Competent Person in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004) (JORC Code).

1.2 Statement of Independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the report.

SRK, or any of the authors of this Report, hold any share capital Regent Pacific or CCEC.

2 PROPERTY DESCRIPTION AND LOCATION

2.1 The Mineral Asset

The coal tenement, known as Zhun Dong Coal Project, comprises four exploration licences and is located in the Laojunmiao depression, a small Jurassic sedimentary basin east of the Junggar Basin, Xinjiang Province (Figure 2-1, Table 2-2). The project area is situated 80 kilometres (km) north of Mulai County Changing Autonomous State and belongs to Mulei Hashake Autonomous County and Qitai County administrative area, and lies about 350km by road northeast of Urumqi City (Figure 2-2).

The area has undergone detailed exploration drilling and the results indicate a potential coal mine amenable to underground mining methods.

The coal is suited to the local thermal coal market.

Figure 2-1: Location and Tenements of the Zhun Dong Coal Project

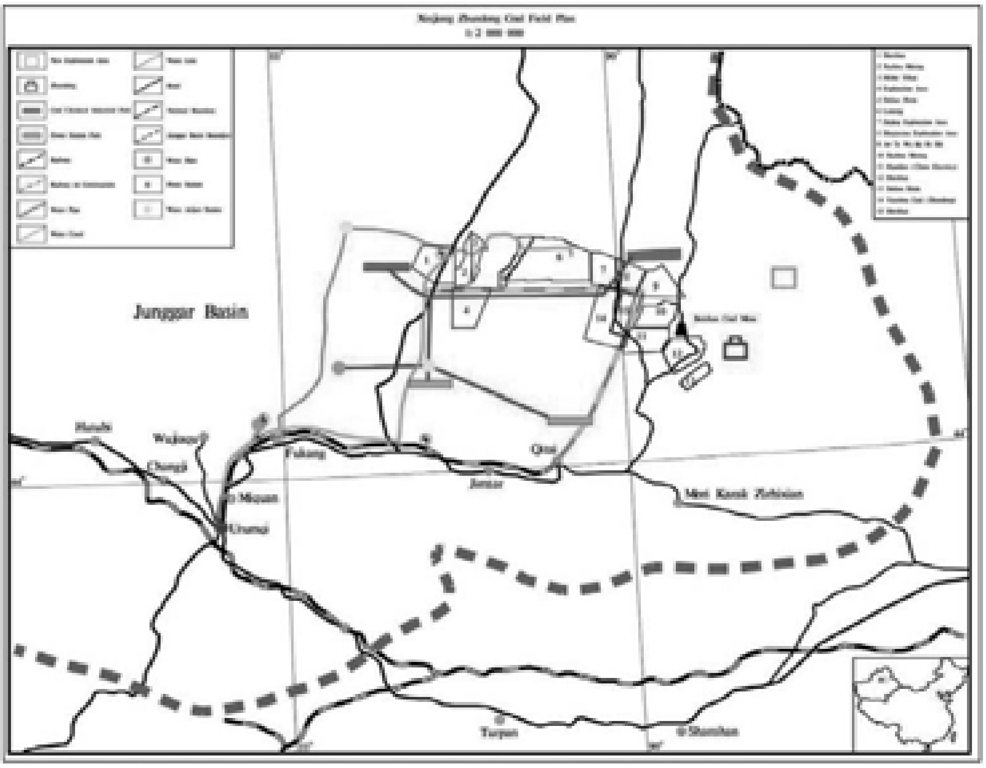


Figure 2-2: Location and Access, Zhun Dong Coal Project

2.2 **Exploration Tenement**

The Ministry of Land and Resources People's Republic of China has issued four exploration licences to the Shandong Institute of Surveying and Mapping of Geology and Shandong Geological Printing Ltd (Figure 2-3) as delineated in Table 2-1. Colours in Table 2-1 refer to Figure 2-3 and relate to Exploration Licence areas.

The four tenements cover a total area of 117.98 square km (km^2) and are delineated by the coordinates in Table 2-2.

Table 2-1: Exploration Licence Details for Zhun Dong Coal Project

Colour	Licence Number	Licence Owner	Valid From — To	Area (km^2)
Light Pink	6500000731298	SISMG	26-04-2007 — 26-04-2008	29.71
Yellow	6500000624285	SGPL	29-12-2006 — 29-09-2007	29.40
Light Blue	6500000624286	SGPL	29-12-2006 — 29-09-2007	29.44
Red	6500000731299	SISMG	26-04-2007 — 26-04-2008	29.43

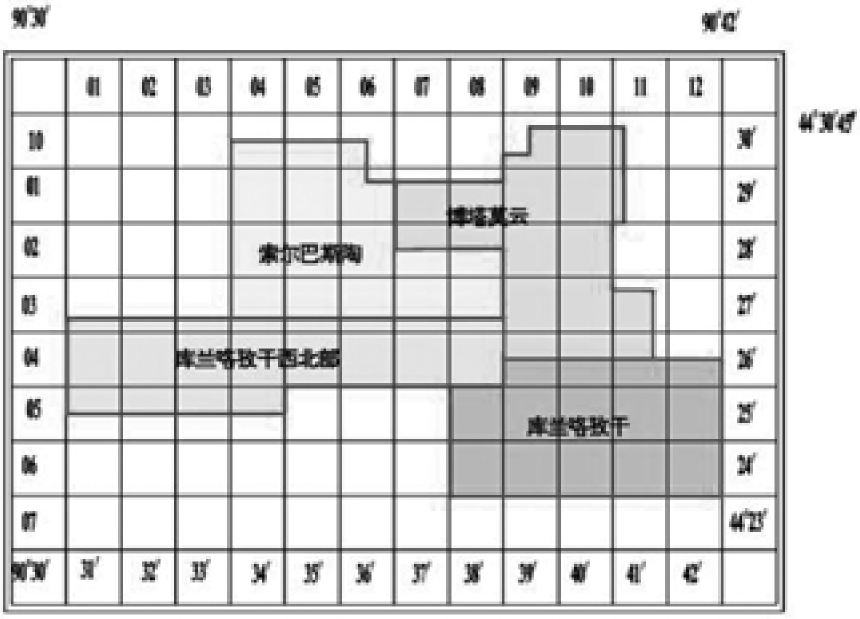


Figure 2-3: Tenement Locations for Zhun Dong Exploration Licences

Based on information provided to SRK there is no evidence that there are any claims in relation to the exploration rights by third parties against the company.

Table 2-2: Tenement Coordinates for Zhun Dong Coal Project

No. of Flex Point	Coordinate		No. of Flex Point	Coordinate	
	X	Y		X	Y
1	4930541.1	30543725.8	2	4930564.2	30547049.1
3	4929638.2	30547055.8	4	4929643.0	30547718.6
5	4929180.0	30547721.9	6	4929200.0	30550373.2
7	4930126.0	30550366.0	8	4930131.2	30551028.7
9	4931057.2	30551021.4	10	4931075.9	30553340.6
11	4927834.7	30553367.2	12	4927832.0	30553035.7
13	4925517.0	30553054.6	14	4925525.1	30554049.4
15	4923210.0	30554068.6	16	4923224.1	30555727.1
17	4918593.9	30555766.7	18	4918540.6	30549127.8
19	4922244.7	30549099.9	20	4922215.9	30545118.8
21	4921289.9	30545125.3	22	4921255.3	30539816.4
23	4924496.3	30539796.6	24	4924521.9	30545776.3
25	4924496.3	30539796.6	26	4924521.9	30543776.3

3 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The area is located in the Gobi desert zone of northern Xinjiang Province. The regional terrain is flat and the topography ranges from 750m to 820m above sea level. The coal project area is dominated by saline land and dry mud flats (Figure 3-1).

The climate of the project area is arid, dry desert and is dry and hot in summer and autumn with large temperature differences. There are random thunderstorms between May and August and rare snowfalls in winter. The mean annual precipitation is 106 millimetres (mm). The annual evaporation is from 1,202mm to 2,382mm. The lowest temperatures reach -49.8 degrees Celsius (ºC) (December - January) while the highest temperatures reach 41.2ºC (June, July and August).

The weather is windy from May to September.

The region lies in a low occurrence (VI) seismic zone. The maximum intensity earthquake in the region is 5.1 on the Richter scale (north-east of Bogda Mountain).

The terrain of the project area is flat and the local roads are predominately gravel surfaces. The mining area is 80km north of the 303 provincial road, 60km of which is gravel road (Figure 3-2), which connects to Urumqi 270km west of Mulei County and Balikun County and Hami City to the east. Power is supplied through the project area to the local underground coal mines.

Five mines are currently mining the coal measures to the east of the exploration leases (Figure 3-3, 3-4). These mines mainly mine Seam 1 to a depth of less than 120m with a total reported production of 0.2 Million tonnes per annum (Mtpa).

Figure 3-1: General Morphology of Zhun Dong Coal Deposit

Figure 3-2: Gravel Road Connecting Coal Deposit to Mulei County

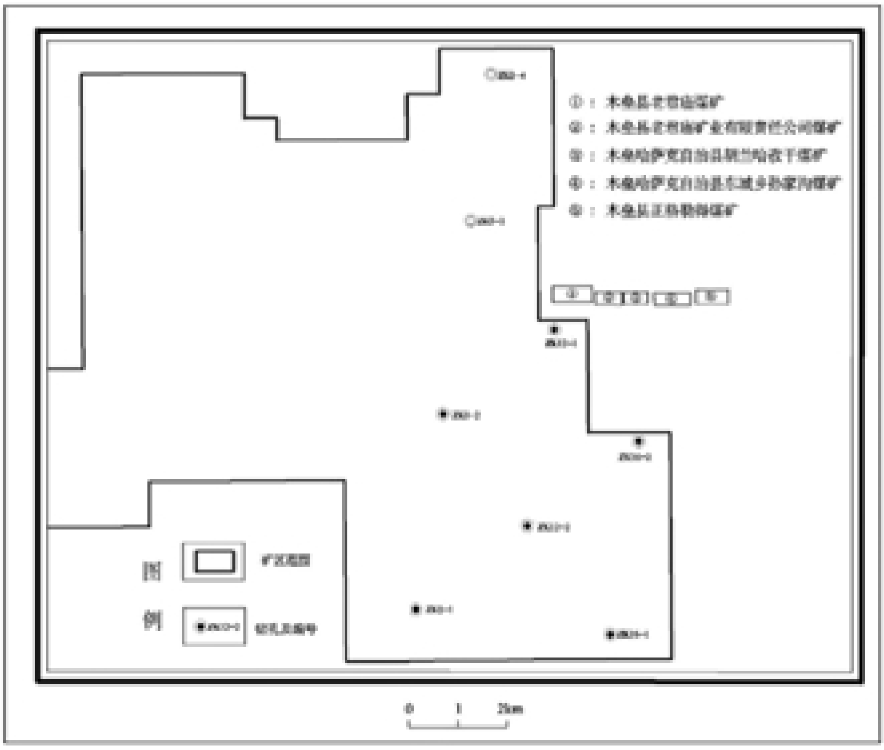


Figure 3-3: Location of Mine Workings to East of Exploration Leases (Areas 1-5)

Figure 3-4: Underground Coal Mines East of Exploration Leases

4 GEOLOGICAL SETTING

The project area occurs in the Laojunmia depression of the Jiangjun Gobi Depresiion (III), East Zhunger Depression (II) and the eastern margin of the Zhunger Mesozoic and Cenozoic Basin.

The area was folded and uplifted during the later part of the Early Carboniferous Period.

Sedimentation occurred during the Permian, Triassic and Jurassic Periods.

The surface in the Zhun Dong project area is covered by Quaternary (Q) sediments, consisting of sliderock and alluvial sands, consisting of gravel ($Q4_{pl}$); salinized sandy clay and clay ($Q4_{ch}$). Aeolian sand and semi-fixed dune are around the plant ($Q4_{eol}$); the surface is mainly Gobi gravel layer ($Q3_{pl}$). The thickness of this formation is less than 50m

The project area is located on the eastern edge of the Junggar Basin. The coal seams were deposited during the Jurassic Era and are underlain by Permo-Carboniferous basement.

Ten coal seams occur in the project area as follows:

- Middle Jurassic Xishanyao Formation (J_{2x}). The Formation is 186m to 237m thick, with average thickness of 203m. It is the main coal-bearing stratum containing Seams 1 to 7 and occurs throughout the project area. It crops out locally in the north of the mining area, typically north of the there the coal is burnt and weathered and the surface expression is not clear. The lithology is mainly gray, light-gray siltstone, fine grained sandstone and light grey medium grained sandstone and conglomerate.

- Lower Jurassic Sangonghe Formation (J_{1s}). The Formation is approximately 99m thick and comprises mainly fluvial-lacustrine deposition. The main lithology is grey to grey yellow-green siltstone and fine grained sandstone intercalated with thick-bedded mudstone. The lower part is intercalated with medium grained sandstone, while at the base there is conglomerate-bearing coarse grained sandstone. The formation is coal free and is conformable contact with the underlying Badaowan Formation.

- Lower Jurassic Badaowan Formation (J_{1b}). The Formation is approximately 125m thick and comprises mainly fluvial-lacustrine facies sediments intercalated with peat-swamp sediments. The lithology is gray, gray-green siltstone, fine grained sandstone, thin-bedded medium coarse grained sandstone and conglomerate. The formation includes coal seams 8, 9 and 10 with a total thickness of approximately 11m.

5 LOCAL GEOLOGY

Structure in the project area comprises west-north-west and north-east-east trending reverse faults, north-north-east trending normal faults and second order folds (Figure 5-1). In order of deformation, normal faulting occurred first resulting from compressive stress during the uplift of the Tian Shan Mountain range and the Altai Mountain range.

North-west-west trending reverse faults occurred later and displace the north-north-east and northeast-east trending normal faults and control the boundaries of the coal seams.

Structural features have been primarily delineated by 2 Dimensional (2-D) seismic lines (Figure 5-2). As well, repetition of seams on the boreholes (e.g. seam 6 in borehole ZK12-2) suggest reverse faulting in the proposed mine area. Five faults are interpreted in the licence areas, however the geological report of the owner refers to the presence of three faults (F6, F7 and F8) inferred by magnetic survey occurring in the northeast of the area and limiting the Badaowan Formation coal seam occurrences (Appendix 2).

Seam dips in the proposed mine area range from 14 degrees in the north to 6 degrees in the south.

The main feature is a normal fault (F2) with significant displacement separating the proposed mining area in the east from the sparsely drilled area to the centre and west of the lease complex (Figure 5-1 and Figure 5-4).

Complex thrust (reverse) faults (F4 and F5) are found in the seismic sections to the north of the proposed mine area (Figure 5-1, Figure 5-3 and Figure 5-5).

Based on the large distances between the boreholes, as well as between the seismic survey lines, it cannot be concluded that the proposed mine area is free from major structures. The interpretation of three faults by magnetic survey (Appendix 2), with up to 2,000m strike and significant displacement, indicates potential for faulting to occur in the proposed mine area. It is also possible that further larger-scale structures may exist due to the wide spacing of the survey lines and boreholes. Also, it is doubtful if the resolution of the 2-D seismic would allow interpretation of smaller-scale but significant structures, particularly faults, rolls and washouts, that may impact on the underground mining operations.

The proposed mine area is bounded to the south by increasing depth and to the west by a large normal fault (F2), with a displacement of between 400 and 500m, down-thrown to the west.

The following figures (Figure 5-3 to Figure 5-8) are graphical interpretations from seismic lines.

