



蒙古投資集團有限公司
MONGOLIA INVESTMENT GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 402)



2012
INTERIM REPORT

CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Other Information	11
Report on Review of Interim Financial Information	19
Condensed Consolidated Income Statement	21
Condensed Consolidated Statement of Comprehensive Income	22
Condensed Consolidated Statement of Financial Position	23
Condensed Consolidated Statement of Changes in Equity	25
Condensed Consolidated Statement of Cash Flows	26
Notes to the Financial Statements	27

CORPORATE INFORMATION

Directors

Executive Directors

Mr. YUEN Chow Ming (*Chairman*)
Mr. YUEN Wai Keung
(*Deputy Chairman*
and *Chief Executive Officer*)
Mr. SO Yiu Cheung
(*Deputy Chairman*)
Mr. CHEUNG Chi Man, Dennis
Mr. LIM Siong, Dennis
(Not re-elected on 3 August 2012)
Mr. ENEBISH Burenkhuu
(Not re-elected on 3 August 2012)
Mr. LEUNG, Chung Tak Barry

Non-Executive Directors

Mr. HO Hin Hung, Henry
(Resigned on 28 June 2012)
Mr. WONG, Kwok Kee
(Appointed on 10 August 2012)
Mr. NG, Wing Keung
(Appointed on 10 August 2012)

Independent Non-Executive Directors

Mr. CHAN, Sai Kit Kevin
Mr. LIAO Cheung Tin, Stephen
Mr. TAM Tsz Kan
Mr. HUI, Yat On
(Appointed on 10 August 2012)

Authorised Representatives

Mr. YUEN Wai Keung
Mr. LEUNG, Chung Tak Barry

Company Secretary

Mr. CHEUNG Chi Man, Dennis

Audit Committee

Mr. TAM Tsz Kan (*Chairman*)
Mr. CHAN, Sai Kit Kevin
Mr. LIAO Cheung Tin, Stephen
Mr. HUI, Yat On
(Appointed on 10 August 2012)

Nomination Committee

Mr. CHAN, Sai Kit Kevin (*Chairman*)
Mr. YUEN Wai Keung
Mr. TAM Tsz Kan

Remuneration Committee

Mr. CHAN, Sai Kit Kevin (*Chairman*)
Mr. YUEN Wai Keung
Mr. TAM Tsz Kan

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business

Units 1809-1812
Telford House
16 Wang Hoi Road
Kowloon Bay
Hong Kong

Hong Kong Legal Adviser

K & L Gates
44/F., Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

Auditor

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Principal Bankers

Citibank (Hong Kong) Limited
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Hong Kong and Shanghai Banking
Corporation Limited
United Overseas Bank Limited

Principal Share Registrar

Butterfield Fulcrum Group
(Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Branch Share Registrar

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

Stock Code

402

Website

<http://www.migmgl.com>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite facing a more challenging environment underpinned by overall lackluster global economy, Mongolia Investment Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) continued to gain steady revenue from its waterworks business while dedicating efforts to ramp up production at its Mongolia mine sites for the six months ended 30 September 2012. In late August 2012, the Group announced that it will not proceed with the proposed acquisition of the entity engaged in aerial photography and related businesses due to the lapse of the agreement relating to the acquisition. Although the acquisition did not proceed, the board (the “**Board**”) of directors (the “**Directors**”) continues to look for investment opportunities with growth potential, so as to broaden the Group’s source of income and in turn maximize shareholders’ value.

Mining Business in Mongolia

Resources and mining industry has been the major contributor to Mongolia’s economic growth. The Group currently holds four coal mining licenses covering a 1,114 hectares coal mine at Tugrug Valley (the “**TNE Mine**”). Based on a report from an independent technical advisor in 2010, the TNE Mine has approximately 64.0 million tonnes of measured and indicated resources and an additional 27.9 million tonnes of inferred resources. For the review period ended 30 September 2012, when compared with the financial year ended 31 March 2012, there was no material change in the amount of the resources in the TNE Mine. The Group also holds three exploration licenses in respect of coal deposits in DundGobi (14,087 hectares), two exploration licenses in respect of gold and copper deposits in Gobi-Altai (44,016 hectares), and two exploration licenses in respect of gold and copper in Zavkhan (15,517 hectares), all located in Mongolia.

During the review period, the Group continued with preparatory work at the TNE Mine, including the leasing of relevant equipment and machineries, power supply commissioning, as well as dewatering process. Furthermore, the Group has always been working towards achieving cost reduction and production improvement. The relevant mining plan is under review by independent mining experts, and coal samples will be submitted for further testing. The Group’s marketing team has been following up with potential off-take customers.

Exploration activities at other regions where the Group holds exploration licenses also continued. Annual exploration report was submitted and has been approved by the Mineral Resources Authority of Mongolia (“**MRAM**”). The Group has also submitted its 2012 exploration budget to MRAM for approval. All annual license payments have been settled during the review period.

As a result of failure in discovering commercially viable quantities of minerals at the gold and copper deposits located in Gobi-Altai and Zavkhan, an impairment loss amounting to HK\$24.6 million on the exploration licences and related exploration costs capitalised is recognised to the consolidated result. The licences will expire in the first half of 2013.

Waterworks Business in Hong Kong

The waterworks business continued to be a key source of revenue for the Group during the review period. Two waterworks maintenance projects from the Water Supplies Department (“**WSD**”) contributed revenue of approximately HK\$198.2 million, accounting for approximately 43.9% of the Group’s total revenue. Details are listed below:

1. Term Contract for Waterworks District E - New Territories East (contract number: 1/WSD/09(E))
2. Term Contract for Waterworks District W - New Territories West (contract number: 1/WSD/09(W))

The above two contracts would be completed by 2012 and a new 3-year waterworks maintenance project *Term Contract for waterworks District W - News Territories West* (contract number: 1/WSD/12(W)) has been obtained.

Another significant source of revenue came from five water mains replacement and rehabilitation projects. Approximately HK\$196.6 million were generated from the projects, accounting for roughly 43.5% of the Group's total revenue. Details of the projects are as follows:

1. Replacement and Rehabilitation of Water Mains, Stage 3 - Mains in East Kowloon (Package A) (contract number: 7/WSD/08)
2. Replacement and Rehabilitation of Water Mains, Stage 3 - Mains on Hong Kong Island South and Outlying Islands (contract number: 18/WSD/08)
3. Replacement and Rehabilitation of Water Mains, Stage 4 Phase 1 - Mains in Central & Western and Wan Chai Districts (contract number: 11/WSD/10)
4. Replacement and Rehabilitation of Water Mains, Stage 4 Phase 1 - Mains in East Kowloon (contract number: 14/WSD/10)
5. Replacement and Rehabilitation of Water Mains, Stage 4 Phase 2 - Mains in East Kowloon (contract number: 13/WSD/11)

During the review period, the Group has won one more water mains replacement and rehabilitation contract valued at around HK\$460 million. Detail of the project is as follow:

Replacement and Rehabilitation of Water Mains, Stage 4 Phase 2 - Mains in West Kowloon (contract number: 14/WSD/11), estimated completion in December 2015

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2012, the Group recorded revenue of HK\$451.8 million, representing a slight increase of 6.2% over the same period of last year (six months ended 30 September 2011: HK\$425.3 million). It is mainly attributable to the steady income provided by two waterworks maintenance projects that started in September 2009, and two water mains replacement and rehabilitation projects that commenced in early 2009, in addition to the income derived by three new water mains replacement and rehabilitation projects that were obtained in last financial year.

Gross Profit

Gross profit increased by approximately 50.7% to HK\$22.0 million (six months ended 30 September 2011: HK\$14.6 million) and gross profit margin slightly increased to 4.9% (six months ended 30 September 2011: 3.4%).

