FOCUSED PROFESSIONAL REALISTS

MONGOLIA ENERGY CORPORATION LIMITED
蒙古能源有限公司
(Incorporated in Bermuda with limited liability)

Stock Code: 276
Annual Report 2008

MEC

FOCUSED

Mongolia Energy Corporation Limited (the "Company", together with its subsidiaries, the "Group" or "MEC") has entered 6 transactions, 4 of which have been closed. MEC is focused in acquiring, exploring and exploiting its resources.

PROFESSIONAL

MEC has assembled a truly professional team in-house and co-operated with a number of outside professionals and counterparties.

REALISTS

MEC adopts a realistic approach in developing its energy and related resources projects by a network of co-operations with renowned companies for sustainable development of its projects.

Contents

Corporate Information

DIRECTORS

Executive directors

Mr. Lo Lin Shing, Simon *(Chairman)*
Mr. Liu Zhuo Wei
Ms. Yvette Ong

Non-executive director

Mr. To Hin Tsun, Gerald

Independent non-executive directors

Mr. Peter Pun, *OBE, JP*
Mr. Tsui Hing Chuen, William, *JP*
Mr. Lau Wai Piu

COMPANY SECRETARY

Mr. Tang Chi Kei

QUALIFIED ACCOUNTANT

Mr. Kwok Ying Tung, Daniel

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Citibank, N.A.
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Public Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

BRANCH SHARE REGISTRAR

Tricor Standard Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1502-5
New World Tower I
16-18 Queen's Road Central
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Telephone: (852) 2138 8000
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WEBSITE ADDRESS

http://www.mongolia-energy.com

Financial Highlights

	Financial year ended March 31		
	2008	**2007**	**Change**
	HK$ million	**HK$ million**	**(%)**
Turnover	**30.0**	39.8	-24.6
Profit attributable to shareholders	**74.4**	11.8	+530.5
Basic earnings per share	**HK cents 2.32**	HK cents 0.62	+274.2
Net assets	**13,095.1**	641.4	+1,941.6
Net assets per share	**HK$2.2**	HK$0.25	+780.0

Our Milestones

Jan/Feb 2007

- First Acquisition – Acquires 34,000 hectares of concession areas in western Mongolia for coal resources
- Proposes to change the Company's name to MEC
- General Counsel appointed

Apr 2007

- First Acquisition approved by MEC's shareholders
- Chief Executive Officer, Group Compliance Counsel and Consultant appointed

May 2007

- Second Acquisition – Acquires 32,000 hectares of concession areas for coal, ferrous and non-ferrous metals resources

Aug 2007

- Chief Executive Officer's summary of exploration progress

Sept 2007

- Co-operates with China COSCO (中國遠洋運輸(集團)總公司) on intended transport guarantees

Dec 2007

- Third Acquisition – Acquires control and 20% benefits of 487,509 hectares of oil and gas exploratory concessions in western Mongolia
- Commences co-operation with CNPC Daqing Petroleum on feasibility study and bid assistance
- Commences co-operation with China Railway No. 1 Engineering Group Company Limited on preliminary feasibility study of the "Khushuut Railway" as mid-term project

Jan 2008

- Closing of First Acquisition
- Over 300 million tonnes of resources demonstrated with coking coal resources from 600 hectares explored
- Further analytical work and mine plan commences

Feb 2008

- Subscription by Chow Tai Fook Nominee Limited of HK$2 billion zero coupon convertible note

Mar 2008

- Co-operates with ACRE Coking & Refractary Engineering Consulting Corporation MCC (中冶焦耐工程技術有限公司)
- Appoints Deloitte Touche Tohmatsu as independent auditors
- Fourth Acquisition – Acquires 20% benefits of Xinjiang, PRC multi-metals project with explored tungsten and tin resources which is being finalised

April 2008

- Appoints Mr. Liu Zhou Wei as Executive director
- Reports 136 million tonnes of in-place resources according to The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC")
- Completion of subscription by Chow Tai Fook Nominee Limited of HK$2 billion zero coupon convertible note

May 2008

- Fifth Acquisition – Acquires 263,008 hectares of concession areas for coal, ferrous and non-ferrous metals resources
- Geological reconnaissance and exploration planning commences

June 2008

- Proposed sixth acquisition – Proposed acquisition of 20% joint venture interest for targeted 2 billion tonnes of coal resources in Xinjiang, PRC with Chinese geological bureaus as partners which is at an advanced stage of discussions
- Finalizing mine plan for commencement of initial 3 million tonnes mining operations concentrating on coking coal
- Commences further geological reconnaissance and exploration of concession areas in western Mongolia

July 2008

- Awards Khushuut road works contracts and commences foundation construction of the Khushuut Road

Chairman's Statement

Since the initial acquisition of 34,000 hectares of concession areas in January 2007 for coal resources, MEC makes realistic progress in energy and related resources business.

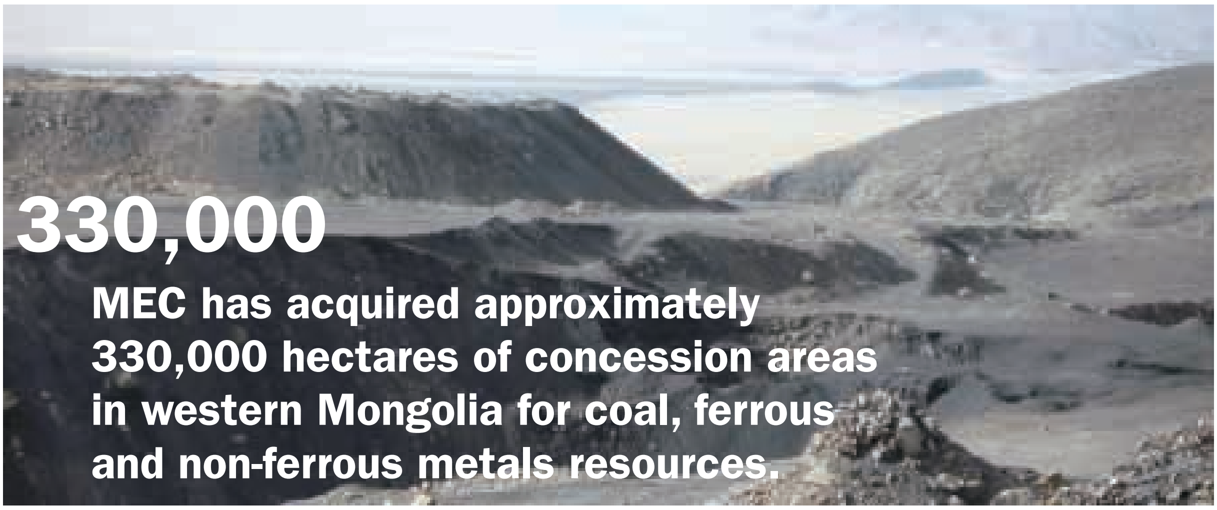
The last year is best described as a busy time for Mongolia Energy Corporation Limited ("MEC"). It is also a time which we, at MEC, believe that we have delivered significant value to our shareholders.

Dear Shareholders,

The 2007/2008 financial year ending March 31, 2008, saw Mongolia Energy Corporation Limited (MEC) group making substantial progress in MEC's energy and related resources business. As Chairman, I am pleased to present you with MEC's 2008 Annual Report for the 2007/2008 financial year ended March 31, 2008.