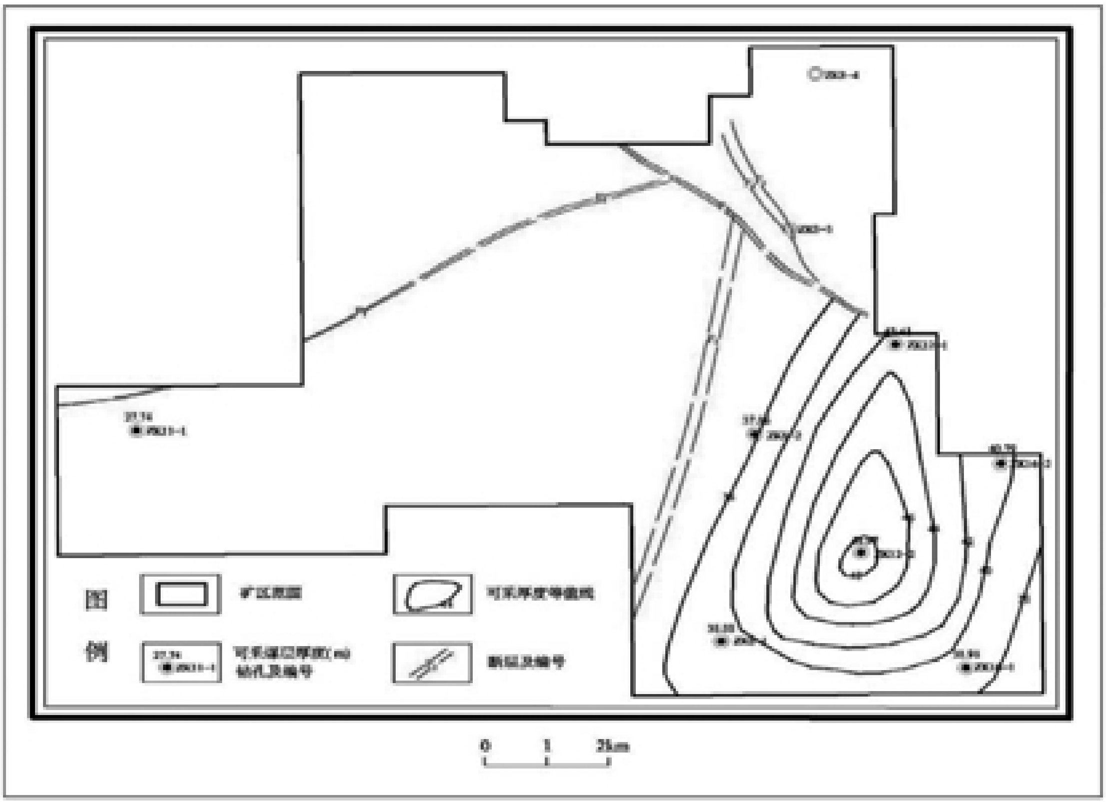


Figure 5-1: Fault Locations and Total Thickness of Workable Coal Seams in the Xishanyao Formation (Seams 1-7)

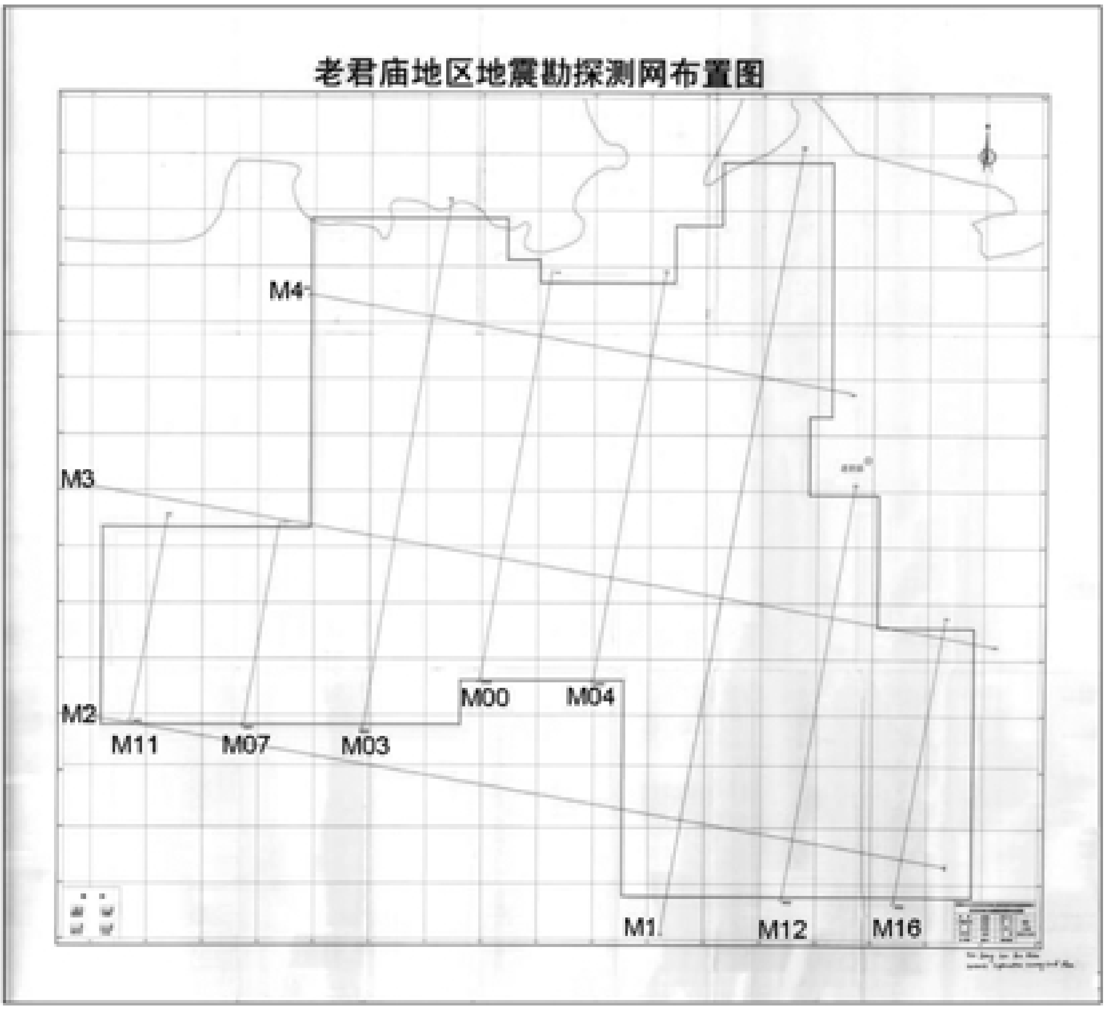


Figure 5-2: Seismic Line Locations in the Zhun Dong Coal Project Area

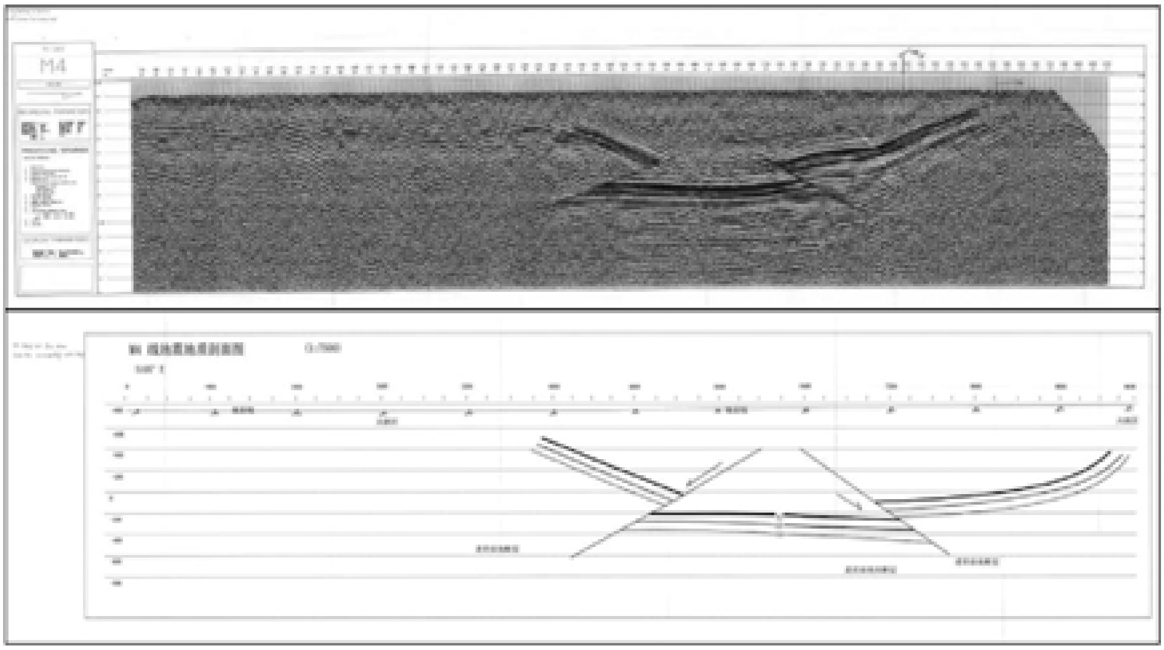


Figure 5-3: Seismic Line M4 - Seams Appear to Subcrop to the East and West

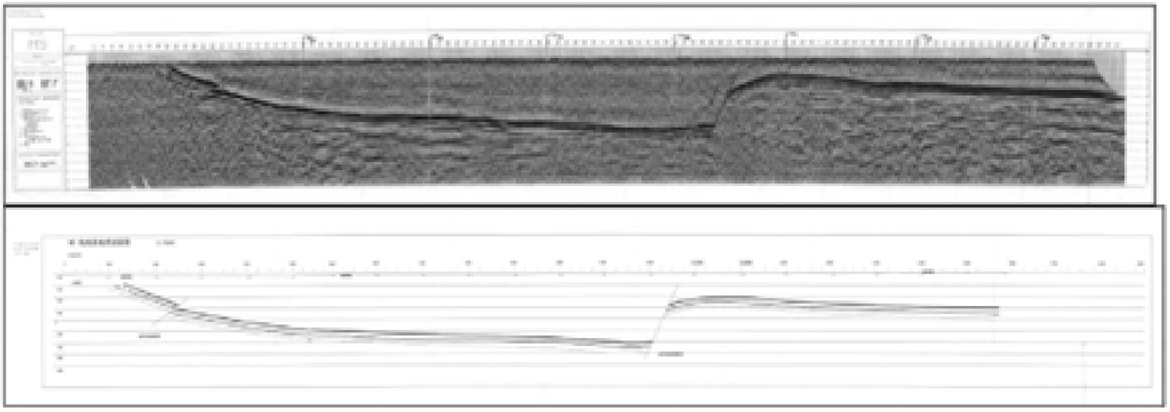


Figure 5-4: Seismic Line M3 Depth to Seam 1 in Middle of Survey Line Exceeds 1,000m

Note: the large throw on the normal fault in the middle of the seismic survey line separating the proposed mining area to the east from the largely unexplored area to the west.

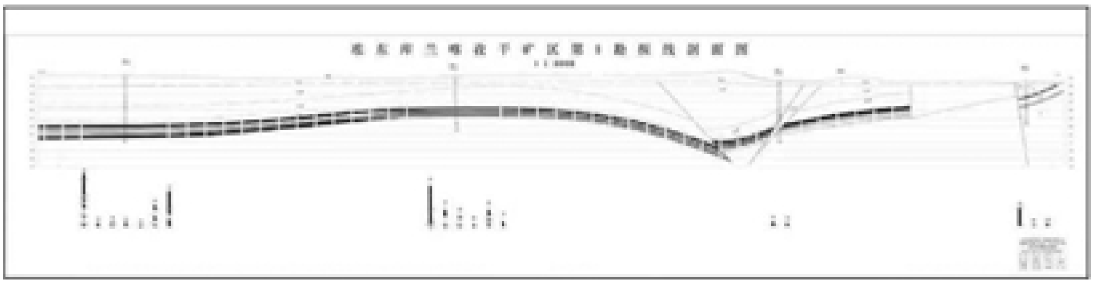


Figure 5-5: Interpretation of Seismic Line 8

Note: Borehole ZK8-1 to left, ZK8-2 at crest of anticline, middle of line, ZK8-3 intersects northern thrust fault and ZK8-4 intersects the lower seams 8, 9 and 10 to north of the eastern Exploration Licences.

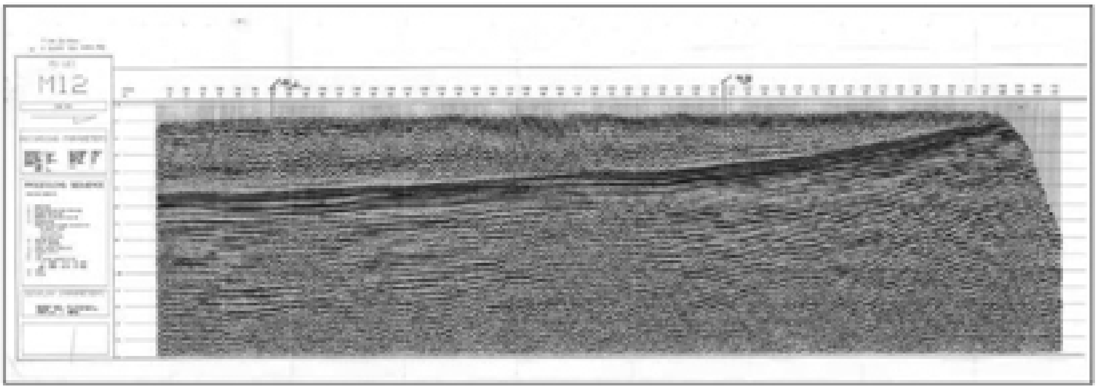


Figure 5-6: Seismic Line M12

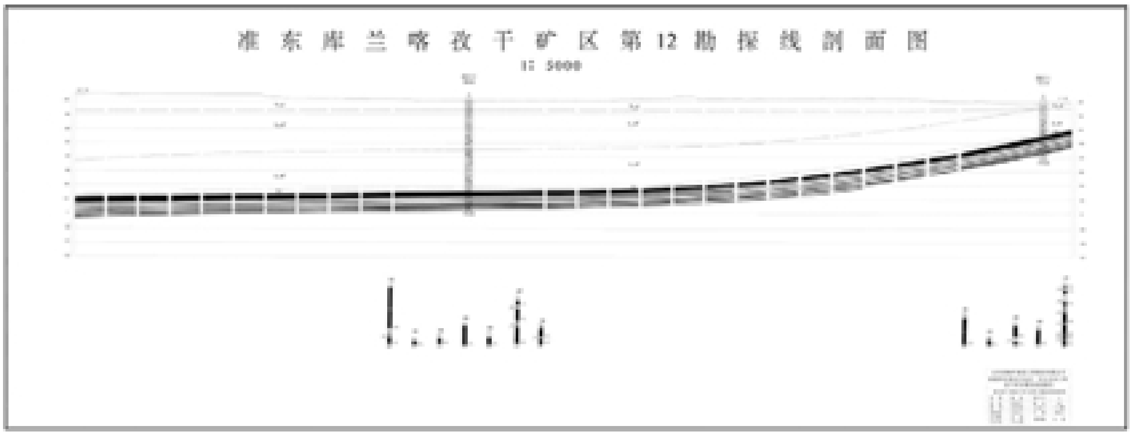


Figure 5-7: Interpretation of Seismic Line M12 Showing Boreholes

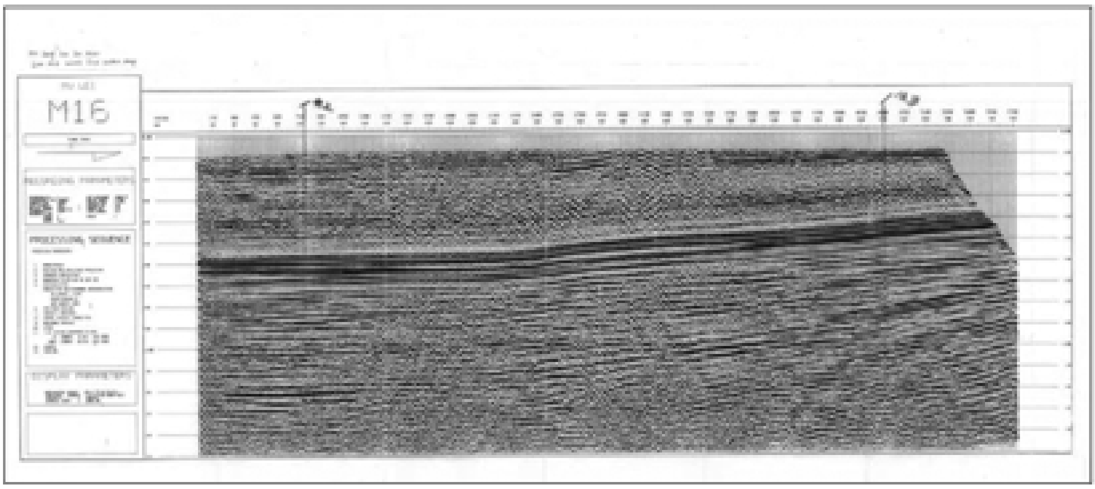


Figure 5-8: M16 Seismic Line

6 COAL GEOLOGY

There are ten identified seams in the two coal-bearing formations in the exploration leases. Three seams (Seam 1, Seam 4 and Seam 6) have been recognised as potentially mineable working sections using underground extraction methods in the proposed mine area.