Administrative Expenses

During the period under review, the Group's administrative expenses amounted to HK\$46.7 million (six months ended 30 September 2011: HK\$48.7 million), mainly consisted of legal and professional fees and staff costs (including Directors' emoluments). The slight decrease in administrative expenses was mainly due to decrease in non-cash items such as share-based compensation on share options granted by the Company on 25 October 2010, and exchange losses arising from the mining operations in Mongolia.

Loss Attributable to Shareholders

Loss attributable to shareholders totalled HK\$94.2 million (six months ended 30 September 2011: HK\$74.7 million). This was due to (i) imputed interest expenses of HK\$45.3 million on promissory note and convertible note issued as part of consideration for the acquisition of Well Delight Holdings Limited (now known as MIG Resources Limited) on 17 June 2010 (six months ended 30 September 2011: HK\$42.1 million); (ii) fair value loss on the Derivative Component of the Convertible Note amounted to HK\$2.1 million (six months ended 30 September 2011: fair value gain of HK\$2.3 million); and (iii) impairment loss on exploration and evaluation assets amounted to HK\$24.6 million (six months ended 30 September 2011: Nil). The imputed interest expenses, fair value change and impairment loss on exploration and evaluation assets were all non-cash items and have no impact on the Group's cash position.

Basic loss per share was HK5.12 cents (six months ended 30 September 2011: HK4.13 cents). If the above-mentioned items (i), (ii) and (iii) were to be excluded, the basic loss per share was HK1.21 cents (six months ended 30 September 2011: HK1.95 cents).

Capital Expenditure

During the period under review, the Group spent HK\$8.6 million on the acquisition of property, plant and equipment in Hong Kong and Mongolia (six months ended 30 September 2011: HK\$15.0 million).

Liquidity & Financial Resources

As at 30 September 2012, cash at banks and in hand and pledged bank deposits reached HK\$317.4 million (as at 31 March 2012: HK\$335.4 million). Total borrowings, including promissory note and convertible note issued in 2010, as at the end of the review period were HK\$896.5 million (as at 31 March 2012: HK\$846.5 million). The Group's current ratio, being the ratio of current assets to current liabilities, was 1.4 times (as of 31 March 2012: 4.0 times), and its gearing ratio, in terms of total borrowings net of cash at banks and in hand and pledged bank deposits to total equity, stood at 252.3% (as at 31 March 2012: 149.9%).

Foreign Exchange Risk Management

The Group's transactions are primarily denominated in Hong Kong dollars, United States dollars, Mongolian Tughrik and Macau Patacas. The Group has not implemented any formal hedging policy. However, the Group monitors its foreign exchange exposure continuously and, when it considers appropriate and necessary, will consider hedging significant foreign exchange exposure by way of forward foreign exchange contracts where appropriate.

Contingent Liabilities

Other than those disclosed in note 21 to the interim financial information, the Company provided corporate guarantees on the banking facilities granted to its subsidiaries. The amount of facilities utilised by the subsidiaries as at 30 September 2012 amounted to HK\$87.8 million (as at 31 March 2012: HK\$86.0 million).

Capital Structure

Subsequent to the review period ended 30 September 2012, the Board proposed to implement a share consolidation scheme on the basis that every five shares of HK\$0.05 each in the issued and unissued share capital of the Company will be consolidated into one consolidated share of HK\$0.25 each in the issued and unissued share capital of the Company. The Board also proposed to change the board lot size for trading in the shares of the Company from 2,000 Shares to 20,000 consolidated shares upon the share consolidation becoming effective. The resolution was duly passed at the extraordinary general meeting of the Company held on 19 November 2012 by way of poll. Accordingly, the share consolidation became effective on 20 November 2012. The Board believes that the share consolidation and change in board lot size are in the interests of the Company and the shareholders as a whole.

Human Resources

As at 30 September 2012, the Group had approximately 554 employees (as at 30 September 2011: 694 employees) with nearly 100% holding permanent positions. Total staff costs, including Director's emoluments for the period under review amounted to HK\$69.6 million (six months ended 30 September 2011: HK\$72.7 million).

The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and of the individuals concerned. In addition to salary payments, other staff benefits include performance bonuses, education subsidies, provident fund, medical insurance and the use of share option scheme to recognise and acknowledge contributions made or may make to the business development of the Group by its employees.

PROSPECTS

Moving forward, the TNE Mine operation will be further developed and the management will closely monitor the operation flow with the objective of securing off-take agreements with customers and commence commercial production soonest. The Group will also continue to dedicate efforts in exploration activities and feasibility studies within the exploration licensed areas.

In respect of the waterworks business, the management will continue to make every endeavor to minimize costs to improve overall margins, such as purchasing materials based on Enterprise Resources Planning system's analysis. Meanwhile, the Group will also seek to secure more new public sector contracts.

Apart from the current business and on-going progress of the mining operation in Mongolia, the Board intends to continue identifying business opportunities prudently moving forward, with a view of delivering satisfactory returns to shareholders in the long run.

OTHER INFORMATION

Directors' and chief executive's interests and short positions in shares and underlying shares of the Company and its associated corporations

As at 30 September 2012, the Directors and the chief executive had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken of deemed to have under such provisions of the SFO) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"),

(a) Long position in the ordinary shares of HK\$0.05 each of the Company (the "Shares")

Name of Director	Note	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company
Mr. YUEN Chow Ming		Personal	120,000,000	1.30%
Mr. YUEN Wai Keung	1	Interest of controlled corporation	93,888,000	1.02%
		Personal	125,704,000	1.37%
Mr. SO Yiu Cheung		Personal	123,000,000	1.34%
Mr. CHEUNG Chi Man, Dennis		Personal	8,000,000	0.09%
Mr. WONG, Kwok Kee		Personal	400,000	0.00%

Notes:

- (1) The 93,888,000 Shares are registered in the name of Success Token Holdings Limited ("**Success Token**"), of which Mr. YUEN Wai Keung is entitled to exercise, or control the exercise of, forth-fifths of the voting power at general meetings of Success Token. Hence Success Token is a controlled corporation (within the meaning of the SFO) of Mr. YUEN Wai Keung, who is therefore deemed to be interested in these Shares under the SFO.
- (2) The approximate percentage of shareholding is calculated based on the issued share capital of the Company of 9,197,980,000 Shares as at 30 September 2012.

(b) Beneficial interests in the shares of associated corporations

Name of Director	Note	Name of associated corporation	Number of shares held in the associated corporation	Approximate percentage of shareholding
Mr. YUEN Wai Keung	1	Success Token	800	80%

Note:

- (1) The 800 shares are held by Mr. YUEN Wai Keung.