To date, MEC entered into a number of acquisitions in the energy and related resources sector. Since the initial acquisition of 34,000 hectares of concession areas in January 2007 for coal resources:

- MEC expanded and acquired title to around 330,000 hectares of exploration and mining concession areas in western Mongolia for coal, ferrous and non-ferrous metals resources (which is almost a tenfold increase from the initial 34,000 hectares for coal resources) (first, second and fifth acquisitions);

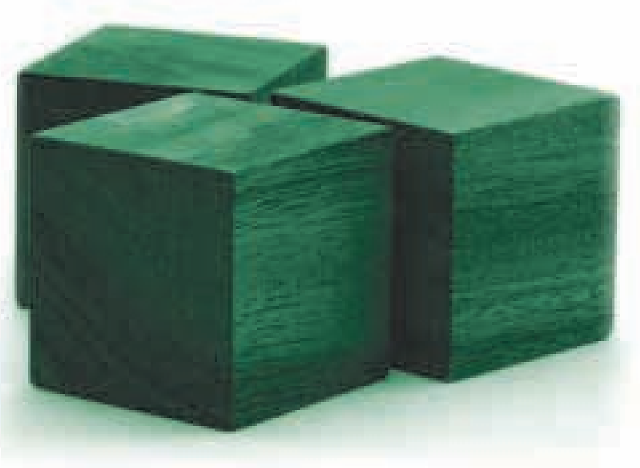


- MEC has acquired 20% benefits in 487,509 hectares of oil and gas exploration concession areas in western Mongolia, over which CNPC Daqing Petroleum is studying the feasibility (third acquisition);

- MEC is acquiring 20% benefits of a multi-metals project with explored tungsten and tin deposits in Xinjiang, PRC (fourth acquisition);

- MEC is acquiring 20% benefits under two joint ventures with two geological bureaus and/or their exploration teams in Xinjiang, PRC relating to targeted two billion tonnes of coal resources which is at an advanced stage of discussions (sixth acquisition).

Over the last financial year, MEC expanded its acquisitions from coal resources to include ferrous and non-ferrous metals resources, muti-metals, oil and gas and geographically expanded from western Mongolia into Xinjiang, PRC. MEC's expansion into Xinjiang, PRC is a natural development as Xinjiang, PRC is the closest market for MEC's Mongolian projects as they come on line. It is therefore commercially prudent for MEC to expand into this market. In fact, MEC anticipates that its Mongolia and Xinjiang offices will provide important strategic bases for the ongoing expansion and development of MEC's energy and related resources business.



Aside from the focus on the various acquisitions over the last financial year, MEC assembled professional teams, both within and outside of MEC, to assist MEC in its exploration efforts over an area of 600 hectares, from the existing open cut area in "Khushuut", Khovd Province, western Mongolia. This is the

MEC will concentrate on coking coal resources to supply Xinjiang, PRC which is in short local supply and being imported from other parts of the PRC.

Khushuut mine area, where over a period of around four months, approximately 50,000 meters of drilling work was completed to demonstrate 460 million tonnes of coal resources, including 181 million tonnes of coking coal resources. Within this area, MEC has carried out further analytical work with the assistance of John T. Boyd Company and demonstrated, to date, around 149 million tonnes of JORC compliant in-place resources. The analytical work continues along with the development of mining plans to support for commencement of a 3 million tonnes mining operation which is anticipated to commence by the second quarter of 2009. This will concentrate on coking coal resources to supply Xinjiang, PRC which is in short local supply and currently being imported from other parts of the PRC.

In order to reduce the transportation costs under MEC's planned mining operations and future projects and as part of the corporate social responsibility to the peoples of Mongolia and the development of western Mongolia, MEC has awarded two road works contracts (after the end of the financial year) of approximately RMB866 million relating to the upgrading and related building works for the foundation of a 340 km road, the "Khushuut Road", from the Khushuut mine areas to the Yarant border crossing with Takeshiken, Xinjiang, PRC. This allows 60 metric tonne trucks to run up to 60 km per hour.

In terms of funding, MEC is pleased to report that Chow Tai Fook Nominee Limited has provided MEC with HK$2 billion under zero coupon convertible notes (after the end of the financial year). In addition, MEC disposed of (after the end of the financial year) its real estate investment at the ground floor and basement of Bank of America Tower at a consideration of HK$540,000,000. These fundings assist MEC in building up a cash reserve for its future energy and related resources projects and for general working capital purposes.

I trust the above will show that we are focused on our energy and related resources business, in line with the increase in global demands for such energy and related resources products. MEC will continue its endeavours in a focused, professional and realistic manner.

In conclusion, I would like to take this opportunity to thank our shareholders for their continued support of our focus on the energy and related resources sector, the notable companies that we work with for their shared vision with us and the Board and staff members of MEC, for their tireless effort and dedication in helping to build MEC into an energy and related resources company with global brand recognition. It is a privilege to work with you.

Simon Lo
Chairman

July 23, 2008

MEC will continue its endeavours in a focused, professional and realistic manner.

MEC is now a substantial exploration company in western Mongolia for coal, ferrous and non-ferrous metals resources.

The vision of MEC is to develop into a leading energy company in the energy and related resources sectors with a global brand recognition.

Management Discussion and Analysis

MEC expands coal resources to ferrous and non-ferrous metals resources, multi-metals, oil and gas and geographically from western Mongolia to Xinjiang, PRC.

The Group is actively focused on building its energy and related resources business in a focused, professional and realistic manner.

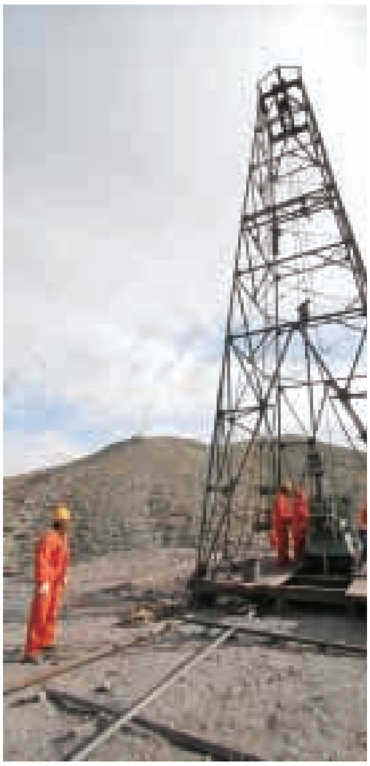
Business Review

Energy and related resources business

During the financial year ended on March 31, 2008, the Group was actively focused on building its energy and related resources business in a professional and realistic manner:

- The Group completed two acquisitions of some 66,000 hectares of mining and exploration concessions in western Mongolia for coal, ferrous and non-ferrous metals resources.

- The Group explored some 600 hectares of the 66,000 hectares mine areas at a location called "Khushuut" in Khovd Province, western Mongolia and demonstrated approximately 460 million tonnes of coal resources with 181 million tonnes of coking coal resources. Within these resources and following further analytical work, 136 million tonnes of the Australasian Code for Reporting of Exploration Results, Mineral Resources



and Ore Reserves ("JORC") in-place resources was demonstrated. The exploration work and analytical work continues with the aim to demonstrate further coal resources.

- The Group is finalizing its mine plans for the Khushuut mine areas for the commencement of an initial 3 million tonnes per annum mining operation concentrating on coking coal. This is scheduled to commence by the second quarter of 2009. The Group's business plan is initially to supply coking coal to Xinjiang, PRC, which is in short local supply and being imported from other areas of the PRC. The mining operations are anticipated to expand over time with further exploration.

- The Group is commencing the upgrading, with related building works, of the foundation for the "Khushuut Road". This is a 340 km road from the Khushuut mine areas to Xinjiang, PRC. The foundation works will allow 60 metric tonnes trucks to run at a speed of up to 60 km per hour and lower the overall productions costs for the commencement of mining operations and beyond.

- The Group, aside from exploration for coal at Khushuut, has commenced geological reconnaissances for coal, ferrous and non-ferrous metals resources exploration in other prospective areas.

- The Group has expanded into oil and gas opportunities by acquiring 20% benefits of 487,509 hectares for oil and gas exploratory concessions in western Mongolia. The Group has commenced co-operation with CNPC Daqing Petroleum on the feasibility study of the project.