6.1 Seam 1

Seam 1 thickness in the mine area is generally greater than 25m, the exception being borehole ZK8-1 in which Seam 1 splits and is considerably thinner. However Seam 1 thickness is still amenable to underground mining methods in this location.

Depth to the roof of Seam 1 in the mine area commences at 232m (ZK12-1) and increases to more than 800m (ZK16-1). This would preclude the resources from extraction via open pit methods.

To the east of the northern boundary of the proposed mine area (east-northeast of ZK12-1), five small-scale mining operations mine coal from Seam 1 to less than 120m depth (Figure 3-3, 3-4).

To the west of the mine area and the large normal fault (Figure 5-4) Seam 1 has a thickness of approximately 8m which is significantly thinner to that in the proposed mine area. Resources immediately to the west of this fault are not quoted due to the depth of cover being greater than 1,000m (Figure 6-8).

In borehole ZK11-1 Seam 1 consists of five seam splits aggregating some 10m in total (Figure 6-1, Appendix 3). This seam is significantly different in thickness to that in the mine area. However, the large distance from the mine area to the east and the lack of data makes correlation of this seam difficult.

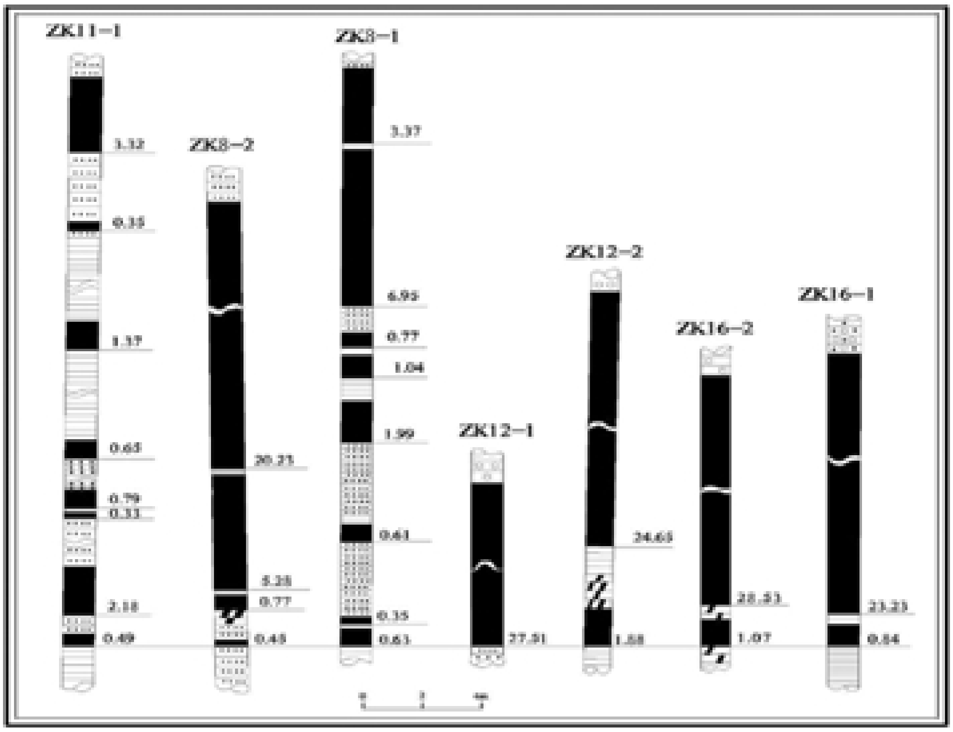


Figure 6-1: Seam 1 Structure and Thickness

6.2 **Seam 2**

Seam 2 is thin, ranging from 0.73m to 1.61m, (Figure 6-2), discontinuous and, given its close proximity to Seam 1 (5.66m to 18.53m interburden), it is unlikely this seam would be mined by underground methods.

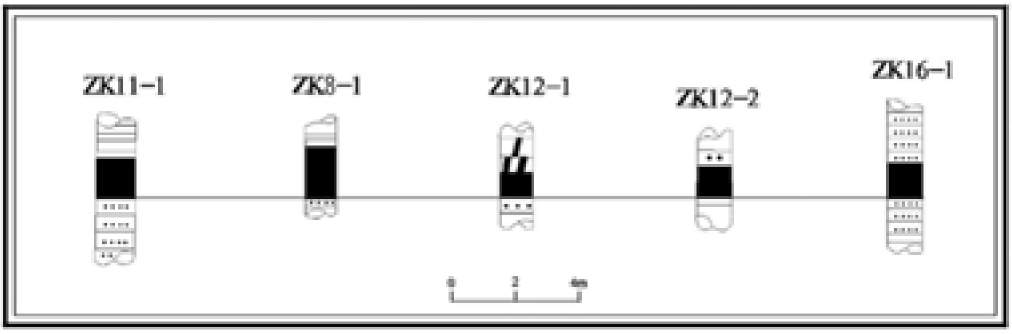


Figure 6-2: Seam 2 Structure and Thickness

6.3 **Seam 3**

Seam 3 is thin, ranging from 0.40m to 3.58m (Figure 6-3), discontinuous and splits towards the west. It is unlikely this seam would be mined by underground methods.

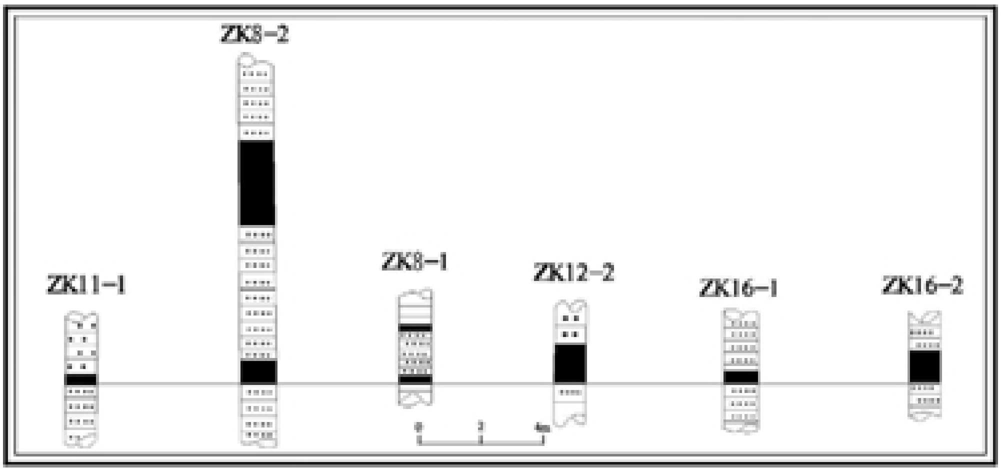


Figure 6-3: Seam 3 Structure and Thickness

6.4 **Seam 4**

Seam 4 is recognised by the SGSMI as being one of the target mineable seams in the Project area.

Seam 4 splits into 3 separate plies. The thickest seam or ply section varies from 0.86m in ZK8-2 (Figure 6-4, Appendix 3) to 5.73m in ZK12-2. The seam is thickest in the eastern portion of the mining area where it varies from 3.07m to 5.73m thick for the thickest ply.

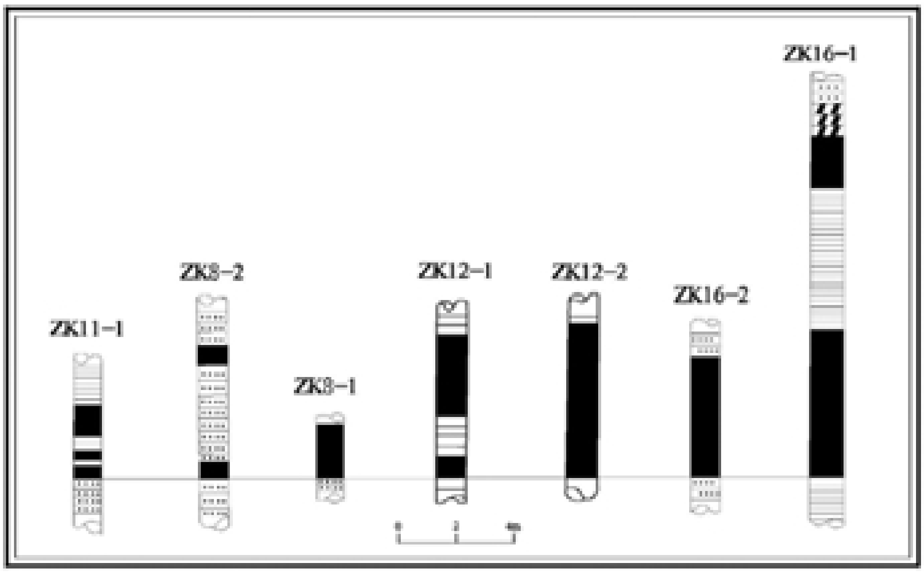


Figure 6-4: Seam 4 Structure and Thickness

6.5 **Seam 5**

Seam 5 varies in thickness with the best developed thickness occurring in the middle of the mine area (Figure 6-5). The interburden between Seam 5 and Seam 4 varies from 2.4m to 37.5m and this may impact the extraction of Seam 5 by underground mining methods.

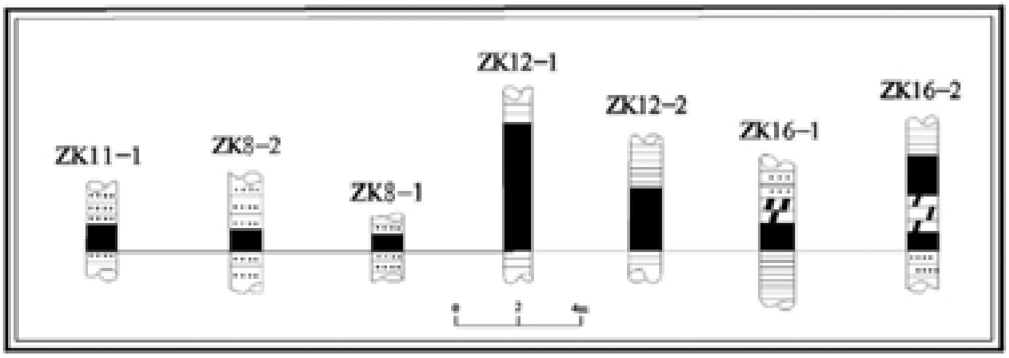


Figure 6-5: Seam 5 Structure and Thickness

6.6 **Seam 6**

Seam 6 is recognised by the SGSMI as being one of the main mineable seams in the Project area.

Whilst the aggregate seam thickness is large, the seam splits into many plies westward across the mining area (Figure 6-6). The workable seam thickness varies from 2.04m to 8.90m. However, it is unclear as to the nature of the seam splitting and its impact on the mineability of a consistent working section across the mine area.

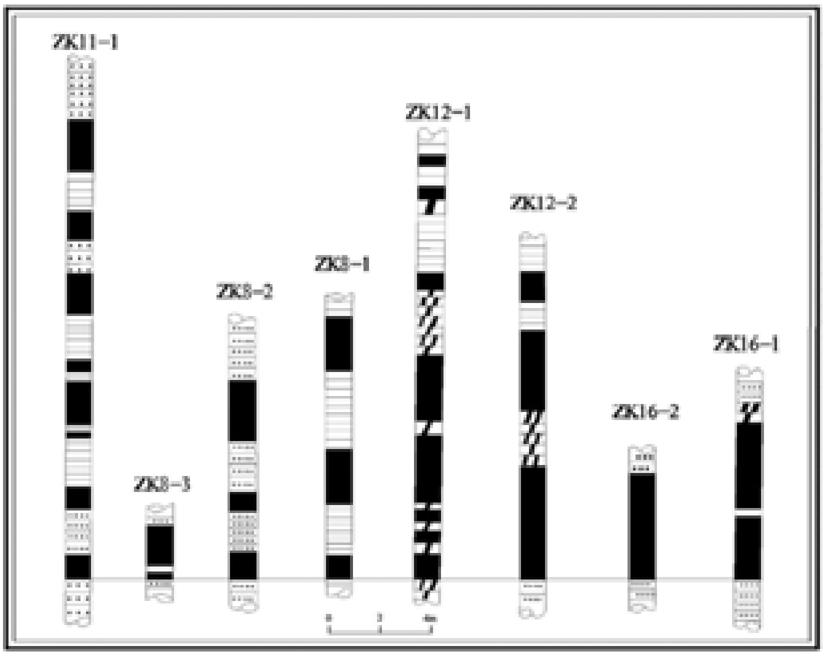


Figure 6-6: Seam 6 Structure and Seam Thickness

6.7 **Seam 7**

Seam 7 is located from 6.97m to 31.71m below Seam 6 and this thin interburden thickness may limit it's extraction by underground mining methods. Seam thickness for Seam 7 is highly variable (Figure 6-7) and further exploration is required to determine the correlation of the seam splits.