(c) Long position in the underlying shares of the Company

Share Options

Pursuant to the share option scheme adopted by the Company on 25 February 2006 (details are set out in note 19 to the interim financial information), certain Directors were granted share options to subscribe for the Shares, details of share options outstanding and exercisable as at 30 September 2012 were as follows:

Name of Director	Date of grant	Capacity	Number of underlying Shares comprised in the share options	Exercisable period	Exercise price per share
Mr. YUEN Wai Keung	25 October 2010	Beneficial owner	85,000,000	25 April 2011 to 24 October 2020	HK\$0.171
Mr. TAM Tsz Kan	25 October 2010	Beneficial owner	5,000,000	25 April 2011 to 24 October 2020	HK\$0.171
Mr. LIAO Cheung Tin, Stephen	25 October 2010	Beneficial owner	5,000,000	25 April 2011 to 24 October 2020	HK\$0.171

Save as disclosed above, as at 30 September 2012, none of the Directors or chief executive, had any interests or short positions in the Shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares or debentures

Save as disclosed under the paragraphs headed "Directors' and chief executive's interests and short positions in Shares and underlying shares of the Company and its associated corporations" above and note 19 to the interim financial information, at no time during the period under review were rights to acquire benefits by means of the acquisition of Shares, underlying shares or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

Substantial shareholders' interests and short positions in the Shares, underlying shares and debentures of the Company

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 September 2012, so far as the Directors and the chief executive of the Company are aware, the following persons or corporations (other than the Directors or chief executive of the Company) had interests or short positions in the Shares, underlying shares and debentures of the Company of 5% or more of the Company's issued share capital:

Name of substantial shareholder	Capacity/ Nature of interest	Notes	Number of Shares/underlying shares held	Approximate percentage of shareholding in the Company
Wong Ching Ping Alex	Beneficial owner	1	1,919,127,272	20.86%
Gomes Maria Da Silva Rubi Angela	Beneficial owner	2	1,919,127,272	20.86%
Diamond Wealth Holdings Limited	Interest of controlled corporation	1	1,852,727,272	20.14%
Tan Kah Hock	Beneficial owner	3	1,343,352,272	14.60%
Shu Tjai Yun	Beneficial owner	4	1,343,352,272	14.60%
Mashbat Bukhbat	Beneficial owner	5	1,135,227,272	12.34%
Balbold Orgilsuren	Beneficial owner	6	1,135,227,272	12.34%

Save as disclosed above, at 30 September 2012, the Company has not been notified of any other person or corporation who had an interest directly or indirectly or short positions in the Shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Notes:

1. These 1,919,127,272 Shares comprise (i) 1,000,000 Shares held by Wong Ching Ping Alex as beneficial owner, (ii) 750,000,000 Shares held by Diamond Wealth Holdings Limited ("**Diamond Wealth**"), (iii) 400,000 Shares held by Bright Mark Investments Limited ("**Bright Mark**"), (iv) share options that may subscribe for 65,000,000 Shares and (v) unlisted physically settled derivatives that may be converted into 1,102,727,272 Shares, representing approximately 11.99% of the total issued share capital of the Company as at 30 September 2012. Diamond Wealth is wholly owned by Wong Ching Ping Alex. Accordingly, Wong Ching Ping Alex was deemed to be interested in the same parcel of those Shares and underlying shares held by Diamond Wealth. Bright Mark is wholly owned by Wong Ching Ping Alex. Accordingly, Wong Ching Ping Alex was deemed to be interested in the same parcel of those Shares held by Bright Mark.
2. Under Part XV of the SFO, Gomes Maria Da Silva Rubi Angela, the spouse of Wong Ching Ping Alex, was deemed to be interested in the same parcel of those Shares, underlying shares and debentures held by Wong Ching Ping Alex.
3. Tan Kah Hock is interested in (i) 699,350,000 Shares and (ii) unlisted physically settled derivatives that may be converted into 644,002,272 Shares, representing approximately 7.00% of the total issued share capital of the Company as at 30 September 2012.
4. Under Part XV of the SFO, Shu Tjai Yun, the spouse of Tan Kah Hock, was deemed to be interested in the same parcel of those Shares and debentures held by Tan Kah Hock.
5. Mashbat Bukhbat is interested in (i) 591,000,000 Shares and (ii) unlisted physically settled derivatives that may be converted into 544,227,272 Shares, representing approximately 5.92% of the total issued share capital of the Company as at 30 September 2012.
6. Under Part XV of the SFO, Balbold Orgilsuren, the spouse of Mashbat Bukhbat, was deemed to be interested in the same parcel of those Shares and debentures held by Mashbat Bukhbat.
7. All interests stated above represented long positions.

Directors' Interests in Competing Business

During the period under review, none of the Directors has any competing interests in any business or has any interest in any business that may constitute direct or indirect competition with the Group.

Share Options

Details of the Company's share option scheme are set out in note 19 to the interim financial information.

Interim Dividend

No dividend has been paid or declared by the Company in respect of the current and last interim periods.

Purchase, Redemption or Sale of Listed Securities of the Company

During the period under review, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares of the Company.

Corporate Governance

The Board considers that good corporate governance is essential for enhancing accountability and transparency of a company to the investment public and other shareholders. The Directors are dedicated to maintain high standard corporate governance practices. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and to fulfill its commitment to excellence in corporate governance.

The Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2012.

Since 1 April 2012, the composition of the Board has undergone the following changes:

1. Mr. HO Hin Hung, Henry resigned as non-executive Director on 28 June 2012.
2. Mr. LIM Siang Dennis and Mr. ENBISH Burenkhuu were not re-elected as executive Directors of the Company at the annual general meeting of the Company (the “AGM”) held on 3 August 2012.
3. Mr. WONG, Kwok Kee and Mr. NG, Wing Keung were appointed as non-executive Directors of the Company with effect from 10 August 2012.
4. Mr. HUI, Yat On was appointed as an independent non-executive Director of the Company as well as a member of the audit committee of the Board with effect from 10 August 2012.

The Company has adopted the Model Code as its own code of conduct regarding directors’ securities transactions. The obligations to comply with the Listing Rules are set out in the terms of the service contracts of each executive Director and the letters of appointment of each non-executive Director and independent non-executive Director. The Company has made specific enquires with the Directors, and all Directors have confirmed that they have complied with the requirements set out under the Model Code for the six months ended 30 September 2012.

Audit Committee

As at the date of this report, the audit committee of the Company (the “**Audit Committee**”) comprises four independent non-executive Directors, namely Mr. TAM Tsz Kan (as chairman of the Audit Committee), Mr. CHAN, Sai Kit Kevin, Mr. LIAO Cheung Tin, Stephen and Mr. HUI, Yat On. The Audit Committee has, at the date of this report, reviewed with the Company’s management and the auditors of the Company, the internal controls and financial reporting matters of the Company and the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2012 before submitting to the Board for approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

By Order of the Board

YUEN Wai Keung

Deputy Chairman and Chief Executive Officer

Hong Kong, 28 November 2012

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

To the Board of Directors of Mongolia Investment Group Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 58 which comprise the condensed consolidated statement of financial position of Mongolia Investment Group Limited and its subsidiaries as of 30 September 2012 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Jonathan Russell Leong

Practising Certificate no. P03246

Hong Kong, 28 November 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September 2012

	Notes	Six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	4	451,796	425,322
Cost of revenue		(429,805)	(410,743)
Gross profit		21,991	14,579
Other income and gains	4	420	2,510
Administrative expenses		(46,700)	(48,662)
Impairment loss of exploration and evaluation assets	13	(24,617)	–
Operating loss	6	(48,906)	(31,573)
Finance costs	7	(46,459)	(43,309)
Loss before income tax		(95,365)	(74,882)
Income tax credit	8	1,011	–
Loss for the period		(94,354)	(74,882)
Attributable to:			
Owners of the Company		(94,238)	(74,691)
Non-controlling interests		(116)	(191)
		(94,354)	(74,882)
		HK cents	HK cents
Loss per share	10		
– Basic and diluted		(5.12)	(4.13)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2012

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Loss for the period	(94,354)	(74,882)
Other comprehensive income		
Exchange difference arising from translation of overseas operations	(15,969)	(91,159)
Total comprehensive income for the period	(110,323)	(166,041)
Attributable to:		
Owners of the Company	(110,248)	(165,928)
Non-controlling interests	(75)	(113)
	(110,323)	(166,041)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2012