- The Group has expanded into opportunities in Xinjiang, PRC by entering a conditional acquisition of a 20% benefit in a multi-metals project located in Ruoqiang County, Xinjiang, PRC with explored tungsten and tin resources. This transaction is being finalised.

The Group's projects

As set out above, the Group has, during the financial year ended on March 31, 2008, acquired title to some 66,000 hectares of concession areas in western Mongolia for coal, ferrous and non-ferrous metals resources. In fact, as at the date hereof, these areas have expanded fivefold to some 330,000 hectares for coal, ferrous and non-ferrous metals resources.

In addition, the Group, as at the date hereof, is pursing a 20% benefit under three projects namely (1) the oil and gas exploratory project, which has been acquired by the Group and which is at a feasibility study stage by CNPC Daging Petroleum as referred above (2) the multi-metals project in Xinjiang, PRC with explored tungsten and tin resources which has not yet completed as referred above and (3) two joint ventures with two PRC geological bureaus relating to two billion tonnes of coal resources in Kemusuite area, Fuyun County, Xinjiang, PRC, which is at an advanced stage of discussions.

Financing the Group's mining operations

The Group issued to Chow Tai Fook Nominee Limited a HK$2 billion zero coupon convertible note due April 2011 to finance the Group's mining operations, including for the construction of coking facilities, which is at the general construction planning stage. The Group also disposed of its real estate investment for HK$540 million, as set out below.

The Group's real estate investment and disposal

Apart from the energy and resources business, the Group's investment property at the ground floor and basement of the Bank of America Tower contributed a stable rental income to the Group during the financial year. The Group announced the disposal of the property in April 2008 for HK$540 million. This disposal was completed in July 2008.

Private jet charter services

The Group's Gulfstream G200 private jet is used to provide private jet charter services. The Group believed that with the economic growth in China, demands for private jet charter services should continue to increase. Thus, the Group acquired a new Falcon 900EX model aircraft during the financial year for a consideration of HK$295.6 million. This new Falcon aircraft is anticipated to be delivered by late 2009.

Financial Review

1. Results Analysis

Total revenue decreased by 24.6% to HK$30.0 million (2007: HK$39.8 million). However, the Group's profit before taxation increased by 1,438% to HK$109.2 million (2007: HK$7.1 million).

The Group's turnover from the real estate segment rose 14.4% to HK$26.9 million which was in line with the strong demand for retail and office space in Hong Kong during the financial year. The Group's turnover from the private jet charter services dropped 81.5% to HK$3.0 million (2007: HK$16.2 million). This was in line with the need to use of the Group's sole private jet for business trips relating to the Group's energy and related resources business. This was considered appropriate and in the best interest of the Group in terms of flexibility and access. The Group is acquiring a further aircraft to increase capacity in relation to this business as set out above.

The main contribution to the Group's profit before taxation was a valuation gain of HK$190 million from the real estate investment of the Group. The valuation gain of the Group's real estate investment was performed by an independent professional valuation company on an open market basis. The valuation gain has been realised (after the end of the financial year) following disposal of the Group's investment property at the ground floor and the basement of Bank of America Tower for HK$540 million, as referred above.

2. Liquidity and capital resources

The Group's funding was derived from internal resources and corporate fund raising exercises.

The net borrowings of the Group (total borrowings net of bank and cash balances) as at March 31, 2008 amounted to HK$742.7 million (2007: HK$59.1 million). The sharp increase in net borrowings was due to the issue of loan and convertible notes of face value of HK$930 million in January 2008 as part of the consideration to acquire certain coal mine concessions in western Mongolia which was announced in February 2007. This was thus transaction driven. The maturity date of the loan and convertible notes are January 29, 2011, with interest rates of 5% and 3% per annum respectively.

Aside from the loan and convertible notes, the Group had a secured bank loan of approximately HK$197.9 million backed by the mortgage over the Group's real estate investment. This was subject to the usual annual review by the bank. Accordingly, due to such commercial arrangement, the secured bank loan was classified as a current liability in the financial statements. The secured bank loan, denominated in Hong Kong dollar and bore interest at 0.65% over the Hong Kong Interbank Offer Rate. This secured bank loan was fully repaid subsequent to the balance sheet date.

As at March 31, 2008, the cash and bank balances were HK$254.3 million (2007: HK$67.7 million). The liquidity ratio as at March 31, 2008 was 2.1 (2007: 1.7).

3. **Investment in listed equity securities**

As at March 31, 2008, the MEC portfolio comprised mainly equity securities of companies listed in Hong Kong with fair value of HK$54.4 million (2007: HK$125.1 million). Investment in listed securities reported a fair value gain of HK$20.1 million (2007: Fair value gain of HK$46.1 million).

4. **Material changes to the Group structure**

During the financial year, the Group made further capital investment of HK$35.4 million in 亞聯公務機有限公司 (Asia United Business Aviation Company Limited) ("AUBA"), a PRC sino-foreign joint venture company engaged in the provision of charter flight services and aircraft management. As at March 31, 2008, the Group's effective interest in AUBA was 43%.

In September 2007, the Group disposed of the entire issued share capital in Beaubourg Holdings Inc. ("Beaubourg") for a total consideration of HK$134.7 million. The sole asset of Beaubourg was 50% effective interest in a jointly controlled entity, namely Everbest Business Limited, which owned a Gulfstream G450. A gain of HK$12.4 million was reported from this disposal transaction. In place, the Group is acquiring 100% of a new Falcon 900 EX as set out above.

5. **Charges on Group's asset**

Investment properties with an aggregate carrying value of HK$540.0 million (2007: HK$350.0 million) have been pledged to a bank to secure banking facilities granted to the Group. The banking facilities have been fully repaid subsequent to the balance sheet date. There are currently no charges on the Group's assets.

6. **Gearing Ratio**

At March 31, 2008, the gearing ratio of the Group was 0.07 (2007: 0.15) which was calculated based on the Group's total borrowings to total assets.

7. **Foreign exchange**

The key operations of the Group are located in Hong Kong, Mainland China and Mongolia. The Group's assets and liabilities are mainly denominated in Hong Kong dollar, United States dollar, Renminbi and Mongolia Tugrik. The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

8. **Contingent liabilities**

As at March 31, 2008, the Group did not have significant contingent liabilities (2007: Nil).

Co-Operations/Intents

The Group is at this stage focused upon the co-operations/intents under (1) the memorandum of co-operation of December 12, 2007 between the Group and CNPC Daqing Petroleum which relates to the feasibility study for the Group in relation to the oil and gas concession in western Mongolia and support for the Group's potential bids for further oil and gas concessions in western Mongolia and (2) the co-operation agreement between the Group and 中冶焦耐工程技術有限公司 (ACRE Coking & Refractory Engineering

Consulting Corporation, MCC) ("MCC ACRE") of March 25, 2008 relating to the general construction planning of the Group's mining activities.

The Group anticipates that it will eventually consider the other co-operations/intents entered by the Group relating to coal sales[1] and transport[2] upon and following the commencement of mining operations respectively. The Group will also pursue detailed feasibility of railway construction[3] at a time when its mine plans are such that it makes commercial sense to pursue such railway construction. Further, as and when the Group's projects develop over time the Group will consider further large scale opportunities[4] and leveraging[5] that may become available.

In case there are any further agreements that are entered pursuant to any co-operations/intents appropriate announcements will be made in accordance with the applicable regulatory requirements.

Outlook

The primary focus of the Group in the coming year will be working towards commercial coal production and continuing to look for energy and related resources projects in Xinjiang and western Mongolia. It is the strategy of the Group to co-operate and bring together notable parties in the development of the Group's business. After the disposal of the investment properties in the Bank of America Tower in July 2008 and prior to the commencement of the commercial coal production, it is likely that there will be a decrease in turnover in the coming financial period. However, the Group is in a solid cash position and will continue to achieve values for its shareholders by working towards its goal of developing MEC into a leading company in the energy and related resources sector with global brand recognition.