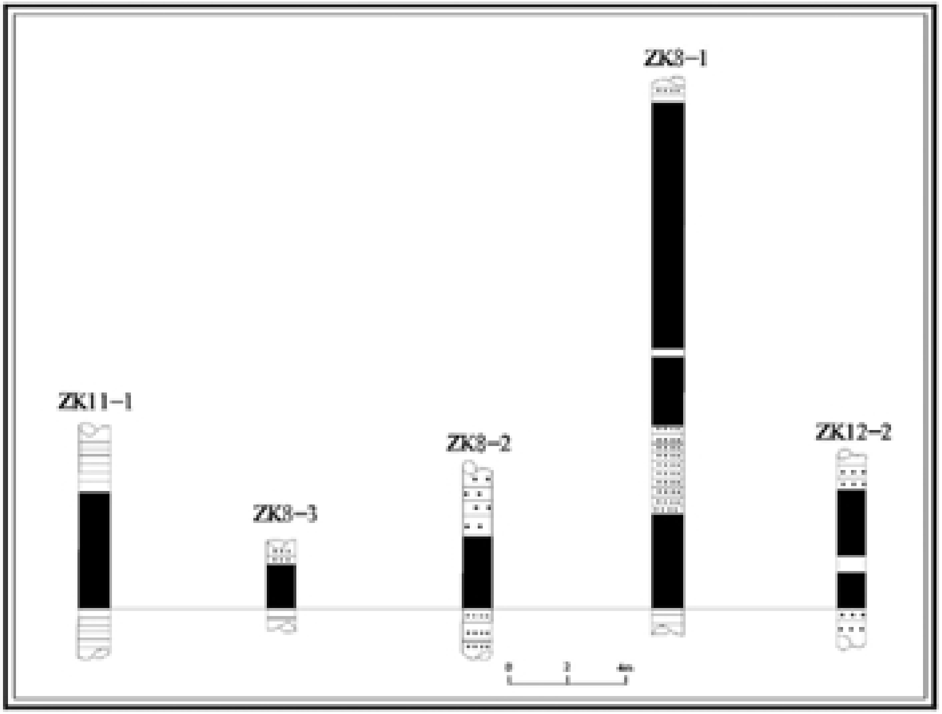


Figure 6-7: Seam 7 Structure and Seam Thickness

6.8 **Seam 8, 9 and 10**

Seam 8, 9 and 10 are intersected only in borehole ZK8-4. Seam 9 has poor core recovery and no coal quality is reported. Due to the position of ZK8-4, north of a structurally complex area (Figure 5-1) interpretation of these seams is difficult.

6.9 **Coal Quality**

Coal quality data from nine cored boreholes was examined (Appendix 3). Eight of the boreholes are located in the eastern leases (Figure 3-3).

Coal quality analysis included the following:

- Proximate Analysis (Raw and Clean)
- Sulphur
- Calorific Value
- Ultimate Analysis (Raw and Clean)
- Phosphorous, Chlorine, Fluorine and Arsenic (Raw and Clean)
- Forms of Sulphur
- Trace Element Analysis
- Organic Component
- Ash Analysis
- Tar, Coke, Water, T and delta T
- Ash Fusion
- Explosive Potential
- Gas Testing — CH4, CO2, N2

High iron oxide (Fe_2O_3) and calcite (CaO) contents in ash are typical of coals from this region.

The SGSMI was unable to clarify the gravity fraction used by the laboratory to determine the clean coal analyses.

The coal analysed has explosive potential and spontaneous combustion potential. These factors should be taken into account in mining studies.

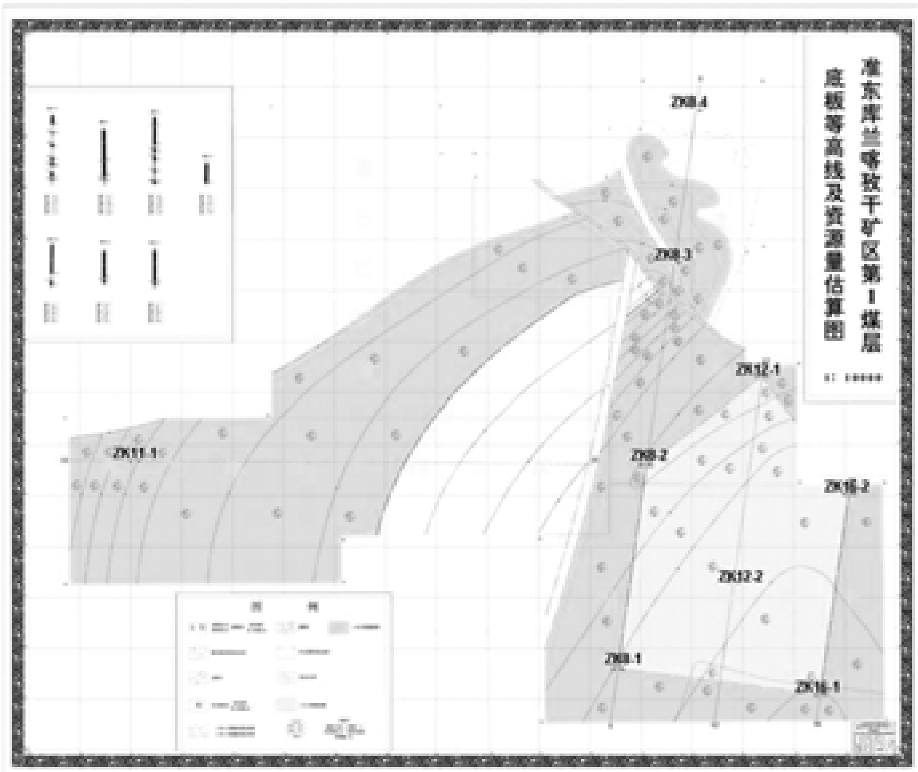


Figure 6-8: Coal Quality Borehole Locations. Proposed Mine Area — Light Blue

6.9.1 Seam 1 Coal Quality

Seam 1 occurs in seven boreholes. It is absent in ZK8-3 and ZK 8-4. The topmost seams have been faulted out in ZK8-3 and faulting has resulted in the subcrop of seams above Seam 8 in ZK 8-4.

In the mine area Seam 1 raw ash ranges from 4.35% in ZK12-1 to 18% dried basis (db) in ZK8-1. Clean coal ash ranges from 2.01% to 4.05% air dried basis (ad). Calorific Value (CV) ranges from 24.3 Megajoules per kilogram (Mj/kg) (db) in ZK8-2 to 29.7Mj/kg (db). Clean coal CV ranges from 30.3 (Mj/kg) to 31.8Mj/kg (db).

The coal is of good quality, low sulphur, with the high raw ash (18%) in ZK8-1 washing to a low ash (4.05%).

6.9.2 Coal Quality for Other Seams

The other seam samples are considerably thinner than Seam 1.

All seams have the potential to provide low ash (clean coal basis), low sulphur coal product or, in many cases, a raw coal, medium ash domestic thermal coal product with good calorific values (Appendix 3 and Appendix 4).

7 EXPLORATION

Regional geological work includes the following:

- 1943, Yuan Fuli conducted geological investigations in the Kelamaili area and preliminarily divided the strata
- 1955, the 631 Petroleum Reconnaissance Survey Team conducted 1:500,000 reconnaissance survey in the west of Qitai coal mine and Mulei and compiled the Geological Report in Southeast Zhunger, but covered little geology in this reconnaissance survey area
- 1958, Xinjiang Petroleum Administration Team 106 conducted 1:50,000 petroleum surveys in the Beishan coal mine and Laojunmiao and divided the strata of this area in detail
- 1960, Xinjiang Geology Bureau Changji Geological Team conducted 1:20,000 inspection of ore spot in the bed outcrop to the north of Laojunmiao area and wrote Xinjiang Mulei County Laojunmiao Coal and Siderite Mine Inspection Report
- 1980, Xinjiang Geology Bureau Regional Geological Team completed 1:200,000 Laojunmaio geological mineral resources investigation and compiled geological maps and instructions
- 1990, Xinjiang Geology and Mineral Bureau Geophysical and Geochemical Exploration Team conducted magnetic survey in this area, producing the 1:200,000 Laojunmiao magnetic anomaly map which provided foundation for the study of the regional structure of this area

Recent work by the SGSMI was conducted in two phases, from September to October in 2005 and from April to November 2006. This work was completed by Shandong Provincial Geology and Minerals Construction Engineering Group Co. Ltd.

The 2005 exploration programme included 1:50,000 surface geological survey, 1:10,000 geological survey of coal formation outcrop in the northern area, trenching to delineate the surface expression of the coal seams, and two digital seismic survey profile lines to delineate deep structures and the distribution of the coal seams. Results of this work include a better understanding that the economic coal seams and former siderite mine occur in the Xishanyao Formation.

The 2005 exploration programme included:

- 110km^2 1:50,000 geological survey
- 55 km^2 1:10,000 geological survey
- 5.78km 1:5,000 geological profile
- 403m^3 trenching

- 29.3km seismic survey on two lines
- 18 basic sample analysis

The 2006 exploration programme included topographic survey and geological mapping, drilling of fully cored boreholes for analysis, trenching, seismic survey, magnetic survey to delineate distribution of burnt coal, and report compilation.

The 2006 exploration included the following work:

- 118 km^2 1:10,000 topographic survey
- 118 km^2 1:10,000 geological survey
- 9 geological boreholes totalling 5,747m
- 1 hydrological borehole totalling 784m
- Downhole geophysical logging of all boreholes totalling 6,324m
- 242 coal core samples including testing
- 99 coal petrology samples
- 20 gas samples
- 6 rock mechanics samples
- 3 water quality samples
- 2 downhole pumping tests
- 9 lines of seismic survey totalling 68.3km
- 7.3 km^2 magnetic survey

Boreholes were geophysically logged including natural gamma, density, neutron, apparent resistivity, temperature and verticality.

The location of a number of boreholes was inspected by SRK personnel in September 2007 (Figure 7-1).

Figure 7-1: Borehole Collar, ZK12-1, Zhun Dong Coal Deposit, September 2007

8 DRILLING

Following 2-D seismic acquisition along two lines in 2005, drilling of boreholes ZK8-2 and ZK8-3 was undertaken to verify the seismic profiles. The remaining eight boreholes were drilled from July to October 2006. The drilling program focussed on the most prospective coal bearing areas in the eastern portion of the leases (Figure 6-8), with closer-spaced drilling being completed over the proposed underground mine area

All boreholes were fully cored from the surface or near surface. The borehole diameter was 91mm, while the core size was 73mm.

Bore core logs (Figure 8-1) were corrected to geophysical logs (Figure 8-2) and core recoveries estimated on a linear recovery basis.

Linear recovery of the 78 coal core samples recovered from the nine boreholes sampled of the 10 boreholes drilled ranged from 59% to 100% with 51 of the samples being >95% and 23 samples between 75% > 95% linear recovery (Appendix 3).

Bore core was photographed and representative photographs examined. Generally the condition of the coal core was very good with most samples unbroken. Some broken and rarely cobbled coal cores were observed.

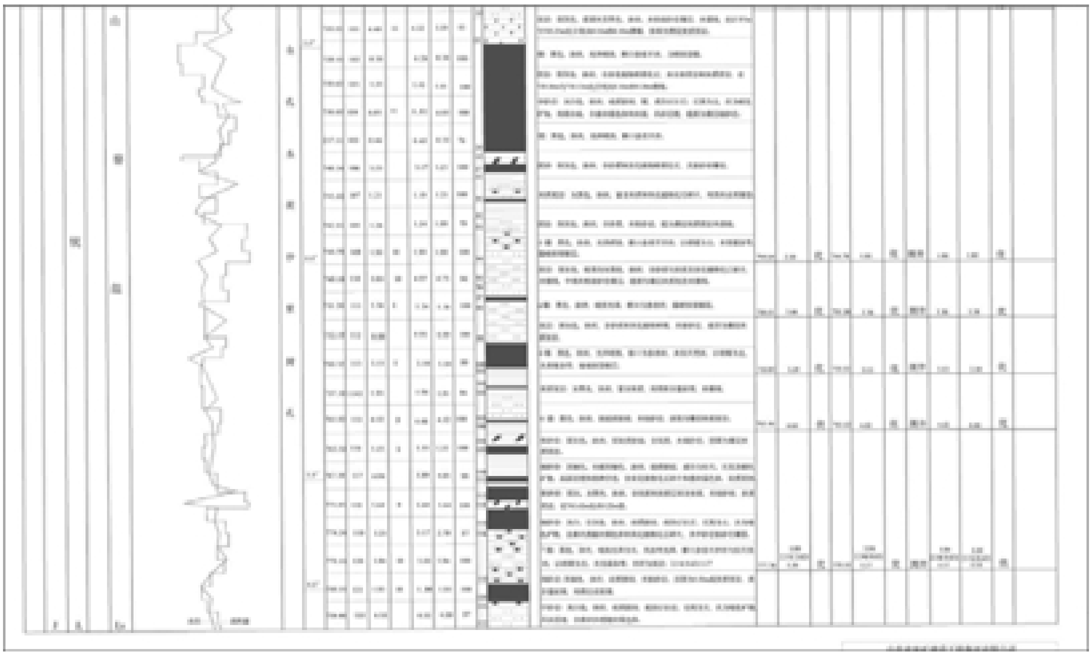


Figure 8-1: Borehole Log including Lithology and Core Recovery (ZK12-2)

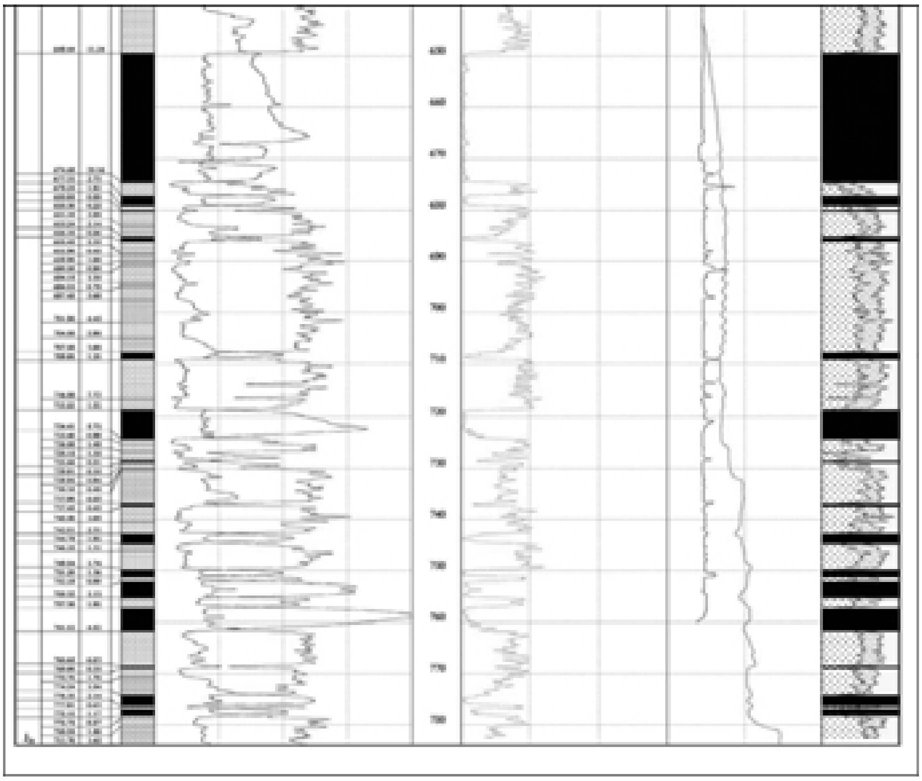


Figure 8-2: Geophysical and Lithological Log (ZK12-2)

9 SAMPLING METHOD AND APPROACH

The coal samples were sent to the laboratory of the Xinjiang Uygur Autonomous Region Geological Bureau of Coalfield and also the Shandong Coal Quality Examination Centre for analysis. The analytical testing was conducted in accordance with the national Chinese standard.

From the coal analysis it is evident that sample drying to equilibrate moisture to an air-dried (ad) basis was inconsistent. This is evident in the variation in air-dried moisture measurements (Appendix 3, 4). The higher air-dried values, for example values over 10% (ad) moisture, are likely to be incorrect. Air-dried moistures varied from 4.44% to 14.10%. Based on discussions with the geologists, and the core photography, it appears that the core was left to dry for considerable time in core trays before being sampled and sent to the laboratory. However, the higher values may also result from inadequate equilibration time.

A total of 242 coal core samples were collected and analysed.