	Notes	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	78,017	78,725
Prepaid land lease payments		228	351
Mining licences	12	512,620	542,912
Exploration and evaluation assets	13	3,063	28,261
Derivative financial asset – Derivative Component of the Convertible Note	16(d)	61,685	63,734
		655,613	713,983
Current assets			
Inventories		71,862	53,339
Amounts due from customers of contract works		242,578	227,316
Trade and other receivables, prepayments and deposits	14	128,290	102,117
Tax recoverable		1,532	1,696
Pledged bank deposits		25,048	24,417
Cash and cash equivalents		292,302	311,000
		761,612	719,885

	Notes	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Current liabilities			
Trade and other payables	15	151,963	98,166
Tax payable		–	9
Borrowings	16	412,555	83,031
		564,518	181,206
Net current assets			
		197,094	538,679
Total assets less current liabilities			
		852,707	1,252,662
Non-current liabilities			
Borrowings	16	483,975	763,470
Government subsidies		6,617	7,008
Deferred tax liabilities	17	132,516	141,260
		623,108	911,738
Net assets			
		229,599	340,924
EQUITY			
Share capital	18	459,899	459,899
Reserves		(229,674)	(118,424)
Equity attributable to owners of the Company		230,225	341,475
Non-controlling interests		(626)	(551)
Total equity			
		229,599	340,924

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2012

	Equity attributable to owners of the Company										
	Share capital HK\$'000	Share premium ^a HK\$'000	Merger reserve ^a HK\$'000	Share option reserve ^a HK\$'000	Capital redemption reserve ^a HK\$'000	Translation reserve ^a HK\$'000	Convertible note equity reserve ^a HK\$'000	Accumulated losses ^a HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
(Unaudited)											
At 1 April 2012	459,899	1,056,066	13,805	21,059	6,629	107,075	348,595	(1,671,653)	341,475	(551)	340,924
Net loss for the period	-	-	-	-	-	-	-	(94,238)	(94,238)	(116)	(94,354)
Other comprehensive income	-	-	-	-	-	(16,010)	-	-	(16,010)	41	(15,969)
Total comprehensive income for the period	-	-	-	-	-	(16,010)	-	(94,238)	(110,248)	(75)	(110,323)
Share-based compensation (note 19)	-	-	-	1,640	-	-	-	-	1,640	-	1,640
Unvested share options forfeited (note 19)	-	-	-	(2,642)	-	-	-	-	(2,642)	-	(2,642)
Transactions with owners	-	-	-	(1,002)	-	-	-	-	(1,002)	-	(1,002)
Vested share options lapsed (note 19)	-	-	-	(1,635)	-	-	-	1,635	-	-	-
At 30 September 2012	459,899	1,056,066	13,805	18,422	6,629	91,065	348,595	(1,764,256)	230,225	(626)	229,599
(Unaudited)											
At 1 April 2011	856,399	903,682	13,805	17,462	6,629	244,261	434,124	(284,982)	1,691,380	(396)	1,690,984
Net loss for the period	-	-	-	-	-	-	-	(74,691)	(74,691)	(191)	(74,882)
Other comprehensive income	-	-	-	-	-	(91,237)	-	-	(91,237)	78	(91,159)
Total comprehensive income for the period	-	-	-	-	-	(91,237)	-	(74,691)	(165,928)	(113)	(166,041)
Issue of Placing Shares (note 18(a))	66,000	22,440	-	-	-	-	-	-	88,440	-	88,440
Share issue expenses	-	(1,776)	-	-	-	-	-	-	(1,776)	-	(1,776)
Share-based compensation (note 19)	-	-	-	7,038	-	-	-	-	7,038	-	7,038
Conversion of Convertible Note (note 18(b))	37,500	131,720	-	-	-	-	(85,529)	-	83,691	-	83,691
Transactions with owners	103,500	152,384	-	7,038	-	-	(85,529)	-	177,393	-	177,393
At 30 September 2011	459,899	1,056,066	13,805	24,500	6,629	153,024	348,595	(359,673)	1,702,845	(509)	1,702,336

* The total of these balances as at the reporting date represents reserves in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2012

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash used in operating activities	(14,760)	(45,352)
Net cash used in investing activities	(9,151)	(5,433)
Net cash generated from financing activities	4,728	40,663
Net (decrease)/increase in cash and cash equivalents	(19,183)	(10,122)
Cash and cash equivalents at beginning of the period	311,000	290,666
Effect of foreign exchange rate changes on cash held	485	(867)
Cash and cash equivalents at end of the period	292,302	279,677
Analysis of cash and cash equivalents		
Cash at banks and in hand	292,302	279,677

NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 September 2012

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 25 May 2004 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its principal place of business is Units 1809-1812, Telford House, 16 Wang Hoi Road, Kowloon Bay, Hong Kong.

The Group is principally engaged in the provision of maintenance and construction works on civil engineering contracts in respect of waterworks engineering, road works and drainage and slope upgrading for the public sector in Hong Kong, the provision of water supply services in Mainland China, provision of renovation services in Macau as well as mining and exploration of mineral resources in Mongolia.

A subsidiary of the Company (the “**Purchaser**”) and the Company entered into a conditional sale and purchase agreement on 26 May 2012 (as amended and supplemented by a supplemental agreement dated 1 June 2012) (together the “**SPA**”) with the vendors (the “**Vendors**”) and various management shareholders pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase all the issued shares of Sinbo Investment Limited at the aggregate consideration of HK\$1,500 million (subject to adjustment) (the “**Consideration**”). It is one of the conditions precedent to completion of the above acquisition that Sinbo Investment Limited, through its indirect wholly-owned subsidiary 北京天下圖信息技術有限公司 (Beijing Peace Map Information and Technology Limited*), a wholly foreign owned enterprise incorporated in the People’s Republic of China (the “**PRC**”), shall have contract arrangements (the “**Structural Agreements**”) with 北京天下圖數據技術有限公司 (Peace Map Co., Limited*) (“**Peace Map**”), a company incorporated in the PRC, and/or its shareholders so that following completion of the above acquisition, the Group will, pursuant to the Structural Agreements, effectively control the business and affairs of Peace Map and its existing subsidiaries (collectively as “**Peace Map Group**”), which are principally engaged in the business of aerial photography, aviation, and aerospace remote sensing image data processing, provision of geographic information system software and solutions, and from which all the economic benefits and risks arising from the business of the Peace Map Group will be transferred to the Group.

* For identification purpose only

1. **GENERAL INFORMATION** *(Continued)*

As the conditions precedent specified in the SPA have not all been fulfilled (or waived as the case may be) on or before the long stop date, being 20 August 2012, the SPA has lapsed immediately after 20 August 2012 and the parties to the SPA have been released from their rights and obligations under the SPA. The costs directly attributable to the transaction of approximately HK\$5,816,000 were expensed off and included in administrative expense.

2. **BASIS OF PREPARATION**

The unaudited condensed consolidated financial information for the six months ended 30 September 2012 (the “**Interim Financial Information**”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Financial Information does not include all of the information and disclosures required in the annual financial statements and thereby it should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The Interim Financial Information has been reviewed by our auditor in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The Interim Financial Information were approved for issue by the Board on 28 November 2012.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Application of amended standards

The accounting policies used in preparing the Interim Financial Information are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2012, except for the adoption of the following HKFRSs issued and which became effective in the current interim period as described below:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of the amended standard has no impact to the Group during the interim period or last financial year.