1 Please see announced coal distributions intents on April 2 and 10, 2007.

2 Please see announced intent on September 24, 2007 with China Ocean Shipping (Group) Company.

3 Please see announced agreement on December 7, 2007 with China Railway No. 1 Engineering Group Company Limited.

4 Please see announced co-operation framework agreement on October 26, 2007 with China QingAn International Trading Group Corporation.

5 Please see announced intent on October 30, 2007 with AVIC I International Leasing Co Ltd.

Directors' Profile

Simon Lo Lin Shing

Chairman and Executive Director

Mr. Lo, an entrepreneur, has over 20 years of experience in the financial, securities and futures industries, including many trans-border transactions. Mr. Lo is the chairman of New World Mobile Holdings Limited, deputy chairman of Taifook Securities Group Limited, executive director of International Entertainment Corporation, all of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Lo identifies business opportunities for MEC, including the acquisition of the coal mine in western Mongolia, and provides direction for MEC as a global energy and resources company.

Liu Zhuo Wei

Executive Director

Mr. Liu holds a bachelor degree from Harbin University of Science and Technology (哈爾濱理工大學). Mr. Liu joined the People's Liberation Army in 1969. As from 1983, Mr. Liu was with the People's Liberation Army General Staff Department (中國人民解放軍總參謀部) and General Armaments Department (總裝備部) involving in the development of military equipment and construction program. Mr. Liu is also an expert in rocket propulsion design and construction. In 2007, Mr. Liu joined All-China Federation of Industry & Commerce (中華全國工商業聯合會) and is currently its deputy secretary.

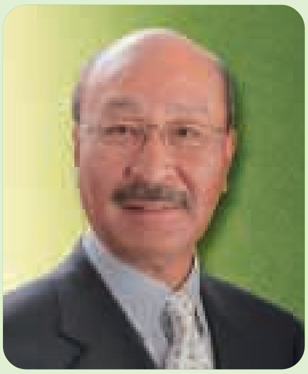
Yvette Ong

Executive Director

Ms. Ong has over 14 years of managerial experience in the Asia-Pacific region. Prior to joining MEC, Ms. Ong was the Managing Director of AT&T EasyLink Services Asia Pacific Limited. Joining AT&T in 1991, she initially focused on the sales and marketing of data communications services. She was instrumental in setting up certain business areas of AT&T in Hong Kong and was a key member of the Asia-Pacific senior management team responsible for the expansion of AT&T's internet business in the region. Ms. Ong holds an MBA degree in Management Information Systems and Marketing and a Bachelor degree in Finance and Management from the University of San Francisco.

Gerald To Hin Tsun

Non-Executive Director



Mr. To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the UK, as well as an advocate and solicitor in Singapore. He is currently the senior and managing partner of Messrs. T.S. Tong & Co., Solicitors and Notaries. Mr. To is an executive director of International Entertainment Corporation, and a non-executive director of NWS Holdings Limited and Taifook Securities Group Limited, all of which are listed on The Stock Exchange of Hong Kong Limited.

Peter Pun *OBE, JP*

Independent Non-Executive Director

Mr. Pun, the chairman and chief executive of the PYPUN group, has over 43 years of international experience in engineering and construction, town and urban planning, and infrastructure and property development. He is a graduate of St. John's University and Tongji University in Shanghai and a postgraduate of Imperial College, London. He has been an authorised architect under the Hong Kong Buildings Ordinance since 1964 and a practising authorised person and registered structural engineer in Hong Kong since 1974. He is a fellow of both the Institution of Civil Engineers in the United Kingdom and The Hong Kong Institution of Engineers.

William Tsui Hing Chuen *JP*

Independent Non-Executive Director

Mr. Tsui is the founding partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries, which was established in 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1980, and a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor in Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury England since 1988. Mr. Tsui was appointed as a Justice of the Peace by the Government of Hong Kong in 1997. He is also an independent non-executive director of Taifook Securities Group Limited and New World Mobile Holdings Limited, both of which are listed on The Stock Exchange of Hong Kong Limited.

Lau Wai Piu

Independent Non-Executive Director

Mr. Lau, the chief financial officer of VOIPWORLD Limited, a private limited company incorporated in Hong Kong, possesses over 20 years of extensive experience in accounting and financial management. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Lau is also an independent non-executive director of Taifook Securities Group Limited and New World Mobile Holdings Limited, both of which are listed on The Stock Exchange of Hong Kong Limited.

Senior Management and General Counsel Profiles

James J. Schaeffer, Jr

Chief Executive Officer

Prior to joining MEC, **Mr. Schaeffer** was the Executive Director – Asia Pacific of John T. Boyd Company (technical adviser to China Shenhua's IPO in 2005). He is known internationally and throughout the Asia Pacific region to many leading corporates and banking and financial institutions in the energy and resources sectors. In his three decades as a mining consultant, Mr. Schaeffer has conducted numerous technical reviews, coordinated reserve estimations, evaluated fuel supply plans, identified potential coal resources and developed financial regimes and mining regulations for major commercial and government projects. Mr. Schaeffer has been actively engaged in projects throughout the Asia Pacific region, including China, Southeast Asia and Australia. He is also a seminar instructor for different organizations and has published numerous publications and papers on industry-related topics. Mr. Schaeffer is a Registered Professional Engineer in Kentucky, Pennsylvania and West Virginia. He is also a member of the international Society of Mining, Metallurgy, and Exploration. Mr. Schaeffer holds a Master of Science degree in Business Administration, Robert Morris University and a Bachelor of Science degree in Mining Engineering, University of Pittsburgh.

Mohan Datwani

General Counsel

Mr. Datwani, a former partner of Paul, Hastings, Janofsky & Walker, specialises in structured transactions for leading global financial and corporate institutions, including acquisition and structuring of acquisition of energy and resources projects in a number of jurisdictions (including China and Mongolia). The product areas of these projects included coal, liquefied natural gas, oil, power plants, timber and resources. Formerly named as a leading lawyer by Asia Pacific Legal 500 in asset finance, Mr. Datwani assisted the Company in structuring the acquisition of the coal mine in western Mongolia. Mr. Datwani is admitted as a solicitor in England & Wales and Hong Kong for over 17 years and holds an LLB and an LLM.

Directors' Report

The directors present their report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended March 31, 2008.

Principal activities and geographical analysis of operations

The principal activity of the Company is in the energy and related resources sector and the activities of its principal subsidiaries are set out in note 37 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group for the year ended March 31, 2008 is set out in note 6 to the financial statements.

Results

The results of the Group for the year ended March 31, 2008 are set out in the Consolidated Income Statement on page 45.

No interim dividend was declared (2007: Nil) and the directors do not recommend the payment of a final dividend for the year ended March 31, 2008 (2007: Nil).

Share capital and share options

Details of the movements in the share capital and the share options of the Company during the year are set out in notes 29 and 30 to the financial statements.

Reserves

Movements in reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 48 and in note 35 to the financial statements respectively.

Property, plant and equipment

Movements in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

Subsidiaries

Particulars of the principal subsidiaries of the Group as at March 31, 2008 are set out in note 37 to the financial statements.

Group financial information

A summary of results, assets and liabilities of the Group for the five years ended March 31, 2008 is set out on page 99.

Major suppliers and customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

the largest supplier	24%
five largest suppliers in aggregate	67%

Sales

the largest customer	64%
five largest customers in aggregate	95%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers or customers.