10 DATA VERIFICATION

The data used in this report was obtained by the Shandong Provincial Geology and Minerals Construction Engineering Group Co. Ltd for the Shandong Geological Surveying and Mapping Institute.

An initial review of the data was conducted in January 2007 at the SGSMI offices in Jinan, Shandong, followed by a further detail review at the offices of CCEC in Beijing, May 2007.

Documents and plans not available in the initial review were provided to SRK by CCEC in May 2007.

A site visit to the Zhun Dong project area was conducted by SRK in September 2007 (Figure 7-1).

11 ADJACENT PROPERTIES

A surface inspection of one of the underground coal mines adjacent to the eastern boundary of the leases (Figure 3-3, 3-4) confirmed their location and the presence of subsidence due to mining in the thick No. 1 coal seam.

The five underground mines are reported to mine a total of 0.2mtpa from the No.1 coal seam, reported to be 30m thick.

12 COAL BENEFICIATION TESTING

Beneficiation testing of coal seams was conducted on the coal core samples. The results indicate that the seams benefited from washing (Appendix 3). Seams indicate that they could meet the domestic market specifications requirement without the need for washing. Coal beneficiation would allow the coal to be sold as an export commodity.

13 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

SRK has visited and reviewed the project area as discussed in relevant sections of this report. In SRK's opinion, there is a good geological understanding of this project to indicate that the exploration target is sufficiently prospective to warrant further investigations and expenditure.

SRK has carried out a review of the Coal Resources as provided in the SGSMI report by CCEC for the Zhun Dong project. Although the Resources have been estimated in adherence to the requirements as prescribed by the Chinese Resource and Reserve Standard, at the time of this report, the estimate had not been accredited by MOLAR (Ministry of Land and Resources).

The SGSMI calculated the Resource estimation using a CAD-based computer system to determine the area of the Resource blocks. The calculation of tonnage for each Resource block is derived from the product of the average seam thickness, the area of the block, the seam dip (cosine) if seam dip is greater than 15o, otherwise the horizontal area is used, and a default apparent relative density of 1.32g/cc. All Resources have been determined as classification 333 of the Chinese standard.

SRK has reviewed and confirmed the Resource estimates presented in Table 13-1 and 13-2.

Seam 1 Resources are reported for the proposed mine area (Table 13-1, Figure 13-1) as it is currently the most prospective seam delineated in the exploration of the Zhun Dong leases. Seam 1 thickness in the mine area is generally greater than 25m, the exception being borehole ZK8-1 in which Seam 1 splits and is considerably thinner. However Seam 1 thickness is still amenable to underground mining methods in this location.

Depth to the roof of Seam 1 in the mine area commences at 232m (ZK12-1) and increases to more than 800m (ZK16-1). This would preclude the Resources from extraction via open pit methods.

Coal Resources for all seams and all leases of the Zhun Dong coal deposit are presented in Table 13-2.

Table 13-1: Seam 1 Coal Resources (Class 333, Density 1.32g/cc), Zhun Dong Proposed Mine Area Coal Deposit Project

Area No. Plan (Stated)	Area ($10,000m^2$)	Thickness (m)	Resource (Million tonne)
a (51)	81.82	25.26	27.281
b (60)	9.99	25.26	3.331
c (62)	30.56	25.26	10.19
d (52)	122.66	25.26	40.899
e (54)	48.23	25.26	16.081
f (64)	53.16	25.26	17.725
g (65)	50.06	25.26	16.692
h (53)	71.05	25.26	23.69
i (55)	236.94	25.26	79.003
j (66)	402.26	25.26	134.126
k (56)	438.64	25.26	146.257
l (67)	395.24	25.26	131.786
m (58)	14.46	25.26	4.821
n (69)	2.97	25.26	0.99
Total	1,958.04	25.26	652.872

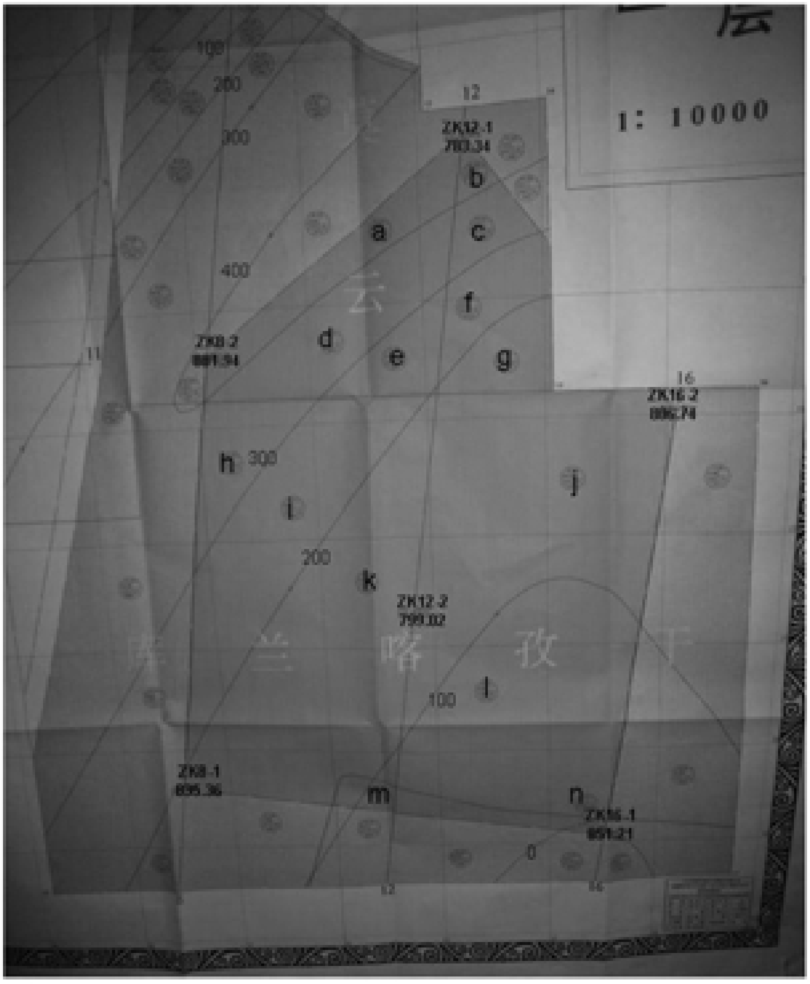


Figure 13-1: Proposed Mine Area, Borehole Location, Collar RL and Seam No.1 Resource Calculation Areas

An explanation of the Australian JORC Code and its relationship with the Chinese Resource and Reserve Standard is presented in Appendix 1.

The Zhun Dong Project is considered to be at the preliminary survey stage of exploration at this point in time. Consequently, there is insufficient data to determine a mine design or to estimate a proven mineable reserve. The broad spacing of the boreholes and a large number of linear sample length recoveries less than 95% limits the resource status of the deposit and excludes the classification of the Resource to an international standard.

Table 13-2: Resources for all Zhun Dong Mining Leases in Accordance with the National Chinese Classification System

	Resource in Each Registration Area (10,000t)														
Coal Seam			Botamoyun			Suoerbasitao			Kalankezigan			Northwest Kulankezigan		Total (10,000t)	
No.	333	333	333+334	333	334	333+334	333	334	333+334	333	334	333+334	333	334	333+334
1	13,219.9	49,795.4	63,015.3		10,356.5	10,356.5	52,067.3	39,513.6	91,580.9		23,995.1	23,995.1	65,287.2	123,660.6	18,8947.8
2		617.6	617.6		1,660.8	1,660.8	591.7	1,708.1	2,299.8		3,533.7	3,533.7	591.7	7,520.2	8,111.9
3	124.5	3,587.7	3,712.2				927.8	2,613.9	3,541.7		215.2	215.2	1,052.3	6,416.8	7,469.1
4	2,085.3	2,291.7	4,377.0		5,379.0	5,379.0	8,211.0	6,504.8	14,715.4		5,480.7	5,480.7	10,296.3	19,656.2	29,952.5
5	924.4	4,536.7	5,461.1		1,421.4	1,421.4	1,808.2	2,025.4	3,833.6		2,879.2	2,879.2	2,732.6	10,862.7	13,595.3
6	3,319.3	9,664.3	12,983.6		4,704.0	4,704.0	13,008.3	9,179.9	22,188.2		13,909.1	13,909.1	16,327.6	37,457.3	53,784.9
7	50.6	2,473.2	2,523.8		1,685.9	1,685.9	3,520.0	12,663.3	16,183.3		7,699.2	7,699.2	3,570.6	24,521.6	28,092.2
8		1,126.0	1,126.0											1,126.0	1,126.0
10		142.0	142.0											142.0	142.0
Total	19,724.0	79,208.4	93,958.6		25,207.6	25,207.6	80,134.3	74,209.0	15,4343.3		57,712.2	57,712.2	99,858.3	23,1363.4	33,1221.7

14 INTERPRETATION AND CONCLUSIONS

The Zhun Dong Coal Project has been explored in sufficient detail to delineate a Resource of thermal coal suitable for the domestic market and amenable to underground mining methods.

The borehole data has been well documented however the data spacing is too sparse and deemed not reliable to allow classification to an international standard.

At this stage of exploration activity, the definition of a good quality Coal Resource is encouraging to investors to commit to further development of the project. The next stage will aim to proving Measured and Indicated Resources to an international standard such as the JORC Code, in preparation for a comprehensive feasibility study.

Seismic survey has delineated major structural features within the licenced areas. Possible repetition of coal seams in the boreholes located within the proposed mine area indicates potentially multiple reverse faulting. The deposit is structurally complex and needs extensive exploration (between US$5 million to US$10 million) to delineate the major structural features that would impact on an underground mining operation.

The Zhun Dong Coal Project has an excellent potential to be developed into an economic underground coal mine servicing the northern Xinjiang domestic thermal coal market.

15 RECOMMENDATIONS

It is recommended that further work be undertaken to bring the Resource categories from Chinese Category 333 to JORC standard in the mine area. Fully cored boreholes should be drilled on a maximum spacing of 500m over the shallower portion of the proposed mine area to bring the Resource estimation to Indicated and Measured Resource status so that conceptual underground mine planning studies may be conducted to determine the possibility of economical extraction of JORC classified Reserves.

The interpretation of faulting from a magnetic survey in the northeast of the licence area indicates potential to delineate structure over the proposed mine area by high resolution airborne magnetic survey (HRAM).

16 REFERENCES

Svatek, S. *Zhun Dong Coal Mine Summary — 12/06/06.* SRK Consulting, Denver (12/06/06).

Xin Jiang Zhun Dong Coal Property. Confidential Briefing Memo. (Undated).

Shandong Provincial Geology and Minerals Construction Engineering Group Co. Ltd. *Coal Reconnaissance Survey Report of Kulankezigan Mining Area in Mulei County — Qitai County of Xinjiang Zhundong Coal Field. Shandong Geological Surveying and Mapping Institute.* November, 2006.

17 DATE AND SIGNATURE

Dated this eighteenth day of October 2007

Tri Yoso

SRK Consulting

Appendices

APPENDIX 1: RESOURCE AND RESERVE STATEMENTS

Categorisation of Mineral Resources and Ore Reserves

The system for the categorisation of mineral resources and ore reserves in China is in a period of transition which commenced in 1999. The traditional system, which is derived from the former Soviet system, uses five categories based on decreasing levels of geological confidence - Categories A, B, C, D and E. The new system (Rule 66) promulgated by the Ministry of Land and Resources in 1999 uses three-dimensional matrices, based on economic, feasibility/mine design and geological degrees of confidence. These are categorised by a three number code of the form “123”. This new system is derived from the UN Framework Classification proposed for international use. All new projects in China must comply with the new system. However, estimates and feasibility studies carried out before 1999 will have used the old system.

A broad comparison guide between the Chinese classification scheme and the JORC Code is presented in the following table.

	Chinese “Reserve” Category	
JORC Code Resource Category	**Previous System**	**Current system**
Measured	A	111, 111b, 121, 121b, 122, 122b,
Indicated	B	2M11, 2M21, 2M22, 2S21, 331
Inferred	C	112, 112b, 2S11, 2S12, 2S22, 332
	D	113, 113b, 123, 123b, 333

Relationship between JORC Code and the Chinese Reserves System

In China, the methods used to estimate the resources and reserves are generally prescribed by the relevant Government authority, and are based on the level of knowledge for that particular geological style of deposit. The parameters and computational methods prescribed by the relevant authority include cut-off grades, minimum thickness of mineralisation, maximum thickness of internal waste, and average minimum “industrial” or “economic” grades required. The resource classification categories are assigned largely on the basis of the spacing of sampling, trenching, underground tunnels and drill holes.

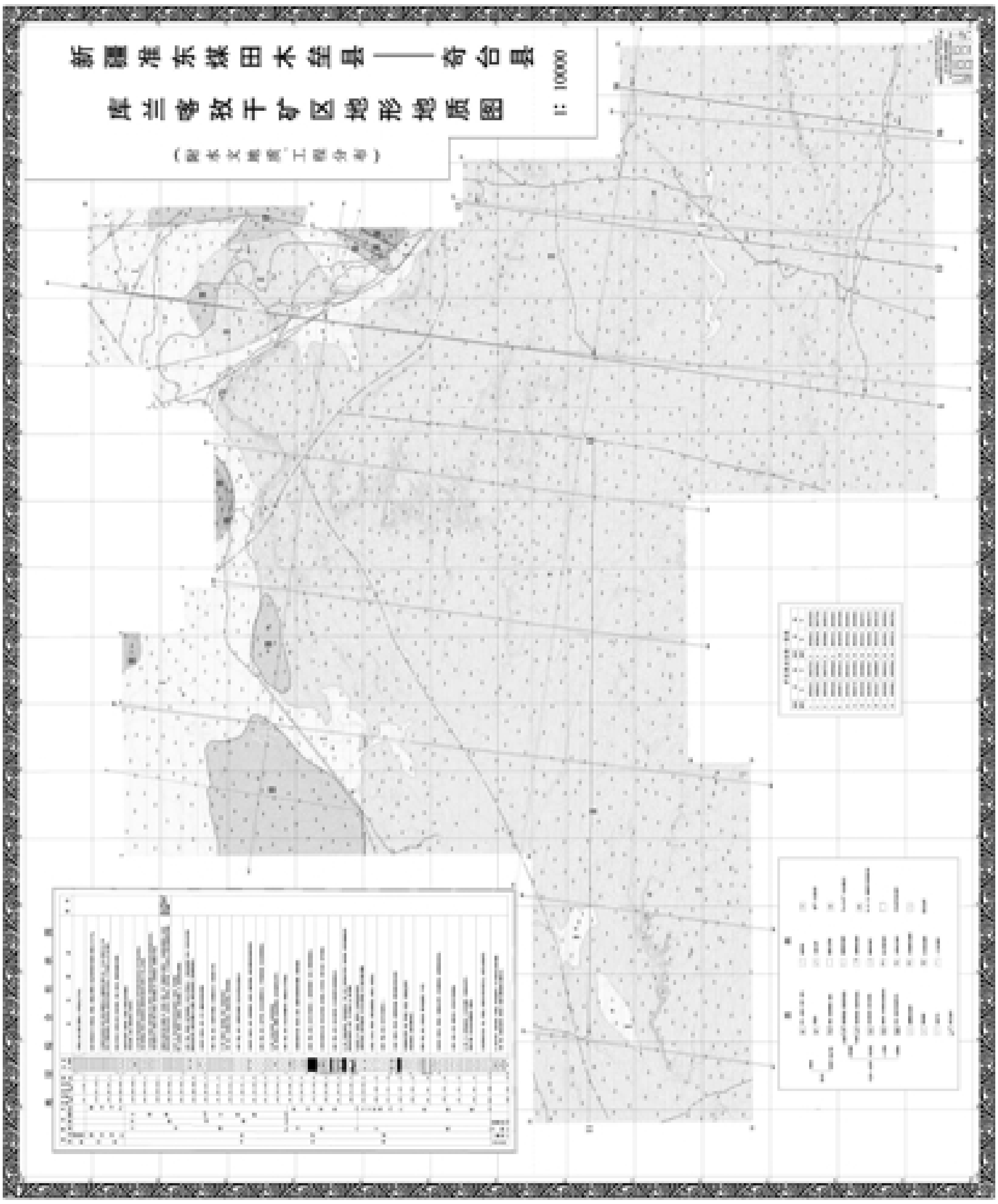
In the pre-1999 system, Category A generally included the highest level of detail possible, such as grade control information. However, the content of each category B, C & D may vary from deposit to deposit in China, and therefore must be carefully reviewed before assigning to an equivalent “JORC Code type” category. The traditional Categories B, C & D are broadly equivalent to the “Measured”, “Indicated”, and “Inferred” categories that are provided by the JORC Code and USBM / USGS systems used widely elsewhere in the world. In the JORC Code system the “Measured Resource” category has the most confidence and the “Inferred” category has the least confidence, based on the increasing levels of geological knowledge and continuity of mineralisation.