Amendments to HKAS 12 Deferred Tax- Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The adoption of this amended standard has no impact to the Group as it has no investment property.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) New or revised standards that are not yet effective and have not been early adopted by the Group

The new standards and amendments to standards, potentially relevant to the Group's financial statements, have been issued, but are not yet effective for the financial year beginning on 1 April 2012 and have not been early adopted by the Group. The Group is in the process of making an assessment of the potential impact of the new or revised standards.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from the Group's principal activities, which is also the Group's turnover, and other income and gains is as follows:

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue		
Contract revenue from maintenance and construction works on civil engineering contracts	435,592	424,920
Revenue from water supply services	314	315
Water supply related installation fee	21	87
Revenue from renovation services	15,869	–
	451,796	425,322
Other income and gains		
Bank interest income	358	94
Fair value gain on the Derivative Component of the Convertible Note (note 16(d))	–	2,299
Sundry income	62	117
	420	2,510
Total income	452,216	427,832

5. SEGMENT REPORTING

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors for the purpose of resources allocation and assessment of segment performance. The Group has identified the following reportable segments for its segment reporting:

Waterworks engineering contracting business	:	Provision of maintenance and construction works on civil engineering contracts in respect of waterworks engineering, road works and drainage and slope upgrading for the public sector in Hong Kong
Water supply business	:	Provision of water supply services and water supply related installation services in Mainland China
Renovation business	:	Provision of renovation services in Macau
Mining and exploration business	:	Mining and exploration of mineral resources in Mongolia

Each of these operating segments is managed separately as each of the business lines requires different resources as well as operating approaches.

Fair value change on the Derivative Component of the Convertible Note (note 16(d)), finance costs, income taxes and corporate income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

5. SEGMENT REPORTING (Continued)

Segment assets include all assets with the exception of corporate assets, including pledged bank deposits, certain cash and cash equivalents and other assets which are not directly attributable to the business activities of operating segments, as well as those assets which are managed on a group basis such as tax assets.

Segment information of the Group's reportable segments are summarised as follows:

	Waterworks engineering				Mining and				Consolidated	
	contracting business		Water supply business		Renovation business		exploration business		Six months ended	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September		30 September	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue *	435,592	424,920	335	402	15,869	-	-	-	451,796	425,322
Reportable segment profit/(loss)	1,095	(442)	(281)	(866)	255	-	(43,665)	(32,342)	(42,596)	(33,650)
Fair value (loss)/ gain on the Derivative Component of the Convertible note (note 16(d))									(2,049)	2,299
Corporate income and expenses									(4,261)	(222)
Finance costs									(46,459)	(43,309)
Loss before income tax									(95,365)	(74,882)

5. SEGMENT REPORTING (Continued)

	As at 30 September 2012 (unaudited) HK\$'000	As at 31 March 2012 (audited) HK\$'000	As at 30 September 2012 (unaudited) HK\$'000	As at 31 March 2012 (audited) HK\$'000	As at 30 September 2012 (unaudited) HK\$'000	As at 31 March 2012 (audited) HK\$'000	As at 30 September 2012 (unaudited) HK\$'000	As at 31 March 2012 (audited) HK\$'000	As at 30 September 2012 (unaudited) HK\$'000	As at 31 March 2012 (audited) HK\$'000
Reportable										
segment assets	568,805	519,331	14,277	14,552	13,963	3,669	680,894	805,553	1,277,939	1,343,105
Derivative financial asset										
– Derivative Component of the Convertible Note									61,685	63,734
Tax recoverable									1,532	1,696
Pledged bank deposits									25,048	24,417
Corporate assets									51,021	916
Consolidated										
total assets									1,417,225	1,433,868

* revenue from external customers

6. OPERATING LOSS

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Operating loss is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments	116	127
Depreciation of property, plant and equipment		
– owned assets	7,098	6,352
– leased assets	–	82
	7,098	6,434
Less: Amounts capitalised in mine development assets (included in property, plant and equipment)	–	(344)
Net depreciation of property, plant and equipment	7,098	6,090

6. OPERATING LOSS (Continued)

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Exchange losses	7,862	8,213
Staff costs (including Directors' emoluments)		
– salaries, allowances and benefits in kind	68,465	65,979
– retirement benefits scheme contributions (defined contribution plans)	2,640	2,070
– equity-settled share-based compensation (note 19)	1,129	4,667
– unvested share options forfeited (note 19)	(2,642)	–
	69,592	72,716
Operating lease charges		
– land and buildings	3,603	2,525
– plant and machinery	1,445	2,370
	5,048	4,895
Fair value loss/(gain) on the Derivative Component of the Convertible Note (note 16(d))	2,049	(2,299)
Loss on disposal of property, plant and equipment	939	503

7. FINANCE COSTS

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest charges on:		
– Bank loans and overdraft wholly repayable within five years	1,158	1,219
– Interest element of finance lease payments	–	6
	1,158	1,225
Imputed interest expenses on Promissory Note (note 16(c))	16,720	16,185
Imputed interest expenses on Convertible Note (note 16(d))	28,581	25,899
Total interest on financial liabilities stated at amortised cost	46,459	43,309

8. INCOME TAX CREDIT

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Hong Kong profits tax:		
– Current period	170	–
– Deferred tax (note 17)	(1,181)	–
Income tax credit	(1,011)	–

Hong Kong profits tax is calculated at the rate of 16.5% (six months ended 30 September 2011: 16.5%).

9. DIVIDENDS

No dividend has been paid or declared by the Company in respect of the current and last interim periods.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to the owners of the Company of HK\$94,238,000 (six months ended 30 September 2011: HK\$74,691,000) and the weighted average number of ordinary shares in issue during the period of 1,839,596,000 (six months ended 30 September 2011: 1,806,907,000). The weighted average number of ordinary share in issue for the periods ended 30 September 2012 and 2011 has been adjusted to reflect the Share Consolidation as detailed in note 23(b) as if it had occurred on 1 April 2011.

Diluted loss per share for both periods is the same as the basic loss per share as the Company has no dilutive potential ordinary shares outstanding during both periods. The impact of the Convertible Note as disclosed in note 16(d) and the outstanding share options as disclosed in note 19 had anti-dilutive effect on the basic loss per share presented.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group incurred capital expenditure of approximately HK\$8,577,000 (six months ended 30 September 2011: HK\$14,954,000), which were incurred as to approximately HK\$3,689,000 (six months ended 30 September 2011: HK\$1,018,000) in furniture, fixtures and equipment, approximately HK\$1,730,000 (six months ended 30 September 2011: HK\$2,972,000) in leasehold improvements, approximately HK\$993,000 (six months ended 30 September 2011: HK\$2,986,000) in motor vehicles, approximately HK\$2,165,000 (six months ended 30 September 2011: HK\$2,185,000) in plant, machinery and tools, and nil (six months ended 30 September 2011: HK\$5,793,000) in mine development assets.

Furniture, fixtures and equipment with net carrying value of HK\$629,000 (six months ended 30 September 2011: Nil), leasehold improvement with net carrying value of HK\$155,000 (six months ended 30 September 2011: Nil), motor vehicles with net carrying value of HK\$393,000 (six months ended 30 September 2011: HK\$707,000) and plant, machinery and tools with net carrying value of HK\$46,000 (six months ended 30 September 2011: Nil) were disposed of during the current interim period.

12. MINING LICENCES

	(Unaudited) HK\$'000
Carrying amount at 1 April 2012	542,912
Exchange realignment	(30,292)
Carrying amount at 30 September 2012	512,620
Carrying amount at 1 April 2011	2,377,648
Exchange realignment	(125,721)
Carrying amount at 30 September 2011	2,251,927

Licences represent the carrying amount of four mining rights in respect of a coal mine located in Tugrug Valley within the administrative unit of Bayan Soum of Tur Aimag in Mongolia covering area of 1,114 hectares in aggregate.

Pursuant to the Mineral Law of Mongolia which was adopted in 2006, mining licence is granted for an initial period of 30 years and holder of a mining licence may apply for an extension of such licence for two successive periods of 20 years each.