Directors

The directors of the Company during the year and up to the date of this report are as follows:

Executive directors

Mr. Lo Lin Shing, Simon *(Chairman)*
Mr. Liu Zhuo Wei *(Appointed on April 7, 2008)*
Ms. Yvette Ong

Non-executive director

Mr. To Hin Tsun, Gerald

Independent non-executive directors

Mr. Peter Pun *OBE, JP*
Mr. Tsui Hing Chuen, William, *JP*
Mr. Lau Wai Piu

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Mr. Lo Lin Shing, Simon, Mr. Liu Zhuo Wei and Mr. Lau Wai Piu will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company.

Biographical details of the directors of the Group are set out on pages 18 to 20.

Corporate governance

The Company is committed to maintaining a high standard of corporate governance practices.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 34 to 42.

Directors' interests and short positions

As at March 31, 2008, the interests or short positions of the directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

1 Long positions in the shares

Name of director	Capacity	Number of shares interested	Percentage of shareholding
Lo Lin Shing, Simon	Interest of a controlled corporation/ Beneficial/Interest of spouse (Note)	1,175,292,301	19.440%
Yvette Ong	Beneficial	1,090,000	0.020%
To Hin Tsun, Gerald	Beneficial	3,700,000	0.060%
Tsui Hing Chuen, William	Beneficial	500,000	0.008%
Lau Wai Piu	Beneficial	201,200	0.003%

Note: Among the 1,175,292,301 shares, 4,960,000 shares represent interest of Mr. Lo Lin Shing, Simon ("Mr. Lo") on an individual basis; while 1,168,582,301 shares represent interest of Golden Infinity Co., Ltd ("Golden"). The balancing of 1,750,000 Shares represents interest of Ms. Ku Ming Mei, Rouisa ("Mrs. Lo"). Accordingly, Mr. Lo is deemed to be interested in the shares in which Golden and Mrs. Lo are interested by virtue of the SFO.

2 Long positions in the underlying shares

Name of director	Capacity	Number of underlying shares interested	Percentage of shareholding
Lo Lin Shing, Simon	Personal	690,000	0.011%

Save as disclosed above and the section headed "Share Option Schemes", as at March 31, 2008, none of the directors, chief executives and their respective associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Discloseable interests and short positions of substantial shareholders/other persons under the SFO

The register of interests in shares and short positions maintained under section 336 of the SFO showed that as at March 31, 2008, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Long position and short position of substantial shareholders/other persons in the shares and/or underlying shares

Name of Shareholder	Capacity in which such interest is held	Number and description of shares	Percentage of nominal value of issued share capital
Mr. Liu Cheng Lin	Interest of a controlled corporation/Beneficial	1,725,000,000(L) 100,000,000(S) (Note 1)	28.52% 1.65%
Puraway Holdings Limited	Corporation	1,625,000,000 (Note 1)	26.87%
Madam Ku Ming Mei, Rouisa	Beneficial/Interest of spouse	1,175,982,301 (Note 2)	19.45%
Golden Infinity Co., Ltd.	Corporate	1,168,582,301	19.32%
Dr. Cheng Kar Shun	Interest of a controlled corporation/Interest of spouse	383,170,000 (Note 3)	6.33%
Ms. Ip Mei Hing	Interest of spouse	383,170,000 (Note 3)	6.33%
Dragon Noble Group Limited	Corporate	328,070,000	5.42%
Dato' Dr. Cheng Yu Tung	Beneficial/Interest of a controlled corporation	496,972,602 (Note 4)	8.21%
Chow Tai Fook Nominee Limited	Corporate	493,972,602 (Note 4)	8.16%
Mr. Ng Chun Ping, Brendan	Beneficial/Interest of a controlled corporation	425,474,442 (Note 5)	7.03%
Better Year Investments Limited	Corporate	414,444,442 (Note 5)	6.85%

Notes:

1. Mr. Liu Cheng Lin is interested in the entire issued share capital of the Puraway Holdings Limited ("Puraway"). By virtue of the SFO, he is deemed to be interested in the 1,625,000,000 shares held by Puraway. The 1,625,000,000 shares held by Puraway represents 1,125,000,000 shares and 500,000,000 underlying shares.

2. Ms. Ku Ming Mei, Rouisa is the spouse of Mr. Lo Lin Shing, Simon ("Mr. Lo") and accordingly, she is deemed to be interested in 1,175,982,301 shares under the SFO.

3. Dr. Cheng Kar Shun is interested in the entire issued share capital of Dragon Noble Group Limited ("Dragon"). By virtue of the SFO, he is deemed to be interested in the 328,070,000 shares held by Dragon and the 55,100,000 shares are owned by Madam Ip Mei Hing, the spouse of Dr. Cheng Kar Shun.

4. Dato' Dr. Cheng Yu Tung is interested in the entire issued share capital of Chow Tai Fook Nominee Limited ("CTF"). By virtue of the SFO, he is deemed to be interested in the 493,972,602 shares held by CTF. The 493,972,602 shares held by CTF represents 220,000,000 shares and 273,972,602 underlying shares.

5. Mr. Ng Chun Ping, Brendan is interested in the entire issued share capital of Better Year Investments Limited ("Better Year"). By virtue of the SFO, he is deemed to be interested in the 414,444,442 shares held by Better Year.

Abbreviations:

"L" stands for long position

"S" stands for short position

Directors' interests in competing businesses

During the year and up to the date of this report, to the best knowledge of the directors, none of the directors and their respective associates were considered to have any interests in the businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the directors were appointed as directors to represent the interests of the Company and/or the Group.

Directors' interests in contracts of significance

No contracts of significance to which the Company, its ultimate holding company or any subsidiaries of its ultimate holding company was a part in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' service contracts

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

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

Directors' rights to acquire shares or debentures

On January 30, 2007, the Company entered into the subscription agreement ("Golden Subscription Agreement") with Golden Infinity Co., Ltd ("Golden"), an investment holding company, pursuant to which Golden has agreed to subscribe for and the Company has agreed to issue 780,000,000 new shares to be allotted to Golden under the Golden Subscription Agreement. As Golden is a substantial shareholder and is wholly owned by Mr. Lo, the chairman and an executive director, the subscription of 780,000,000 new shares by Golden contemplated under the Golden Subscription Agreement constituted a connected transaction. The said transaction was completed on January 29, 2008.

Save as disclosed above and under the section headed "Share option scheme" below, at no time during the year was the Company or any of its subsidiaries a party to any other arrangements to enable the directors or chief executive or any of their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, its subsidiaries or any other body corporate.

Share option scheme

Under the share option scheme adopted by the Company on August 28, 2002 (the "Option Scheme"), options were granted to certain directors, employees and other eligible participants of the Company entitling them to subscribe for shares of HK$0.02 each in the capital of the Company.

The following is a summary of the terms of the Option Scheme:

1 Purpose

The purpose of the Option Scheme is to provide incentives or rewards for the contribution of the participants to the Group and to enable the Group to recruit and/to retain high-calibre employees and attract human resources that are valuable to the Group.

2 Participants

The participants of the Option Scheme include any director, employee, consultant, agent or advisor of the Group or any entity in which the Group holds an interest.

3 Number of shares available for issue

The total number of shares available for issue under the Option Scheme is 261,636,236 which represents approximately 4.33% of the issued share capital of the Company as at the date of this report.

4 Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue unless separately approved by the shareholders in general meeting.

5 Option period

An option may be exercised in accordance with the terms of the Option Scheme at any time during the period to be notified by the directors to the grantee, but in any event such period of time must not be more than 10 years from the date of grant.

6 Vesting period

The directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

7 Amount payable on acceptance of option

Upon acceptance of the offer for an option, the grantee shall pay HK$1.00 as consideration for the grant.

8 Exercise price

The subscription price for a share in respect of any option granted shall be a price determined by the directors at their absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for 5 trading days immediately preceding the offer date; and (iii) the nominal value of a share.