With regards to the new Chinese Category Scheme, as shown in the following table, the three numbers refer to economic, feasibility/mine design and geological degrees of confidence.

Definition of the new Chinese Category Scheme

Category	**Denoted**	**Comments**
Economic	1	Full Feasibility Study considering economic factors has been conducted
	2	Pre-feasibility to scoping study which generally considers economic factors has been conducted
	3	No pre-feasibility or scoping study conducted to consider economic analysis
Feasibility	1	Further analysis of data collected in "2" by an external technical department
	2	More detailed feasibility work including more trenches, tunnels, drilling, detailed mapping etc
	3	Preliminary evaluation of feasibility with some mapping and trenches
Geologically controlled	1	Strong geological control
	2	Moderate geological control via closely-spaced data points (e.g. small-scale mapping)
	3	Minor work which projected throughout the area
	4	Review stage

APPENDIX 2: GEOLOGY AND TOPOGRAPHICAL MAP



APPENDIX 3: BORE CORE RECOVERY AND COAL QUALITY

Borehole Seam Data

Raw Coal Analysis / Clean Coal Analysis (Unknown Gravity)

For Coal Analysis the Seam Composites Only are Shown (Individual thin or low recovery plies may be excluded)

Borename	Seam	From	To	Cored Thickness	Seam Dip	True Thickness	Recovered Thickness	Seam Thickness	Thickness	Raw Mo	Raw Ash	Raw Vol	Raw CV	Raw Su	Clean Mo	Clean Ash	Clean Vol	Clean CV	Clean Su
		m	m	m	o	m	m	Linear %	m	% ad	% db	% daf	Mj/kg db	% db	% ad	% db	% daf	Mj/kg db	% db
ZK12-1	1	232.33	260.75	28.42	14	27.51	28.4	99.9	28.6	8.61	4.35	29.77	28.75	0.1	6.88	3.5	30.54	30.27	0.07
	2	280.27	281.02	0.75		0.73	0.75	100											
	4	300.22	303.29	3.07		3	2.83	92	3.01	7.48	17.79	35.7	25.12	0.7	6.2	4.39	33.83	30.62	0.17
	4	304.72	305.34	0.62		0.61	0.48	77											
	5	318.7	322.79	4.09	12	4	4.09	100	4.1	7.48	5.35	33.14	29.25	0.13	6.12	4.28	33.11	30.66	0.12
	6	339.65	340.75	1.1		1.07	1.1	100											
	6	343.78	344.36	0.58		0.57	0.55	95											
	6	346.85	354.86	8.01	12	7.83	7.98	99	8.81	6.71	23.92	34.6	22.81	0.11	6.09	6.7	34.88	30.63	0.14
ZK12-2	1	649.44	674.6	25.16	10-13	24.65	24.95	99											
	1	677.33	679.25	1.92	11	1.88	1.92	100	27.41	8.31	4.51	30.1	29.74	0.14	7.3	2.01	29.13	31.57	0.13
	2	685.24	686.1	0.86	10	0.88	0.76	88	0.85	8.26	2.55	34.42	31.26	0.26	7.22	2.36	34.9	31.94	0.25
	3	707.8	709.08	1.28	14	1.24	1.19	93	1.29	7.69	8.17	32.56	29.1	0.17	7.24	2.82	33.3	31.81	0.17
	4	718.68	724.41	5.73	11	5.62	5.38	94	5.57	7.62	9.64	35.47	28.58	0.2	7.25	3.42	33.53	32.02	0.18
	5	742.81	744.79	1.98	10	1.95	1.98	100	2.1	6.82	23.8	34.01	24.03	0.21	7.09	4.21	31.37	32.15	0.16
	6	749.84	751.2	1.36	8	1.34	1.36	100											
	6	752.19	755.32	3.13	8	3.1	3.1	99											
	6	757.3	761.82	4.52	9	4.46	4.52	100	9.39	7.73	8.06	33.71	29.4	0.14	7.47	4.42	33.39	32.09	0.13
	7	774.24	778.18	3.94	10	3.88	3.94	100	3.37	7.44	16.26	31.95	25.66	0.15	7.1	5.73	28.82	32.07	0.13
ZK8-2	1	369.78	397.29	27.51		26.91	27.25	99											
	1	398.6	399.07	0.47		0.45	0.28	60	27.42	8.17	5.63	30.84	29.1	0.1	4.56	3.49	30.51	30.51	0.09
	3	425.31	428.08	2.77		2.72	2.7	97											
	3	433.09	433.97	0.88		0.86	0.8	91	3.59	8.79	6.51	32.6	29.2	0.16	3.83	4.44	31.47	30.59	0.13
	4	439.51	440.37	0.86	11	0.84	0.8	93	0.85	5.32	27.46	37.23	21.84	0.19	3.98	5.92	33.77	30.77	0.23
	4	443.36	444.15	0.79		0.78	0.65	82											
	5	455.63	456.34	0.71		0.7	0.55	71											
	6	460.94	463.36	2.42		2.56	2.28	90											
	6	464.98	465.74	0.76		0.75	0.7	92											

Borehole Seam Data

Borename	Seam	From	To	Cored Thickness	Seam Dip	True Thickness	Recovered Thickness	Seam Thickness	Thickness	Raw Coal Analysis Mo	Ash	Vol	CV	Su	Clean Coal Analysis (Unknown Gravity) Mo	Ash	Vol	CV	Su
										For Coal Analysis the Seam Composites Only are Shown (Individual thin or low recovery plies may be excluded)									
		m	m	m	o	m	m	Linear %	m	% ad	% db	% daf	Mj/kg db	% db	% ad	% db	% daf	Mj/kg db	% db
	6	467.23	468.98	1.75		1.71	1.75	100	4.18	5.94	23.28	35.77	23.24	0.15	3.94	5.06	33	30.41	0.15
	7	492.4	494.82	2.42		2.4	2.1	87	1.25	5.84	25.42	36.4	22.7	0.23	3.54	7.48	35.15	30.78	0.32
ZK8.1	1	617.89	634.96	17.07	7	16.94	16.04	98											
	1	638.8	639.41	0.61	7	0.61	0.61	100	15.13	6.84	18	34.62	24.3	0.3	8.23	4.05	29.71	31.35	0.14
	1	642.8	643.99	1.19	7	1.18	0	0											
	2	657.2	658.82	1.62	6	1.62	1.62	100	1.5	6.88	12.27	31.74	26.64	0.12	8.56	3.83	28.76	31.58	0.1
	4	693.84	695.6	1.76	7	1.67	1.76	100	1.67	8.16	5.57	31.27	29.95	0.19	8.58	2.89	31.94	31.88	0.16
	5	703.18	703.65	0.47	7	0.47	0.44	85	0.47	6.66	22.46	33.61	23.17	0.1	8.64	3.57	28.67	31.21	0.1
	6	749.95	751.85	1.9	8	1.88	1.9	100											
	6	746.91	749.06	2.15	8	2.13	2.02	94											
	6	751.1	752.13	1.03	8	1.02	1	97	4.98	6.65	8.79	32.17	28.89	0.12	7.2	3.49	32.1	31.99	0.14
	7	759.17	770.32	11.15	8	11.04	10.98	98											
	7	773.47	776.94	3.47	8	3.4	3.38	99	14.6	6.89	7.43	32.28	29.05	0.13	7.16	4.03	32.12	31.92	0.14
ZK16-1	1	822.78	846.24	23.46	8	23.23	23.6	99											
	1	848.32	848.74	0.42	7	0.42	0.2	50											
	1	852.12	852.97	0.85	7	0.84	0.85	100	24.52	8.17	5.01	29.59	29.7	0.1	7.58	2.67	28.86	31.59	0.09
	2	865.22	866.12	0.9	6	0.9	0.85	94	0.85	5.44	24.39	34.8	23.51	0.17	7.13	3.52	32.7	32.05	0.17
	3	880.45	880.85	0.4	8	0.4	0.3	75											
	4	885.39	887.18	1.79	6	1.78	1.78	100											
	4	890.43	895.67	5.24	6	5.21	5.24	100	7.59	5.88	12.36	35.24	28.03	0.17	6.65	4.41	33.96	32.2	0.12
	5	917.64	918.67	1.03	6	1.02	1	97	1.32	4.44	40.69	18.46	0.19	6.12	7.22	34.4	32.28	0.23	
	6	924	930.03	6.03	6	6	6.02	99											
	6	931.85	932.05	0.2	6	0.2	0.2	100											
	6	932.95	933.05	0.1	6	0.1	0.1	100	7.13	5.57	15.46	37.17	26.69	0.13	6.47	4.44	35.16	32.3	0.13
ZK16-2	1	594.69	625.05	30.36	8	30.06	29.71	79	29.61	12.17	7.91	30.03	28.78	0.09	3.04	3.82	30.85	31.8	0.1
	3	644.59	645.64	1.05	8	1.04	1	97	1.03	11.44	5	27.53	29.56	0.07	4.36	3.01	27.07	31.48	0.05
	4	647.87	652.29	4.42	8	4.38	4.3	99	4.34	12	6.81	30.35	29	0.09	2.56	3.6	32.26	31.84	0.11
	5	690.83	692.02	1.19	9	1.18	1.19	100	1.15	11.56	17.93	35.15	26.02	0.16	2.41	5.64	34	32.41	0.18
	5	693.22	693.84	0.62	8	0.61	0.62	100											

Borehole Seam Data

For Coal Analysis the Seam Composites Only are Shown (Individual thin or low recovery plies may be excluded)

Borename	Seam	From	To	Cored Thickness	Seam Dip	True Thickness	Recovered Thickness	Seam Thickness	Thickness	Raw Coal Analysis Mo	Ash	Vol	CV	Su	Clean Coal Analysis (Unknown Gravity) Mo	Ash	Vol	CV	Su
		m	m	m	o	m	m	Linear %	m	% ad	% db	% daf	Mj/kg db	% db	% ad	% db	% daf	Mj/kg db	% db
	6	704.95	709.13	4.18	9	4.13	4.18	100	4.09	14.1	5.49	28.09	29.63	0.07	2.69	3.84	30.41	31.61	0.07
ZK11-1	1	605.7	609.11	3.41	13	3.32	3.4	99											
	1	622.55	623.96	1.41	13	1.37	1.34	95											
	1	629.7	630.37	0.67	12	0.65	0.5	75											
	1	636.2	637.61	1.41	10	1.39	1.34	95											
	1	643.83	647.2	3.37	10	3.32	3.36	99	9.61	7.4	21.82	32.6	23.73	0.15	8.66	4.04	32.36	31.12	0.15
	2	661.74	663.08	1.34	10	1.3	1.09	81	0.99	7.06	21.52	34.27	23.98	0.16	8.62	5.5	33.4	31.22	0.15
	3	670.83	671.25	0.42	11	0.41	0.42	100											
	4	683.53	686.55	3.02	11	2.96	3.02	100	3.09	6.98	23.27	35	22.78	0.18	8.14	3.91	30.55	31.41	0.15
	5	689.55	691.05	1.5	11	1.47	1.39	93	1.33	7.11	23.96	36.88	23.6	0.26	7.92	5.06	35.35	31.6	0.24
	6	704.792	706.95	2.158	12	2.1	2.15	100											
	6	708.62	709.85	1.23	12	1.2	1.2	98											
	6	711.28	713.25	1.97	12	1.93	1.81	92											
	6	715.09	717.75	2.66	12	2.6	2.58	97											
	6	719.51	719.93	0.42	13	0.41	0.42	100											
	6	721.89	722.68	0.79	14	0.77	0.71	90	9.06	7.3	17.59	35.49	25.44	0.17	8.14	3.89	32.94	31.56	0.18
	7	730.81	731.8	0.99	14	0.96	0.99	100											
	7	744.45	748.3	3.85	10	3.8	3.81	98	3.81	7.56	12.09	35.98	27.52	0.16	8.03	5.01	35.22	31.53	0.16
ZK8-4	8	203.09	205.46	2.37	6	2.35	2.1	88	9	6.5	7.2	43.63	27.74	0.27	8.21	4.71	43.89	31.54	0.23
	9	271.53	273.9	2.37	6	2.36	1.4	59											
	10	28.002	29.062	1.06	6	1.05	1.06	100	1.1	5.44	22.72	33.97	23.08	0.27	7.65	3.22	30.3	30.35	0.16
ZK8-3	6	626.06	628.15	2.09	12	2.04	1.67	80	1.7	1.49	31.61	16.29	23.02	0.25	1.62	5.94	13.96	34.85	0.22
	7	660.7	662.19	1.49	15	1.44	1.49	100	1.6	4.86	12.89	32.09	27.49	0.1	5.4	4.87	32.29	31.87	0.1

APPENDIX 4: SEAM SUMMARY PROXIMATE ANALYSIS AND CALORIFIC VALUE

Coal Seam No.		Water (M_{ad})% Raw Coal	Water (M_{ad})% Cleaned Coal	Ash (A_d)% Raw Coal	Ash (A_d)% Cleaned Coal	Volatile matter (Vdaf)% Raw Coal	Volatile matter (Vdaf)% Cleaned Coal	Calorific value ($Q_{b.\ d}$) Raw Coal	Calorific value ($Q_{b.\ d}$) Cleaned Coal
1	Max. to Min.	12.17 to 6.84	8.66 to 3.04	21.82 to 4.35	4.05 to .201	29.59 to 32.60	32.36 to 28.86	29.74 to 23.73	31.80 to 30.27
	Average	8.74	6.61	10.38	3.37	31.08	30.28	27.51	31.17
2	Max. to Min.	8.26 to 5.44	8.62 to 7.13	24.39 to 2.55	5.50 to 2.36	34.80 to 31.74	34.90 to 28.76	31.26 to 23.51	32.05 to 31.22
	Average	6.91	7.88	15.18	3.80	33.81	32.44	26.35	31.70
3	Max. to	11.44 to 7.69	7.24 to 3.83	8.17 to 5.00	4.44 to 2.82	32.60 to 27.53	33.30 to 27.07	29.56 to 29.10	31.81 to 30.59
	Average	9.31	5.14	6.56	3.42	30.90	30.61	29.29	31.29
4	Max. to	12.00 to 5.32	8.58 to 2.56	27.46 to 5.57	6.65 to 2.89	37.23 to 30.35	33.96 to 30.55	29.95 to 21.84	32.20 to 30.62
	Average	7.63	6.19	14.70	4.08	32.89	32.83	26.47	31.54
5	Max. to	11.56 to 4.44	8.64 to 2.41	40.69 to 5.35	7.22 to 4.21	36.88 to 33.14	31.80 to 30.27	29.25 to 18.46	32.41 to 30.66
	Average	7.35	6.38	22.37	5.00	34.56	31.17	24.09	31.72
6	Max. to	14.10 to 6.71	8.14 to 1.62	23.92 to 5.49	6.70 to 3.49	35.77 to 16.29	32.05 to 31.22	29.63 to 22.81	32.09 to 30.63
	Average	9.51	5.45	12.49	4.27	31.66	31.70	27.28	31.44
7	Max. to	7.56 to 4.86	8.03 to 3.54	25.42 to 7.43	7.48 to 4.03	36.40 to 31.95	31.81 to 30.59	29.05 to 22.70	32.30 to 30.78
	Average	6.36	6.25	14.93	5.42	33.74	31.29	26.52	31.75
8	Average	6.50	8.21	7.20	4.71	43.63	31.54	27.74	31.54
10	Average	5.44	7.65	22.72	3.22	33.97	30.30	23.08	30.35