During the financial year ended 31 March 2012, impairment loss of HK\$1,268 million was recognised in profit or loss to write down the carrying values of the mining licences and the mine development assets included under property, plant and equipment by HK\$1,646 million and HK\$34 million respectively, offsetting with the tax effect of HK\$412 million.

Based on the assessment of the Directors, no further impairment is necessary as there is no indication of further impairment.

No amortisation for the mining licences was provided for as the production of the coal mine site has not yet commenced in the current interim period.

13. EXPLORATION AND EVALUATION ASSETS

	Licences (Unaudited)	Others (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Carrying amount at 1 April 2012	5,810	22,451	28,261
Additions	–	227	227
Impairment	(4,876)	(19,741)	(24,617)
Exchange realignment	(195)	(613)	(808)
Carrying amount at 30 September 2012	739	2,324	3,063
Carrying amount at 1 April 2011	5,741	22,398	28,139
Additions	102	702	804
Exchange realignment	(305)	(1,192)	(1,497)
Carrying amount at 30 September 2011	5,538	21,908	27,446

Licences as at 30 September 2012 and 2011 represents the cost of obtaining/ acquiring exploration licences to certain area in Mongolia with gold, copper and coal deposits and others mainly comprise geological and geophysical costs, costs incurred for drilling, trenching and excavation works, costs incurred for sampling and laboratory works, costs incurred for evaluation such as environment assessment and feasibility study, as well as depreciation and labour costs directly attributable to the exploration activities.

13. EXPLORATION AND EVALUATION ASSETS *(Continued)*

The exploration licences comprise of the followings:

- (i) Two exploration licences in respect of gold and copper deposit located in certain areas of Gobi-Altai, covering an area of approximately 44,016 hectares. For the current interim period, the licences and related exploration costs capitalised which amounted to HK\$2,553,000 and HK\$3,931,000 respectively have been fully impaired as the current exploration and evaluation activities have not yet led to the discovery of commercially viable quantities of minerals and the licenses will expire in April 2013.

- (ii) Two exploration licences in respect of gold and copper deposit located in certain areas of Zavkhan, Mongolia, covering an area of approximately 15,517 hectares. For the current interim period, the licences and related exploration costs capitalised which amounted to HK\$2,323,000 and HK\$15,810,000 respectively have been fully impaired as the current exploration and evaluation activities have not yet led to the discovery of commercially viable quantities of minerals and the licences will expire in March 2013.

- (iii) Three exploration licences in respect of a coal mine located in DundGobi, Mongolia, covering an area of approximately 14,087 hectares in aggregate. The licences and the exploration cost capitalised for this exploration project as at 30 September 2012 amounted to HK\$3,063,000. This represents active exploration project and the Directors of the Company are of the opinion that no impairment should be provided in respect of these exploration and evaluation assets.

14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Trade receivables	74,959	53,597
Retention receivables	17,027	15,378
Prepaid land lease payments	199	210
Prepayments and deposits	25,248	22,689
Other receivables	10,857	10,243
	128,290	102,117

The ageing analysis of trade receivables (based on invoice date) as at the reporting date is as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Within 3 months	72,191	53,597
4 - 6 months	1,963	-
7 - 9 months	805	-
	74,959	53,597

Credit period granted to customers of contract works is normally 30 to 60 days. Application for progress payments of contract works is made on a regular basis. Credit period granted to customers of water supply business and renovation business is normally 30 days.

15. TRADE AND OTHER PAYABLES

Details of the trade and other payables including the ageing analysis of trade payables (based on invoice date) are as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Trade payables aged		
– Within 3 months	89,741	61,273
– 4 to 6 months	3,770	2,333
– 7 to 9 months	45	75
– 10 to 12 months	–	119
– Over 1 year	2,493	2,206
	96,049	66,006
Retention payables	19,726	16,037
Other payables and accruals	36,188	16,123
	151,963	98,166

16. BORROWINGS

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Current liabilities		
Bank loans and overdraft, secured (note (a))	87,759	83,018
Finance lease liabilities (note (b))	–	13
Promissory Note (note (c))	324,796	–
	412,555	83,031
Non-current liabilities		
Promissory Note (note (c))	–	308,076
Convertible Note – liability component (note (d))	483,975	455,394
	483,975	763,470
Total borrowings	896,530	846,501

16. BORROWINGS (Continued)

Notes:

- (a) Bank loans and overdrafts are denominated in HK\$, arranged at floating rates ranged from 2.80% to 3.18% (at 31 March 2012: 2.65%-3.22%) per annum and are repayable within one year. Bank loans and overdrafts amounting to HK\$87,759,000 (at 31 March 2012: HK\$83,018,000) are secured by the corporate guarantees issued by the Company and secured by charges over bank deposits amounting to HK\$25,048,000 (at 31 March 2012: HK\$24,417,000). In addition, bank loans amounting to HK\$87,759,000 (at 31 March 2012: HK\$78,018,000) is secured by the proceeds of certain civil engineering contracts.
- (b) The Group leased certain of its motor vehicles under finance leases which were matured during the current interim period.
- (c) As part of the consideration for the acquisition of Well Delight Holdings Limited (now known as MIG Resources Limited) (the “**Acquisition**”) on 17 June 2010 (the “**Acquisition Date**”), the Company issued a promissory note in principal amount of HK\$350,000,000 (the “**Promissory Note**”). The Promissory Note was unsecured, non-interest bearing and will mature in two years from the date of issue of the Promissory Note on 17 June 2012. On 28 March 2012 (the “**Extension Date**”), the maturity date of Promissory Note was extended to 17 June 2013. As at the interim reporting date, the Promissory Note is due within one year and is reclassified from non-current liability to current liability accordingly.

The holder of the Promissory Note informed the Group on 19 June 2012 that it may extend the maturity date of the Promissory Note to 17 September 2013 and subsequently on 26 November 2012, the holder informed the Group that the maturity date may be further extended to 31 December 2013.

16. BORROWINGS (Continued)

Notes: (Continued)

(c) (Continued)

	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Carrying amount at 1 April 2012/ 1 April 2011	308,076	309,472
Imputed interest expenses	16,720	16,185
Carrying amount at 30 September 2012/ 30 September 2011	324,796	325,657

The Promissory Note was originally measured at amortised cost using effective interest method by applying an effective interest rate of 10.70% per annum after the Acquisition Date and subsequently at 11.12% after the Extension Date. Imputed interest of approximately HK\$16,720,000 (six months ended 30 September 2011: HK\$16,185,000) was recognised in profit or loss in the current interim period.

(d) As part of the consideration for the Acquisition, the Company issued a zero coupon convertible note in principal amount of HK\$954,100,000 (the “**Convertible Note**”) which will mature in five years from the date of issue of the Convertible Note on 17 June 2015.

At the option of the holder of the Convertible Note (the “**Noteholder**”), the Noteholder may convert the whole or part of the principal amount of the Convertible Note into the shares of the Company (the “**Conversion Shares**”) at the conversion price of HK\$0.22 per share (subject to anti-dilutive adjustments) during the period from the date of issue of the Convertible Note up to its maturity date. The Convertible Note is non-redeemable prior to the maturity date. The Company has the right (the “**Extension Option**”) to extend the maturity date in respect of the outstanding amount of the Convertible Note for another five years.

16. BORROWINGS (Continued)

Notes: (Continued)

(d) (Continued)

The Convertible Note was stated at fair value on the date of the Acquisition on 17 June 2010 which amounted to HK\$948,237,000. The fair value was determined based on the valuation carried by Asset Appraisal Limited. The Convertible Note contains three components — liability component, equity component (presented as “**Convertible note equity reserve**”) and the derivative component in respect of the Extension Option (the “**Derivative Component**”).