9 Remaining life of the scheme

The Option Scheme is valid and effective for a term of 10 years commencing from August 28, 2002.

Details of the movement in outstanding share options, which have been granted under the Option Scheme, during the year are as follows:

Name or category of participant	Date of grant	Exercise price HK$	Exercise period	Vesting period	As at April 1, 2007	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year (Note 3)	As at March 31, 2008
Directors									
Lo Lin Shing, Simon	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	1,157	–	1,157	–	–
	26-03-2008	7.2840	26-03-2008 to 25-03-2010	N/A	–	690,000	–	–	690,000
Yvette Ong	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	41	–	41	–	–
To Hin Tsun, Gerald	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	744	–	744	–	–
Peter Pun	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	1,116	–	1,116	–	–
Lau Wai Piu	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	1,116	–	1,116	–	–
Employees and others in aggregate (including a director of certain subsidiaries)	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	4,670	–	–	–	4,670
	15-02-2006	0.1636	15-02-2006 to 16-04-2009	N/A	4,600	–	–	–	4,600
	08-02-2007	0.6900	08-02-2007 to 07-02-2012	N/A	25,750,000	–	–	25,750,000	–
	23-04-2007	4.6200	02-04-2007 to 01-04-2009	N/A	–	2,750,000 (Note 1)	500,000	150,000	2,100,000
	26-03-2008	7.2840	26-03-2008 to 25-03-2010	N/A	–	2,000,000 (Note 2)	–	–	2,000,000
					25,763,444	5,440,000	504,174	25,900,000	4,799,270

Notes:

(1) On April 23, 2007, 2,750,000 share options granted to the employees under the Option Scheme. The closing price of the Company's shares on April 20, 2007, (the trading day immediately before the grant of the share options) was HK$4.6.

(2) On March 26, 2008, 2,690,000 share options granted to the employees under the Option Scheme. The closing price of the Company's shares on March 25, 2008 (the trading day immediately before the grant of the share options) was HK$7.25.

(3) The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised during the year was HK$9.24.

Connected transactions

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions require disclosure in the annual report of the Company. The connected transactions which also constitute significant related party transactions are set out in note 36 to the financial statements.

Disposal of Modern Sparkles Investments Ltd. and Peak Elite Holdings Corp.

On January 26, 2007, the Company disposed of the entire issued share capital of, and the related loans to, Modern Sparkles Investment Ltd. ("Modern Sparkles") and Peak Elite Holdings Corp. ("Peak Elite") to Mr. Lo Lin Shing, Simon ("Mr. Lo"). As Mr. Lo is an executive director and a substantial shareholder, he is a connected person of the Company. The Modern Sparkles disposal and the Peak Elite disposal constitute discloseable and connected transactions for the Company under the Listing Rules and it was approved by the independent shareholders at the special general meeting on March 5, 2007. The transaction was completed on May 31, 2007.

Acquisition in Xinjiang, PRC relating to copper, tin & multi-metals resources with explored tungsten and tin resources

On March 5, 2008, the Company entered into a series of agreements ("Relevant Agreements") related to initial acquisition in Xinjiang, PRC relating to copper, tin and multi-metal resources under 13.54 sq. km. of exploration concession area located in Ruoqiang County, Xinjiang Province, PRC, initially for 20% of the benefits of the resources ("Relevant Interest") under the Relevant Agreements, and subject to further agreement for up to the balance 80% of the benefits of such resources.

Subject to the satisfaction of the conditions precedent prior to September 1, 2008, the consideration (the "Consideration") payable by the Company for the initial acquisition of the Relevant Interest under the Transaction is approximately HK$1.108 billion. The Consideration is payable as follows:

(1) HK$200 million to Mr. Liu Cheng Lin ("Mr. Liu") for procurement of the Transaction in China (the "Service Fee");

(2) reimbursement of RMB100 million (HK$108 million, illustration on the exchange rate of RMB 1 to HK$1.08) paid by Mr. Liu under the Relevant Agreements to the concession owner for the purpose of development and commercial exploitation of the resources (initially, the Explored Resources); and

(3) reimbursement of 100 million shares of MEC paid by Mr. Liu under the Relevant Agreements to the natural person nominee of the concession owner. The shares shall be allotted to Mr. Liu at HK$8.00 per Share.

The considerations for the acquisition of up to the balance 80% of the resources and any further resources under the Company's priority rights under any other concession areas of the concession owner are to be agreed. The Company will comply with the relevant Listing Rules requirements if any further acquisition materializes.

As Mr. Liu is a substantial shareholder of the Company and hence a connected person within the meaning of the Listing Rules, the transaction under the Relevant Agreements and the unwinding of the Joint Venture (including waiving of any refund interest) constitute connected transactions on the part of the Company pursuant to Chapter 14A of the Listing Rules with Mr. Liu and his associates are required to abstain from voting in the special general meeting. The Company will convene a special general meeting to seek approval of the independent shareholders in relation to the transaction under the Relevant Agreements.

Group's borrowings

Details of the Group's borrowings are set out in notes 25, 26 and 27 to the financial statements.

Purchase, sale or redemption of the company's listed securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed security.

Pre-emptive rights

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

Audit committee

The audit committee of the Company currently comprises Messrs. Peter Pun, Tsui Hing Chuen, William and Lau Wai Piu who are independent non-executive directors of the Company and their principal duties include the review and supervision of the Company's financial reporting process, internal control procedures and relationship with the Company's independent auditor.

The audited financial statements for the year ended March 31, 2008 have been reviewed by the audit committee.

Human Resources

As at March 31, 2008, the Group employed a total of 193 employees in Hong Kong, Mongolia, Beijing and Xinjiang. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on periodic basis. Apart from retirement schemes, year-end bonuses and share options are awarded to the employees according to the assessment of individual performance and industry practice. Appropriate training programs are also offered for staff training and development.

Donations

For the year ended March 31, 2008, the Group made charitable and other donations to a total amount of HK$1,271,000.

Disclosure pursuant to Chapter 13 of the Listing Rules

Financial assistance to affiliated companies

(a) In compliance with Rule 13.16 of Chapter 13 of the Listing Rules, details of the financial assistance given to the following affiliated companies of the Group as at March 31, 2008 which in aggregate has exceeded 8% under the assets ratio as defined under Rule 14.07(1) of Chapter 14 of the Listing Rules are set out below:

Name of affiliated companies	Percentage of Group's attributable interests	Financial assistance HK$'000
Upper Easy Enterprise Limited ("Upper Easy")	20.00%	200,000

Note: The Group has provide shareholder's loan to Upper Easy which to locate mineral resources project in Xinjiang. The amount is interest free and unsecured. The amount is expected to be settled within one year upon Upper Easy obtained external funding.

(b) In compliance with Rule 13.22 of Chapter 13 of the Listing Rules, the unaudited combined balance sheet of these affiliated companies as at March 31, 2008 is disclosed as follows:

	HK$'000
ASSETS	
Non-current assets	
Investment in associated companies	648
Current assets	
Debtors, prepayments and other deposits	200,000
	200,000
Current Liabilities	
Amount due to immediate holding company	(306,534)
	(306,534)
Net current liabilities	(106,534)
Total assets less current liabilities	(105,886)
Non-current liabilities	
Shareholder loan	(200,016)
Net liabilities	(305,902)
CAPITAL AND RESERVES	
Share capital	1
Reserves	(305,903)
	(305,902)

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed public float under the Listing Rules.

Independent auditor

The financial statements have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment.

Post balance sheet events

Details of the significant events subsequent to the balance sheet date are set out in note 38 to the financial statements.