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, 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 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 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 set out in Appendix 10 to the Listing Rules (the "**Model Code**"):

1. Securities of the Company

a. Ordinary shares of US$0.01 each

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares*	Approximate % of holding**
James Mellon		Beneficial owner	Long position	43,216,180	2.12%
	A	Beneficiary of a trust	Long position	370,821,131	18.19%
Jamie Gibson		Beneficial owner	Long position	4,419,138	0.22%
Clara Cheung		Beneficial owner	Long position	1,200,000	0.06%
David Comba		—	—	—	—
Julie Oates		—	—	—	—
Patrick Reid		—	—	—	—
Mark Searle		Beneficial owner	Long position	4,194,444	0.21%
	B	Beneficiary of a trust	Long position	50,000	0.00%
John Stalker		—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	17,160,465	0.84%
	C	Beneficiary of a trust	Long position	27,965,226	1.37%
Dr. Youzhi Wei		—	—	—	—
Anderson Whamond		Beneficial owner	Long position	7,500,000	0.37%
	D	Beneficiary of a trust	Long position	5,826,088	0.29%
	D	Family interest	Long position	1,000,000	0.05%

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

** The total issued ordinary share capital of the Company as at the Latest Practicable Date consisted of 2,038,361,767 shares.

b. Redeemable Convertible Preference Shares of US$0.01 each

On 11 October 2006, the Company entered into a subscription agreement (the "**Subscription Agreement**") with certain Directors of the Company and independent placees relating to the placing and issue by the Company of, and the subscription by the placees for, an aggregate of 6,250 dividend bearing non-voting redeemable convertible preference shares of US$0.01 each ("**Redeemable Convertible Preference Shares**") in the share capital of the Company at US$1,000 per share in cash, which may give rise to the issue, in aggregate, of 168,103,449 ordinary shares at a conversion price of HK$0.290 per share.

The 6,250 Redeemable Convertible Preference Shares were issued and allotted on 30 November 2006.

As at the Latest Practicable Date, there were 5,500 Redeemable Convertible Preference Shares outstanding, which may be convertible into 147,931,035 ordinary shares. The Directors of the Company had the following beneficial interests in the Redeemable Convertible Preference Shares:

Name of Director	Note	Capacity in which the shares are held	Long/Short position	Number of shares	Approximate % of holding	Number of ordinary shares to be issued on conversion
James Mellon	A	Beneficiary of a trust	Long position	2,750	50.00%	73,965,517
Jamie Gibson		—	—	—	—	—
Clara Cheung		—	—	—	—	—
David Comba		Beneficial owner	Long position	50	0.91%	1,344,828
Julie Oates		Beneficial owner	Long position	100	1.82%	2,689,655
Patrick Reid		—	—	—	—	—
Mark Searle		Beneficial owner	Long position	100	1.82%	2,689,655
John Stalker		—	—	—	—	—
Jayne Sutcliffe		Beneficial owner	Long position	250	4.55%	6,724,138
Dr. Youzhi Wei		—	—	—	—	—
Anderson Whamond	D	Beneficiary of a trust	Long position	250	4.55%	6,724,138

c. Options of the Company

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

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

Name of Director	Date of grant	Total number of shares subject to the option#	Subscription price per share (HK$)	Exercise period#	Number of shares subject to vested options#	Consideration for grant of option (HK$)
James Mellon	2 October 2007##	13,000,000	1.152	2 October 2008 - 1 October 2017	—	10.00
Jamie Gibson	9 September 2004	11,000,000	0.266	9 September 2005 - 8 September 2014	11,000,000	10.00
	4 April 2006	45,600,000	0.300	4 April 2007 - 3 April 2016	15,200,000	10.00
	2 October 2007	13,000,000	1.152	2 October 2008 - 1 October 2017	—	10.00
Clara Cheung	4 April 2006	8,000,000	0.300	4 April 2007 - 3 April 2016	2,666,666	10.00
	14 December 2006	6,000,000	0.325	14 December 2007 - 13 December 2016	—	10.00
	2 October 2007	7,000,000	1.152	2 October 2008 - 1 October 2017	—	10.00
David Comba	2 October 2007##	5,000,000	1.152	2 October 2008 - 1 October 2017	—	10.00
Patrick Reid	2 October 2007	2,000,000	1.152	2 October 2008 - 1 October 2017	—	10.00
John Stalker	15 May 2007	12,000,000	0.780	15 May 2008 - 14 May 2017	—	10.00
Dr. Youzhi Wei	15 May 2007	12,000,000	0.780	15 May 2008 - 14 May 2017	—	10.00

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

These options have been accepted. However, pursuant to Rule 17.04(1) of the Listing Rules and the Rules of the Share Option Scheme (2002), these options are subject to approval by the Shareholders at a general meeting and the acceptance of the offer of the options will take effect upon such Shareholders' approval having been obtained. The options shall, following the Shareholders' approval, be deemed to have been granted and to have taken effect on the offer date.

2. Securities of associated corporations

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

3. SUBSTANTIAL SHAREHOLDERS' DISCLOSURE OF INTERESTS

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

Name of shareholder	Note	Class of shares	Capacity in which the shares are held	Long/Short position	Total interests (Number of shares)	Approximate % of holding**	Derivative interests (Number of shares)
Integrated Holding Group, LP	A&B	Ordinary shares	Interest by controlled corporation	Long position	298,338,306	14.64%	208,830,683
Israel Alexander Englander	A&B	Ordinary shares	Interest by controlled corporation	Long position	298,338,306	14.64%	208,830,683
Millennium Management, LLC	A&B	Ordinary shares	Interest by controlled corporation	Long position	298,338,306	14.64%	208,830,683
Richard Crawshaw	A&C	Ordinary shares	Interest by controlled corporation	Long position	167,180,663	8.20%	74,582,258
Clive Harris	A&C	Ordinary shares	Interest by controlled corporation	Long position	167,180,663	8.20%	74,582,258
Highbridge Capital Management LLC	A&C	Ordinary shares	Investment manager	Long position	167,180,663	8.20%	74,582,258
Highbridge GP, Ltd	A&C	Ordinary shares	Interest by controlled corporation	Long position	167,180,663	8.20%	74,582,258
Gladiator Assets Limited		Ordinary shares	Investment manager	Long position	89,643,000	4.40%	Nil

** The total issued ordinary share capital of the Company as at the Latest Practicable Date consisted of 2,038,361,767 shares.

Notes:

A. On 31 March 2006, the Company issued US$20 million 12 per cent. guaranteed convertible bonds due 2009 (the "**Convertible Bonds**") pursuant to a purchase agreement dated 30 March 2006 entered into with (i) MLP Investments (Caymans), Ltd; (ii) Highbridge International LLC; (iii) Highbridge Asia Opportunities Master Fund, LP; and another independent third party. The Convertible Bonds may give rise to the issue, in aggregate, of 596,661,718 shares on conversion at a conversion price of HK$0.2615 per share.

On 30 November 2006, the Company issued and allotted 6,250 dividend bearing non-voting redeemable convertible preference shares ("**Redeemable Convertible Preference Shares**") pursuant to a subscription agreement dated 11 October 2006 entered into with certain Directors of the Company, MLP Investments (Caymans), Ltd and other independent placees. The Redeemable Convertible Preference Shares may give rise to the issue, in aggregate, of 168,103,449 ordinary shares on conversion at a conversion price of HK$0.290 per share.

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

B. These shareholders disclosed the interests held by corporations controlled by the respective named shareholders. The disclosures referred to the same lot of interests, including the shares subject to the outstanding Convertible Bonds and Redeemable Convertible Preference Shares held by MLP Investments (Caymans), Ltd.

C. These shareholders disclosed the interests held by corporations controlled by or the investment manager of the respective named shareholders. The disclosures referred to the same lot of interests, including the shares subject to the outstanding Convertible Bonds held by Highbridge International LLC and Highbridge Asia Opportunities Master Fund, LP.

In addition, these shareholders filed notices disclosing the acquisition of 33,056,233 shares in the Company upon acceptance on 15 November 2007 by Highbridge International LLC and Highbridge Asia Opportunities Master Fund, LP of the Offer made by the Company to acquire their shares in CCEC. The said 33,056,233 new shares in the Company will only be issued and allotted upon completion of the Offer.

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

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors has any existing or proposed service agreement with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

The Directors, except for the independent non-executive Directors who are not subject to the disclosure requirement under Rule 8.10 of the 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 compete, either directly or indirectly, with the Company's business save that Red Dragon Resources Corporation may pursue investment opportunities in the People's Republic of China that may compete against the Company, but to date this has not happened.

6. DIRECTORS' INTERESTS IN CONTRACTS

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

Six facilities agreements dated 24 January 2002, 6 February 2002, 24 April 2002, 23 July 2002, 29 July 2002 and 1 November 2002 respectively were entered into between (a) bigsave Holdings plc ("**bigsave**"), an indirect 64.3 per cent. owned subsidiary of the Company, as borrower and (b) Burnbrae Limited as lender, pursuant to which Burnbrae Limited agreed to advance unsecured interest-bearing loan facilities of maximum amounts of GBP80,000 (approximately US$141,420), GBP300,000 (approximately US$530,340), GBP75,000 (approximately US$132,590), GBP25,000 (approximately US$44,200), GBP75,000 (approximately US$132,590) and GBP150,000 (approximately US$265,170) respectively to bigsave.

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

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

As at the Latest Practicable Date, an amount of GBP1,188,786.59 (approximately US$2,437,488 or HK$19,012,407), inclusive of accrued interest, was outstanding under the facilities agreements.

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

The Company has no effective control over bigsave Holdings plc and its results and assets and liabilities were not consolidated into the financial statements.

Save for the above, no connected transactions (as defined in Chapter 14A of the Listing Rules) or significant contracts (as referred to in Paragraph 15 of Appendix 16 to the Listing Rules) of the Company, to which the Company or any of its subsidiaries was a party and in which a Director or Directors of the Company has/had a material interest, either directly or indirectly, subsisted as at the Latest Practicable Date.

No contracts, other than contracts of service with any Director of the Company or any person engaged in the full-time employment of the Company, subsisted as at the Latest Practicable Date, whereby any individual, firm or body corporate undertook the management and administration of the whole or any substantial part of any business of the Company.

As at the Latest Practicable Date, none of the Directors of the Company owed any outstanding amount on any relevant transactions (including loans, quasi-loans and credit transactions) as required to be disclosed under Paragraph 28(8) of Appendix 16 to the Listing Rules and Section 161B of the Companies Ordinance of Hong Kong.

Save as disclosed in this circular, none of the Directors has, since 31 March 2007, being the date to which the latest published audited consolidated financial statements of the Group have been made up, any direct or indirect interest in any assets acquired or disposed of by or leased or proposed to be acquired or disposed of by or leased to any member of the Group.

7. EXPERTS AND CONSENTS

(i) The following are the qualifications of the experts who have given opinions and advice which are included in this circular:

Name	**Qualification**
Grant Thornton	Certified Public Accountants
Quam Capital Limited	Independent financial adviser, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Future Ordinance
Sallmanns (Far East) Limited	Property valuer
Steffen Robertson and Kirsten (Australasia) Pty Ltd.	Mining technical expert

(ii) None of the experts set out above has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(iii) Each of the experts set out above has given and has not withdrawn its respective written consents to the issue of this circular, with the inclusion of its report and/or the references to its name and/or its opinion in the form and context in which they are included.

(iv) None of the experts set out above had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Group was made up.

8. PROCEDURE TO DEMAND A POLL PURSUANT TO THE ARTICLES

Under Article 66 of the Articles of Association of the Company, 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 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.

A resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is required under the 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:

1. by the chairman of such meeting; or

2. 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

3. 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

4. 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 to 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 authorized representative) shall be deemed to be the same as a demand by a member.

Rule 13.39(3) of the Listing Rules requires that if the chairman of a meeting and/or the directors individually or collectively hold(s) proxies in respect of shares holding 5 per cent. or more of the total voting rights at the meeting, and if on a show of hands a meeting votes in the opposite manner to that instructed in those proxies, the chairman and/or the directors holding proxies as aforesaid collectively shall demand a poll, provided that if it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands (because the votes represented by those proxies exceed 50 per cent., 75 per cent. or any other relevant percentage, as the case may be, of the total issued shares entitled to vote on the resolution on question), then the chairman and/or directors shall not be required to demand a poll.

9. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

10. LITIGATION

As at the Latest Practicable Date, there were no litigations or claims of material importance pending or threatened against the Company or any subsidiary of the Group.

11. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Enlarged Group within 2 years preceding the Latest Practicable Date:

(a) A private placement agreement dated 16 December 2005 (the "**Private Placement Agreement**") was entered into between (i) the Company and (ii) Regent Mercantile Bancorp Inc ("**Regent Mercantile**"), pursuant to which Regent Mercantile was appointed an exclusive agent for the Company in connection with the disposal (the "**Disposal**") of an interest of less than 50 per cent. in Regent Metals Limited ("**RML**", a wholly-owned subsidiary of the Company), or any wholly-owned subsidiary of Regent Metal Holdings Limited (a wholly owned subsidiary of the Company) which directly or indirectly held RML, to independent third parties by way of a private placement in order for the Company to raise approximately US$20 million. Regent Mercantile would receive a commission equal to 6 per cent. of the aggregate gross proceeds of the Disposal, subject to a maximum amount of HK$9.5 million, which would be funded from the proceeds of the Disposal.

The Disposal was not carried out, and the Private Placement Agreement lapsed.

(b) A joint venture contract dated 14 February 2006 (the "**YSSCCL Joint Venture Contract**") was entered into among (i) RML; (ii) Yuxi Resources Corporation ("**YRC**"); and (iii) Simao Shanshui Minerals Limited ("**SSM**") in relation to the establishment of Yunnan Simao Shanshui Copper Company Limited ("**YSSCCL**"). The total investment amount of YSSCCL is RMB 400 million and its registered capital is RMB 200 million, which shall be contributed in cash as to RMB 200 million by YRC, RMB 160 million by RML and RMB 40 million by SSM, so that the equity interests of YSSCCL shall be held as to 50 per cent. by YRC, 40 per cent. by RML and 10 per cent. by SSM.

YSSCCL was established on 8 March 2006.

An amendment agreement dated 6 April 2007 relating to the amendment of the YSSCCL Joint Venture Contract was entered into among (1) RML; (2) YRC; and (3) Yunnan Dingtai Investment Co., Ltd ("**Dingtai**"), pursuant to which SSM transferred its 10 per cent. equity interest in YSSCCL to Dingtai.