The fair value of the liability component of the Convertible Note was calculated using cash flows discounted at a rate based on an equivalent market interest rate for an equivalent non-convertible bond. The fair value of the equity component and the Derivative Component was determined based on the valuation carried out by Asset Appraisal Limited by using binomial valuation model.

The carrying values of the liability component, the equity component and the Derivative Component of the Convertible Note recognised in the statement of financial position are as follows:

	Liability component (Unaudited) HK\$'000	Equity component (Unaudited) HK\$'000	Derivative Component (Unaudited) HK\$'000
Carrying amount at 1 April 2012	455,394	348,595	(63,734)
Imputed interest expenses (note (i))	28,581	–	–
Change in fair value recognised in profit or loss (note (ii))	–	–	2,049
Carrying amount at 30 September 2012	483,975	348,595	(61,685)

16. BORROWINGS (Continued)

Notes: (Continued)

(d) (Continued)

	Liability component (Unaudited) HK\$'000	Equity component (Unaudited) HK\$'000	Derivative Component (Unaudited) HK\$'000
Carrying amount at 1 April 2011	502,120	434,124	(80,342)
Imputed interest expenses (note (i))	25,899	–	–
Change in fair value recognised in profit or loss (note (ii))	–	–	(2,299)
Conversion of Convertible Note (note 18(b))	(99,519)	(85,529)	15,828
Carrying amount at 30 September 2011	428,500	348,595	(66,813)

Notes:

- (i) The liability component is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 12.91% (six months ended 30 September 2011: 12.91%) per annum. Imputed interest expense of approximately HK\$28,581,000 (six months ended 30 September 2011: HK\$25,899,000) was recognised in profit or loss in the current interim period.
- (ii) The Derivative Component is measured at fair value with changes in fair value recognised in profit or loss. The Derivative Component is carried as derivative financial asset in the consolidated statement of financial position until extinguished on conversion or redemption.

17. DEFERRED TAX LIABILITIES

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Opening carrying amount	141,260	599,976
Credited to profit or loss (note 8)	(1,181)	–
Exchange realignment	(7,563)	(31,494)
	132,516	568,482

18. SHARE CAPITAL

	Six months ended 30 September 2012 (Unaudited)			Six months ended 30 September 2011 (Unaudited)		
	Par value HK\$	Number of ordinary shares	Nominal value HK\$'000	Par value HK\$	Number of ordinary shares	Nominal value HK\$'000
Authorised						
Balance at the beginning and the end of the period	0.05	50,000,000,000	2,500,000	0.05	50,000,000,000	2,500,000
Issued and fully paid						
Balance at beginning of the period	0.05	9,197,980,000	459,899	0.05	7,127,980,000	356,399
Issue of Placing Shares (note (a))	–	–	–	0.05	1,320,000,000	66,000
Conversion of Convertible Note (note (b))	–	–	–	0.05	750,000,000	37,500
Balance at end of the period	0.05	9,197,980,000	459,899	0.05	9,197,980,000	459,899

18. SHARE CAPITAL (Continued)

Notes:

- (a) On 13 April 2011, the Group completed a placing (the "**Placing**") of 1,320,000,000 new shares (the "**Placing Shares**") of the Company at HK\$0.067 per share. Proceeds generated from the Placing amounted to HK\$88,440,000 (before share issue expenses of HK\$1,776,000). The issue of the Placing Shares, before offsetting the share issue expenses, resulted in the increase in share capital and share premium account of the Company by HK\$66,000,000 and HK\$22,440,000 respectively. The net proceeds was intended to be utilised as general working capital of the Group.

- (b) During last period, the Noteholder converted the Convertible Note in total amount of HK\$165,000,000 at the conversion price of HK\$0.22 per share whereby a respective total number of 750,000,000 Conversion Shares were issued. As a result of the conversion, share capital and share premium account of the Company have increased by HK\$37,500,000 and HK\$131,720,000 respectively. The aggregate of which represents proportional amounts of the convertible note equity reserve, the Derivative Component and the liability component at the time of Conversion (note 16(d)).

19. SHARE-BASED COMPENSATION

The movements of the share options granted by the Company during the current and last interim periods are as follows:

2012	Options grant date	Exercise price per share	Number of share options				
			At			At	
			1 April 2012	Granted	Exercised	Forfeited/ lapsed	30 September 2012
Grantees		HK\$	'000	'000	'000	'000	'000
Directors	25 August 2009	0.385	2,600	-	-	(2,600)	-
	25 October 2010	0.171	241,250	-	-	(56,250)	185,000
			243,850	-	-	(58,850)	185,000
Employees	25 August 2009	0.385	550	-	-	(550)	-
	25 October 2010	0.171	40,000	-	-	-	40,000
			40,550	-	-	(550)	40,000
Suppliers of services or goods	25 August 2009	0.385	600	-	-	(600)	-
	25 October 2010	0.171	65,000	-	-	-	65,000
			65,600	-	-	(600)	65,000
Total			350,000	-	-	(60,000)	290,000
Weighted average exercise price (HK\$ per share)			0.173	-	-	0.184	0.171

19. SHARE-BASED COMPENSATION (Continued)

2011	Options grant date	Exercise price per share HK\$	Number of share options				At 30 September 2011 '000
			At 1 April 2011 '000	Granted '000	Exercised '000	Forfeited/ lapsed '000	
Directors	25 August 2009	0.385	2,600	-	-	-	2,600
	25 October 2010	0.171	315,000	-	-	(63,750)	251,250
			317,600	-	-	(63,750)	253,850
Employees	25 August 2009	0.385	650	-	-	-	650
	25 October 2010	0.171	85,000	-	-	-	85,000
			85,650	-	-	-	85,650
Suppliers of services or goods	18 February 2009	0.148	48,000	-	-	-	48,000
	25 August 2009	0.385	600	-	-	-	600
	25 October 2010	0.171	160,000	-	-	-	160,000
			208,600	-	-	-	208,600
Total			611,850	-	-	(63,750)	548,100
Weighted average exercise price (HK\$ per share)			0.171	-	-	0.171	0.171

19. SHARE-BASED COMPENSATION (Continued)

No share options were granted during the current and last interim periods.

The amortised amount of share-based compensation arising from the share options granted on 25 October 2010 during the current interim period amounted to HK\$1,640,000. Of which, the share-based compensation in respect of the share options granted to Directors and employees amounting to HK\$1,129,000 (note 6) and to consultants amounting to HK\$511,000 were recognised as administrative expenses. The corresponding amount of HK\$1,640,000 has been credited to the share options reserve. No liabilities were recognised as those are equity-settled share-based payment transactions.

During the current interim period, 56,250,000 unvested share options granted to Directors were forfeited and 3,750,000 vested shares options granted to Directors, employees and suppliers lapsed. For the forfeiture of the unvested share options amounting to HK\$2,642,000 (note 6), they are recorded as a reversal to current interim period's profit or loss and the corresponding amount has been debited to the share option reserve. For the lapse of vested share options, amounting to HK\$1,635,000, they were transferred from share option reserve to accumulated losses.

During last interim period, the amount of share-based compensation expense arising from the share options granted on 25 October 2010 was HK\$7,038,000. Of which, the share-based compensation in respect of the share options granted to the Directors and employees amounting to HK\$4,667,000 (note 6) and to consultants amounting to HK\$2,371,000 were recognised as administrative expenses. The corresponding amount of HK\$7,038,000 was credited to the share option reserve. No liabilities were recognised as those are equity-settled share-based payment transactions.

The number of outstanding share options which are exercisable as at 30 September 2012 was 200,000,000 (at 30 September 2011: 191,850,000) which represent approximate 2.17% (at 30 September 2011: 2.09%) of the Company's shares in issue on that date. The exercise in full of these share options would result in the issue of 200,000,000 (at 30 September 2011: 191,850,000) additional ordinary shares of the Company including additional share capital of HK\$10,000,000 (at 30 September 2011: HK\$9,593,000) and share premium of HK\$24,200,000 (at 30 September 2011: HK\$22,934,000) respectively.