On behalf of the Board

Lo Lin Shing, Simon
Chairman

Hong Kong, July 23, 2008

Corporate Governance Report

Corporate Governance Practices

The board of directors of the Company (the "Board") recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles of the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board also believes a deliberate policy of corporate governance can facilitate a company in rapid growth under a healthy governance structure and strengthen the confidence of shareholders and investors.

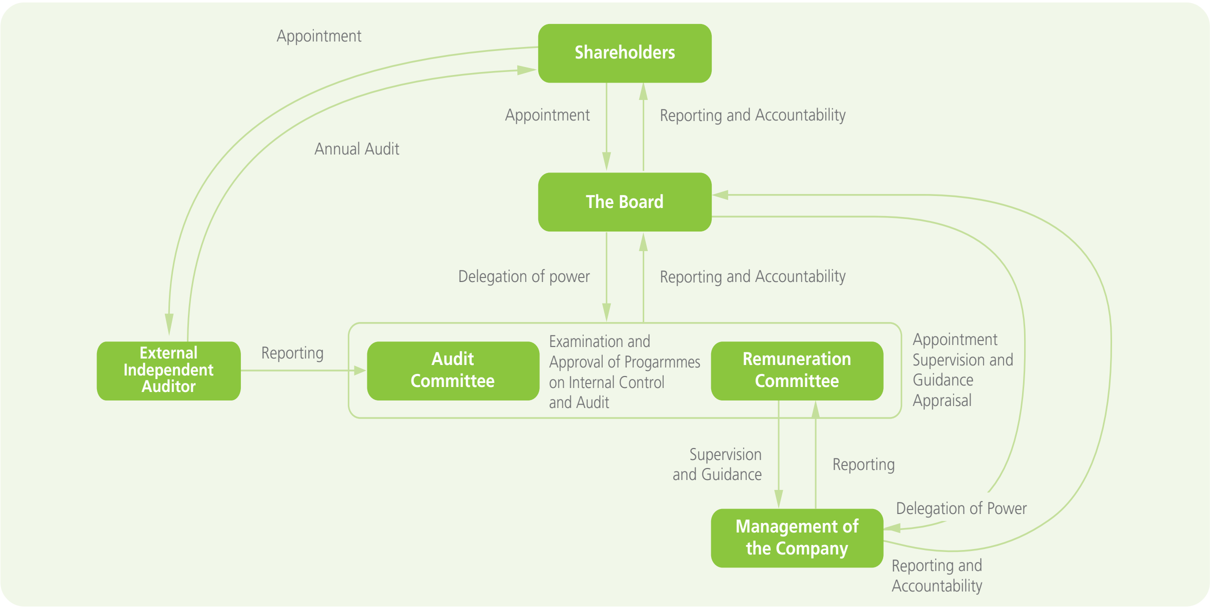
For the year ended March 31, 2008, the Company has complied with the code provisions of the CG Code except for deviations from the code provision A.4.1, A.4.2 and E.1.2 of the CG Code as summarized below:

i. Under the code provision A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, they are subject to the retirement by rotation under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

ii. The code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting ("AGM") of the Company. The chairman did not attend the 2007 AGM due to other business engagement. An executive director had chaired the 2007 AGM and answered questions from shareholders. The chairman of the Audit and Remuneration Committee was also available to answer questions at the 2007 AGM.

Corporate Governance Structure



Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The Model Code is sent to each director of the Company on his/her initial appointment. One month before the date of the Board meetings to approve the Group's half-year and annual results, the Company will sent a reminder to all the directors that they cannot deal in the securities and derivatives of the Company until after such results have been published, and that all their dealings must be conducted in accordance with the Model Code. Under the Model Code, directors of the Company are required to notify the chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company, and in the case of the chairman himself, he must notify the designated director and receive a dated written acknowledgement before any dealing.

Upon specific enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in Model Code throughout the year ended March 31, 2008.

Directors and Officers Liability Insurance

Promoting good corporate governance and managing enterprise-wide risk is a priority of the Company. The Company convinced that corporate governance and Directors and Officers Liability Insurance (the "D&O Insurance") complement each other. The Company has arranged appropriate D&O Insurance coverage on Directors' and officers' liabilities in respect of legal actions against directors and senior management arising out from corporate activities. The D&O Insurance will be reviewed and renewed annually.

The Board

(a) Board Composition

The Board currently comprises three executive directors, a non-executive director and three independent non-executive directors, serving the important function of guiding the management. The biographical details of each Directors are set out on pages 18 to 20.

The Board members up to the date of the annual report were:

Executive directors

Mr. Lo Lin Shing, Simon *(Chairman)*
Mr. Liu Zhuo Wei *(appointed on April 7, 2008)*
Ms. Yvette Ong

Non-executive director

Mr. To Hin Tsun, Gerald

Independent non-executive directors

Mr. Peter Pun *OBE, JP*
Mr. Tsui Hing Chuen, William, *JP*
Mr. Lau Wai Piu

None of the members of the Board is related to one another.

In the early 2008, the Board considered to appoint an additional executive director to match up the rapid growth of the Company. The Board considered the following attributes or qualifications in evaluation for membership on the Board:

- management and leadership experience;
- skills and diverse background;
- integrity and professionalism; and
- independency.

After due consideration by the Board, Mr. Liu Zhuo Wei was appointed as executive director of the Company on April 7, 2008.

During the year ended March 31, 2008, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

All independent non-executive directors are financially independent from the Company and any of its subsidiaries. The Company has received written annual confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. Accordingly, the Company considers all independent non-executive directors to be independent.

(b) Role and Function

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The directors, collectively and individually, are aware of their responsibilities to shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances and as when necessary, directors will consent to the seeking of independent professional advice at the Group's expense, ensuring that Board procedures, and all applicable rules and regulations, are followed.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended March 31, 2008, the Board:

i. reviewed the performance of the Group and formulated business strategy of the Group;

ii. reviewed and approved the annual and interim results of the Group;

iii. reviewed the internal controls of the Group;

iv. reviewed and approved the general mandates to issue shares of the Company;

v. reviewed and approved the price-sensitive transactions;

vi. reviewed and approved the notifiable transactions of the Company; and

vii. reviewed and approved the auditor's remuneration and recommend the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Group respectively.

To the best knowledge of the Company, there is no financial, business and family relationship among our directors between the chairman and the chief executive officer. All of them are free to exercise their independent judgment.

(c) Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer of the Company during the year ended March 31, 2008 were Mr. Lo Lin Shing, Simon and Mr. James J. Schaeffer, Jr. respectively.

The Chairman's responsibility is to provide leadership to the Board and formulate the Group's business strategies.

The Chief Executive Officer responsible to implement the strategic business plans for the Company including, in particular, the energy and related resources business of the Group.

(d) Accountability and Audit

The Directors are responsible for preparing the accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Directors also ensure that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting policies.

In preparing the financial statements, the directors consider that the financial statements of the Group are prepared on going concern basis and appropriate accounting policies have been consistently applied. The directors have also made judgments and estimates that are prudent and reasonable in the preparation of the financial statements.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 43.

(e) Internal Control and Risk Management

The Board is responsible for the Group's system of internal control so as to maintain sound and effective internal controls to safeguard the shareholders' investment and the assets of the Group.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes continuous updating of the internal control system of the Group in response to the changing business environment and regulatory requirements. A Group Compliance Counsel was recruited during the financial year to strengthen the internal control, review process and operational risks.

The Board also conducts a review of the internal controls of the Group to ensure that the policies and procedures in place are adequate. The Board assesses the effectiveness of the Group's internal control system which covers all material controls, including financial, operational and compliance controls and risk management functions. During the year, an independent professional consultant was engaged to conduct the internal control review of the Group and reported directly to the Audit Committee. The outcomes of the review were submitted to Audit Committee and no major weakness was identified. The independent professional consultant also provided recommendations based on his finding.