(c) A purchase agreement dated 30 March 2006 was entered into by the Company in relation to the issue of US$20 million 12 per cent. guaranteed convertible bonds due 2009 (the "**Convertible Bonds**"), pursuant to which (i) MLP Investments (Caymans), Ltd; (ii) Highbridge International LLC; (iii) Highbridge Asia Opportunities Master Fund, LP; and (iv) JP Morgan Securities Ltd purchased Convertible Bonds with principal amounts of US$12 million, US$2.5 million, US$2.5 million and US$3 million respectively.

In connection with the Convertible Bonds:

(1) A fiscal agency agreement dated 31 March 2006 was entered into by the Company with JPMorgan Chase Bank, N.A. and J.P. Morgan Bank Luxembourg S.A., pursuant to which (i) JPMorgan Chase Bank, N.A. was appointed as the fiscal agent, principal payment and conversion agent, and transfer agent in relation to the Convertible Bonds; and (ii) J.P. Morgan Bank Luxembourg S.A. was appointed as registrar in respect of the Convertible Bonds.

(2) A guarantee dated 31 March 2006 (the "**Guarantee**") was given by RML in favour of Pacific Alliance Investment Management Limited (the "**Security Agent**"), guaranteeing the due payment of all sums to be payable by the Company in respect of the Convertible Bonds.

(3) A share charge dated 31 March 2006 (the "**Share Charge**") was given by Regent Metals (Jersey) Limited, a wholly-owned of the Company holding the entire issued share capital of RML, in favour of the Security Agent to secure RML's obligations under the Guarantee.

(4) A floating charge dated 31 March 2006 (the "**Floating Charge**") was 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.

The Convertible Bonds are secured by the security interests created under the Guarantee, the Share Charge and the Floating Charge.

The Convertible Bonds were issued on 31 March 2006, which may give rise to the issue, in aggregate, of 596,661,718 shares on conversion at a conversion price of HK$0.2615 per share.

(d) A co-operative joint venture contract dated 30 August 2006 (the "**SRML Joint Venture Contract**") was entered into among (i) Regent Minerals Limited ("**Regent Minerals**"); (ii) SSM; and (iii) Simao Lianyou Minerals Limited ("**SLM**") in relation to the establishment of a Sino-foreign co-operative joint venture enterprise in the PRC named Simao Regent Minerals Limited ("**SRML**") to conduct exploration, mining and processing of copper and other multi-metal mineral resources in close proximity to the Dapingzhang Mine of YSSCCL in Puer City, Yunnan Province, the PRC.

The maximum investment amount of SRML is US$2 million, and its registered capital is US$1.4 million, which shall be provided by Regent Minerals in cash. The difference between the maximum investment amount and the registered capital of SRML in the sum of US$0.6 million shall be financed by way of a shareholder's loan from Regent Minerals to SRML.

SSM and SLM shall provide co-operation conditions by way of transfer to SRML of the relevant exploration rights and mining rights.

The equity interests of SRML shall be held as to 90.5 per cent. by Regent Minerals, 9 per cent. by SSM and 0.5 per cent. by SLM.

SRML was established on 1 February 2007.

An amendment agreement dated 30 April 2007 relating to the amendments of the SRML Joint Venture Contract was entered into among (1) Regent Minerals; (2) SSM; and (3) SLM, pursuant to which:

- the total investment of SRML shall be increased from US$2 million to US$10 million;
- the registered capital of SRML shall be increased from US$1.4 million to US$5.4 million, which shall be provided by Regent Minerals;
- the equity interest of SRML shall be held as to 97.54 per cent. by Regent Minerals, 2.33 per cent. by SSM and 0.13 per cent. by SLM; and
- US$4.6 million, being the difference between the total investment and the registered capital of SRML, shall be financed by way of shareholders' loan from Regent Minerals to SRML.

(e) An introduction agreement dated 4 September 2006 was entered into between the Company and Stephen Dattels, pursuant to which the Company would issue and allot 21,514,256 ordinary shares, credited as fully paid, in consideration for Stephen Dattels procuring that all licences and permits contemplated under the SRML Joint Venture Contract and other agreements relating to the transfer of the relevant exploration rights and mining rights be transferred to, or issued to, SRML.

The 21,514,256 shares were issued and allotted to Stephen Dattels on 12 February 2007.

(f) A subscription agreement dated 11 October 2006 was entered into by the Company in relation to the placing and issue by the Company of, and the subscription by the following purchasers for, an aggregate of 6,250 dividend bearing non-voting redeemable convertible preference shares of US$0.01 each ("**Redeemable Convertible Preference Shares**") in the share capital of the Company at US$1,000 per share in cash:

	Name of purchaser	Amount of subscription for the Redeemable Convertible Preference Shares (US$)
1.	James Mellon (Non-Executive Chairman of the Board of Directors)	2,750,000
2.	Libra Fund LP	1,620,000
3.	MLP Investments (Caymans), Ltd	500,000
4.	Libra Offshore Limited	380,000
5.	Jamie Gibson (Executive Director)	250,000
6.	Jayne Sutcliffe (Non-Executive Director)	250,000
7.	Anderson Whamond (Non-Executive Director)	250,000
8.	Julie Oates (Independent Non-Executive Director)	100,000
9.	Mark Searle (Independent Non-Executive Director)	100,000
10.	David Comba (Independent Non-Executive Director)	50,000

The 6,250 Redeemable Convertible Preference Shares were issued and allotted on 30 November 2006, which may give rise to the issue, in aggregate, of 168,103,449 ordinary shares at a conversion price of HK$0.290 per share.

(g) The Share Purchase Agreement.

(h) The Finder's Fee Agreement.

(i) The Amendment Agreement.

(j) The September Placing Agreement.

(k) The Offer.

(l) The Project SPAs.

(m) The agreements summarised in the section headed "Other CCEC Material Contracts" of the Letter from the Board in this circular, together with the Yuke Coal Loan Agreement and the Yuke Exploration Loan Agreement.

12. MISCELLANEOUS

(a) The registered office of the Company is at Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands and principal place of business is Suite 1401, Henley Building, 5 Queen's Road Central, Hong Kong. The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong.

(b) The Company Secretary is Ms Fung Yuk Bing (Stella), who is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries.

(c) The Finance Director of the Company is Ms Cheung Mei-Chu, Clara, who is a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom, as required under Rule 3.24 of the Listing Rules.

(d) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular to 5 December 2007 and at the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Group for the three financial years ended 31 March 2005 to 31 March 2007;

(c) the letter from Quam Capital regarding the Proposed Specific Mandate set out in this circular;

(d) the accountants' reports on CCEC, ACIL, ACMC, Yuke Coal and Project 3 set out in Appendix II to this circular;

(e) the pro forma financial information comfort letter set out in Appendix III to this circular;

(f) the property valuation report on the Enlarged Group and Project 3 set out in Appendix II to this circular;

(g) the SRK Reports set out in Appendix VI to this circular;

(h) the consent letters referred to under the paragraph "Experts and Consents" in this appendix;

(i) the contracts referred to under the paragraph "Directors' Interests in Contracts" in this appendix;

(j) the material contracts referred to under the paragraph "Material Contracts" in this appendix; and

(k) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or Chapter 14A of the Listing Rules which has been issued since 31 March 2007, being the date to which the latest published audited financial statements of the Group were made up.

REGENT PACIFIC GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0575)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of the Company will be held at Meeting Room 3, 1st Floor, Wynn Macau*, Rua Cidade de Sintra, Nape, Macau on Saturday, 8 December 2007 at 11:00 a.m. to consider and, if thought fit, pass (with or without amendments) the following resolutions (*Shuttle buses of Wynn Macau will depart from the New Macau Maritime Ferry Terminal at 10:30 a.m. and 10:45 a.m.):

AS ORDINARY RESOLUTIONS

1. "**THAT**:

(A) (i) the Transaction and the transactions and agreements contemplated under or incidental to the Transaction (including the Share Purchase Agreement, the Amendment Agreement, the Offer, the Finder's Fee Agreement, the ACIL Project SPA and the Ji Ri Ga Lang Project SPA (the aforementioned documents collectively defined as the "**Transaction Documents**"), but excluding from this resolution 1(A) the transactions and agreements under or incidental to the matters set out in resolutions 2(A) and 3(A) below); and (ii) and the execution, performance and implementation of the Transaction Documents and ancillary matters contemplated thereunder, be and are hereby approved, confirmed and ratified;

(B) conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares, the issue of the Consideration Shares, the Additional Consideration Shares and the Finder's Fee Shares as payment of the consideration under the Share Purchase Agreement, the Offer and the Finder's Fee Agreement be and is hereby approved; and

(C) any Director be and is hereby authorised on behalf of the Company to exercise, perfect and deliver all such documents and do all such acts and things and any two Directors or any Director and the company secretary of the Company be and are hereby authorised to affix the Company's seal to all such documents and deliver the same as deeds of the Company, in any such case as may be necessary or desirable to implement or give effect to the terms of the Transaction Documents and the transactions and ancillary agreements or documents contemplated thereunder (including, without limitation, the execution of any deeds and/or documents in connection with the transactions and agreements contemplated in resolution 1(A) above and the exercise or enforcement of any rights thereunder) and to make and agree such variations to the terms of the Transaction Documents and ancillary agreements or documents contemplated thereunder as he or she or they, in his or her or their absolute discretion, may consider to be desirable, appropriate or necessary and in the interests of the Company."

2. "**THAT**:

(A) (i) the Possible Project 3 Further Acquisition (together with the associated payment of a further US$5 million to CCAC) contemplated under the ACIL Project SPA; and (ii) the execution, performance and implementation of the documents and agreements relating thereto and ancillary matters contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(B) any Director be and is hereby authorised on behalf of the Company to exercise, perfect and deliver all such documents and do all such acts and things and any two Directors or any Director and the company secretary of the Company be and are hereby authorised to affix the Company's seal to all such documents and deliver the same as deeds of the Company, in any such case as may be necessary or desirable to implement or give effect to the transactions and agreements contemplated in resolution 2(A) above and the transactions and ancillary agreements or documents contemplated thereunder (including, without limitation, the execution of any deeds and/or documents in connection with the transactions and agreements contemplated in resolution 2(A) above and the exercise or enforcement of any rights thereunder) and to make and agree such variations to the transactions and agreements contemplated in resolution 2(A) above and ancillary agreements or documents contemplated thereunder as he or she or they, in his or her or their absolute discretion, may consider to be desirable, appropriate or necessary and in the interests of the Company."

3. "**THAT**:

(A) (i) the consummation by CCEC or entities controlled or to be controlled by it of the transactions and agreements under or incidental to the Yuke Coal Option Agreement, including the exercise of the option granted to CCEC therein to acquire Yuke Coal and, following any such exercise, the performance and consummation of the Yuke Coal Acquisition Agreement; and (ii) the execution, performance and implementation of the documents and agreements relating thereto and ancillary matters contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(B) any Director be and is hereby authorised on behalf of the Company to exercise, perfect and deliver all such documents and do all such acts and things and any two Directors or any Director and the company secretary of the Company be and are hereby authorised to affix the Company's seal to all such documents and deliver the same as deeds of the Company, in any such case as may be necessary or desirable to implement or give effect to the transactions and agreements contemplated in resolution 3(A) above and the transactions and ancillary agreements or documents contemplated thereunder (including, without limitation, the execution of any deeds and/or documents in connection with the transactions and agreements contemplated in resolution 3(A) above and the exercise or enforcement of any rights thereunder) and to make and agree such variations to the transactions and agreements contemplated in resolution 3(A) above and ancillary agreements or documents contemplated thereunder as he or she or they, in his or her or their absolute discretion, may consider to be desirable, appropriate or necessary and in the interests of the Company."

4. "**THAT** the Authorised Share Capital be increased from US$55,500,062.50 comprising: (i) 5,000,000,000 Shares; (ii) 550,000,000 unclassified shares of US$0.01 par value each (which may be issued as Shares or as Deferred Shares); and (iii) 6,250 Redeemable Convertible Preference Shares, to US$105,500,062.50 comprising: (a) 10,000,000,000 Shares; (b) 550,000,000 unclassified shares of US$0.01 par value each (which may be issued as Shares or as Deferred Shares); and (c) 6,250 Redeemable Convertible Preference Shares."

5. "**THAT** there be granted to the Directors the Proposed Specific Mandate to issue, allot and otherwise deal with up to 4,000,000,000 new Shares and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for and are convertible into Shares) in respect thereof, subject to the following conditions:

(A) such mandate shall not extend beyond the Relevant Period (as hereinafter defined) save that the Directors may, during the Relevant Period, make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for and are convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;

(B) the price at which any or all of the new Shares may be issued and allotted by the directors of the Company pursuant to this resolution 5 shall be determined by reference to the prevailing market price of the Shares at the time of entering into an agreement for the issuance of the new Shares and all other relevant market considerations. The proposed indicative price range will not be less than HK$0.52 per Share and shall, in any event, not be less than 80 per cent. of the benchmarked price of the Shares of the Company, such benchmarked price being the higher of:

(i) the closing price on the date of the relevant placing agreement or other agreement involving the exercise of the Proposed Specific Mandate; and

(ii) the average closing price in the 5 trading days immediately prior to the earlier of:

(1) the date of announcement of the placing or the proposed transaction or arrangement involving the exercise of the Proposed Specific Mandate;

(2) the date of the placing agreement or other agreement involving the exercise of the Proposed Specific Mandate; and

(3) the date on which the placing or subscription price is fixed;

(C) any new Shares to be issued and allotted pursuant to the Proposed Specific Mandate shall be offered to investors who are independent of and not connected with any director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries or an associate (as defined in the Listing Rules) of any of them, save and unless as permitted under the Listing Rules or necessary independent Shareholders' approval has been obtained for the issued and allotment of any new Shares to connected persons, in full compliance with the rules and regulations of the Listing Rules and all applicable laws; and

(D) for the purpose of this resolution:

"**Relevant Period**" means the period from the date of the passing of this resolution 5 until whichever is the earlier of:

(i) the first Business Day falling two months from the date of this EGM (or any adjournment thereof); and

(ii) the revocation or variation of this resolution 5 by an ordinary resolution of the Shareholders at a general meeting."

By Order of the Board of
Regent Pacific Group Limited
Stella Fung
Company Secretary

Directors of the Company:
James Mellon *(Chairman)**
Jamie Gibson *(Chief Executive Officer)*
Clara Cheung
David Comba#
Julie Oates#
Patrick Reid#
Mark Searle#
John Stalker*
Jayne Sutcliffe*
Dr. Youzhi Wei*
Anderson Whamond*

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

Hong Kong, 22 November 2007

Notes:

1. Shareholders are recommended to read the Shareholders' circular dated 22 November 2007 issued by the Company (the "**Circular**"), which contains detailed information concerning the resolutions proposed for the meeting being convened by this notice.

2. A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of an instrument appointing a proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting if he so wishes.

3. In order for it to be valid, the form of proxy, accompanied by the power of attorney (if applicable) or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited with the Company Secretary at the Company's principal place of business in Hong Kong at Suite 1401, Henley Building, 5 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for the meeting or its adjourned meeting.

4. In the case of joint registered holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names of the holders stand in the Register of Members of the Company in respect of such joint holding.

5. In the case of a conflict between the English text of this notice and its Chinese translation, the English text will prevail.

6. Unless the context otherwise requires, capitalised terms used in this notice shall have the same meaning given to them in the Circular of which this notice forms part.