20. COMMITMENTS

(a) Operating lease commitments

The future aggregate minimum lease rental payable under non-cancellable operating leases in respect of land and buildings is as follows:

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Within one year	5,235	8,930
In the second to fifth years, inclusive	3,444	6,613
	8,679	15,543

The Group leases certain properties under the operating leases. The leases run for an initial period of one to three years (at 31 March 2012: two to three years), with an option to renew the leases and renegotiate the terms at the expiry date. The leases do not include any contingent rentals.

(b) Capital commitments

	At 30 September 2012 (Unaudited) HK\$'000	At 31 March 2012 (Audited) HK\$'000
Purchase of property, plant and equipment (note)	29,111	27,314
Acquisition of technical know-how	2,703	2,703
Other commitments related to exploration and evaluation activities	830	1,628
	32,644	31,645

20. COMMITMENTS *(Continued)*

(b) Capital commitments *(Continued)*

Notes:

Pursuant to the tender submitted to the relevant government authority of Mongolia dated 18 August 2006 which was accepted by the government authority on 11 October 2006, Tugrugnuuriin Energy LLC ("**TNE**"), an indirect wholly-owned subsidiary of the Company, has to establish a processing plant for the production of smokeless fuel product at an estimated investment cost of MNT5,835 million (equivalent to approximately HK\$32.2 million). In connection to this, TNE received subsidies from the government amounted to MNT1,186 million (equivalent to approximately HK\$6.6 million) in aggregate up to 31 December 2008. The tender refers to a number of performance targets including the commencement of operation and production of the processing plant in March 2008, the production of a specified quantity of smokeless fuel per year and the capital injection of MNT5,835 million (equivalent to approximately HK\$32.2 million) by March 2008. However, the performance targets are not yet achieved up to the date of this interim report.

Based on (i) a contract accomplishment notice dated 8 October 2008 was signed by TNE and the government authority confirming that the subsidies granted to TNE have been used for the construction of the processing plant and that the government has agreed to provide additional funding for the project; (ii) management has communicated with the government authority regarding revising the existing investment plan as well as seeking for additional subsidies; and (iii) the Directors, having considered the tender, the contract accomplishment notice and the circumstance arising, opine that it is very unlikely for the government to hold TNE responsible for the performance targets. The Directors have assessed that the fact that the performance targets as set forth in the tender are not yet achieved do not result in the significant financial impact to the Group. The outstanding commitment with reference to the existing investment plan amounted to approximately MNT4,495 million (equivalent to approximately HK\$24.9 million) as at 30 September 2012 is disclosed herein. The entire amount of the government subsidies received were accounted for as non-current liabilities until TNE and the government authority have come into a conclusion on the revised investment plan and the additional subsidies for the processing plan.

21. CONTINGENT LIABILITIES AND LITIGATIONS

- (a) In prior financial years, the Group received from an ex-subcontractor two claims in respect of two completed projects. During the financial year ended 31 March 2011, a writ of summons was served to a subsidiary of the Company as defendant in respect of those two claims seeking the recovery of a sum of approximately HK\$9.5 million in aggregate. The Group made a counterclaim against the ex-subcontractor for overpayment of approximately HK\$8.6 million. The claims are then under legal proceedings. On 19 October 2012, the Court of First Instance has ordered that leave be made to the plaintiff to discontinue his claim, and the costs of the summons are in the cause of the plaintiff's claim. Accordingly, the Directors consider that the claims from the ex-subcontractor will unlikely result in any material financial impact on the Group.
- (b) In prior financial years, a writ of summons and statement of claim were served to a subsidiary of the Company as defendant in respect of the claim seeking the recovery of a sum of approximately HK\$5.9 million in aggregate from an ex-subcontractor. The Group made a statement of defence and counterclaim against the ex-subcontractor for a sum of approximately HK\$0.5 million, and no further action was taken by the plaintiff afterwards. During the last financial year, the intended administrator of the estate of the deceased plaintiff proposed to resolve the claims by way of the mediation. The mediation was held in July 2012 but no compromise has reached eventually. The following step is to exchange the documents by October 2012. As at 30 September 2012 and up to the date of this report, there is no material progress in respect of the claims. Based on the advice from the legal advisers of the Group, the Directors believe that the Group has a good defence against the plaintiff. Accordingly, the Directors consider that the claims from the ex-subcontractor will unlikely result in any material financial impact on the Group.

21. CONTINGENT LIABILITIES AND LITIGATIONS *(Continued)*

- (c) On 23 March 2011, two of the Company's former directors and others (the "**Plaintiffs**") commenced legal proceedings to claim against the Company and other directors for various relief including an injunction preventing the Company from proceeding with the placing of shares pursuant to the resolution passed by the Board on 21 March 2011. The placing of shares was completed on 13 April 2011. The Plaintiffs have not claimed against the Company for damages and the liabilities of the Company are limited to costs at this stage. The Plaintiffs have made an application for an interlocutory injunction on 4 April 2011 (the "**Application**") and the Application has been heard on 27 November 2012. The Application was dismissed by the Court with costs awarded against the Plaintiffs in favour of the Company and the defendants, such costs to be paid and taxed forthwith, if not agreed. Separately, the Plaintiffs' application to amend the related summons was also dismissed by the Court with costs awarded against the Plaintiffs in favour of the Company and the defendants, such costs to be paid and taxed forthwith, if not agreed.
- (d) Apart from the above, as at 30 September 2012, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding as at the date of this report. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the Directors, sufficient insurance coverage are maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have a material adverse impact on the financial position of the Group.

22. RELATED PARTY TRANSACTIONS

(i) Transactions with a related company

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Rental expenses for office premises paid to Grand Media Limited	492	492

The directors of the Company, Mr. Yuen Chow Ming, Mr. So Yiu Cheung and Mr. Yuen Wai Keung, have equity interests of 34%, 33% and 33%, respectively, in the above related company.

(ii) Key management personnel

Included in staff costs are key management personnel compensation which comprises the following categories:

	Six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Salaries, allowances and benefits in kind	5,216	5,398
Equity-settled share-based compensation	(1,830)	3,408
Post-employment benefits	70	234
	3,456	9,040

23. EVENTS AFTER THE REPORTING PERIOD

- (a) On 9 October 2012, the Company granted 570,000,000 share options with exercise price of HK\$0.05 per share to certain directors, employees and others under the share option scheme of the Company. The 570,000,000 share options granted represent approximately 6.20% of the issued share capital of the Company as at 30 September 2012.

- (b) On 26 October 2012, the Board proposed to implement a share consolidation scheme on the basis that every five shares of HK\$0.05 each in the issued and unissued share capital of the Company will be consolidated into one consolidated share of HK\$0.25 each in the issued and unissued share capital of the Company ("**Share Consolidation**"). Details of which were set out in the Company's announcement dated 9 October 2012 and circular dated 26 October 2012. The Share Consolidation was duly passed by the shareholders of the Company in the extraordinary general meeting of the Company held on 19 November 2012 and became effective on 20 November 2012.

As at 30 September 2012, the authorised share capital of the Company was HK\$2,500,000,000, divided into 50,000,000,000 shares of HK\$0.05 each, of which 9,197,980,000 shares were in issue. As a result of the Share Consolidation, the authorised share capital of the Company becomes HK\$2,500,000,000 divided into 10,000,000,000 consolidated shares of HK\$0.25 each, of which 1,839,596,000 consolidated shares were in issue immediately upon the effective date of the Share Consolidation.