(f) Investors relations

The Group makes great efforts to enhance the communication with investors. During the financial year, a Director of Investor Relations was recruited to develop on-going investor relationship programs. From time to time, the website of the Company (www.mongolia-energy.com) contains updated information of the Group and the Corporate Presentation is posted on the Company's website in a timely manner.

The Company has in compliance with the Listing Rules regarding the requirements about voting by poll and keeps shareholders informed of the procedures for voting by poll through notices of general meetings in circulars of the Company to shareholders form time to time.

Directors and independent auditor will attend the AGM to answer shareholders' enquiries. Shareholders can also visit the Company's website for updated information of the Group.

During the financial year, the Company held four full Board meeting. The attendance rate of Board meeting during the year was 100%. The attendance of each Director as follows:

	Attendance (Number of meetings)
Executive directors	
Mr. Lo Lin Shing, Simon *(Chairman)*	4(4)
Ms. Yvette Ong	4(4)
Non-executive director	
Mr. To Hin Tsun, Gerald	4(4)
Independent non-executive directors	
Mr. Peter Pun OBE, *JP*	4(4)
Mr. Tsui Hing Chuen, William, *JP*	4(4)
Mr. Lau Wai Piu	4(4)

Board Committees

The Board also has the following committees with defined terms of reference:

- Audit Committee
- Remuneration Committee

Each Board Committee makes decisions on matters within its terms of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

Audit Committee

The audit committee currently consists of three independent non-executive directors.

(a) Composition of Audit Committee Members

Mr. Lau Wai Piu *(Chairman of Audit Committee)*
Mr. Peter Pun
Mr. Tsui Hing Chuen, William

(b) Role and Function

The Audit Committee is mainly responsible for:

i. to review the Group's financial and accounting policies and financial statements half yearly before submission to, and providing advice and comments thereon to the Board;

ii. to discuss with the independent auditor the nature and scope of audit and review audit issues raised by the independent auditor;

iii. to review the financial controls, internal controls and risk management systems of the Group; and

iv. to consider the appointment, resignation or dismissal of independent auditor and their audit fees.

(c) Attendance

During the year, the Company held two audit committee meetings. The attendance rate of the audit committee meeting during the year was 100%. The attendance of each member as follow:

	Attendance (Number of meetings)
Committee Members	
Mr. Peter Pun *OBE, JP*	2(2)
Mr. Tsui Hing Chuen, William, *JP*	2(2)
Mr. Lau Wai Piu	2(2)

Remuneration Committee

The Remuneration Committee currently consists of three independent non-executive directors.

(a) Composition of Remuneration Committee Members

Mr. Lau Wai Piu *(Chairman of Audit Committee)*
Mr. Peter Pun
Mr. Tsui Hing Chuen, William

(b) Role and Function

The Remuneration Committee is mainly responsible for:

i. reviewing and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

ii. ensuring the remuneration offer is appropriate for the duties and in line with market practice;

iii. making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and engage an independent consultant to conduct a Report on Emoluments Review; and

iv. ensuring that no director or any of his associates is involved in deciding his own remuneration. Where circumstances are considered appropriate, the Remuneration Committee decisions are approved by way of written resolutions passed by all the Remuneration Committee members.

(c) Attendance

During the year, the Company held one remuneration committee meeting. The attendance rate of the remuneration committee meeting during the year was 100%. The attendance of each member as follow:

	Attendance (Number of meetings)
Committee Members	
Mr. Peter Pun *OBE, JP*	1(1)
Mr. Tsui Hing Chuen, William, *JP*	1(1)
Mr. Lau Wai Piu	1(1)

Independent Auditor

It is the auditor's responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the independent auditor's report.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 43.

During the year under review, the professional fee paid/payable to the Company's independent auditor, Deloitte Touche Tohmatsu is set out as follows:

	HK$'000
Audit services	1,500

Responsibilities in respect of the Financial Statements

The directors acknowledge their responsibility to prepare the financial statements for each financial period which give a true and fair view of the financial affairs of the Group.

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF MONGOLIA ENERGY CORPORATION LIMITED
(FORMERLY KNOWN AS NEW WORLD CYBERBASE LIMITED)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Mongolia Energy Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 98, which comprise the consolidated balance sheet as at March 31, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at March 31, 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, July 23, 2008

Consolidated Income Statement

for the year ended March 31, 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	6	**29,952**	39,773
Bank interest income		**3,342**	4,351
Dividend income from listed equity securities		**15**	20,442
Direct aviation costs		**(1,311)**	(12,842)
Staff costs		**(39,818)**	(23,766)
Depreciation	12	**(12,909)**	(8,180)
Other expenses		**(63,963)**	(20,558)
Fair value gain (loss) on investment properties	13	**190,000**	(35,000)
Provision for impairment on amounts due from associates and a related company		**–**	(4,015)
Gain on fair value changes from held-for-trading investments		**20,075**	46,096
Reversal of impairment losses on long term receivable		**–**	11,179
Reversal of impairment losses on amount due from a related company		**–**	3,037
Gain on disposal of interest in subsidiaries		**–**	2,703
Gain on disposal of interests in jointly controlled entities		**12,402**	–
Gain on disposal of interests in associates		**5,747**	–
Finance costs	7	**(31,271)**	(16,145)
Share of (loss) profit of associates		**(2,365)**	67
Share of loss of a jointly controlled entity		**(688)**	(2)
Profit before taxation	8	**109,208**	7,140
Income tax (expense) credit	9	**(34,808)**	4,709
Profit for the year attributable to the equity holders of the Company		**74,400**	11,849
Earnings per share	11		
– basic (HK cents)		**2.32**	0.62
– diluted (HK cents)		**2.31**	0.61

Consolidated Balance Sheet

at March 31, 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	12	**213,870**	139,897
Investment properties	13	**540,000**	350,000
Intangible assets	14	**380**	–
Exploration and evaluation assets	15	**12,712,228**	–
Interests in associates	16	**41,936**	9,246
Interests in a jointly controlled entity	18	**–**	–
Amount due from a jointly controlled entity	18	**–**	48,567
Other assets	20	**1,150**	1,150
Prepayments for exploration and evaluation expenditure	21	**103,758**	21,661
Deposits for property, plant and equipment		**78,233**	–
		13,691,555	570,521
Current assets			
Accounts receivable	22	**1,743**	2,075
Other receivables, prepayments and deposits		**16,185**	25,273
Held-for-trading investments	19	**54,383**	125,098
Amount due from an associate	16	**200,000**	–
Cash and cash equivalents	23	**254,341**	67,710
		526,652	220,156
Assets classified as held for sale	17	**–**	52,402
		526,652	272,558
Current liabilities			
Accounts payable	24	**6,308**	7,883
Other payables and accruals		**38,164**	27,950
Amount due to an associate	16	**8,898**	–
Short-term bank loans	25	**197,900**	126,800
Tax payable		**301**	671
		251,571	163,304
Net current assets		**275,081**	109,254
Total assets less current liabilities		**13,966,636**	679,775
Non-current liabilities			
Convertible notes	26	**114,880**	–
Loan note	27	**684,221**	–
Deferred income tax liabilities	28	**72,413**	38,381
		871,514	38,381
Net assets		**13,095,122**	641,394

	Note	**2008** **HK$'000**	2007 HK$'000
Financed by:			
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	29	**120,945**	52,327
Reserves		**12,974,120**	589,010
		13,095,065	641,337
Minority interests		**57**	57
Total equity		**13,095,122**	641,394

The consolidated financial statements on pages 45 to 98 were approved and authorised for issue by the Board of Directors on July 23, 2008 and are signed on its behalf by:

Lo Lin Shing, Simon
Director

Yvette Ong
Director

Consolidated Statement of Changes in Equity

for the year ended March 31, 2008

	Attributable to equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Capital reserve	Share options reserve	Exchange translation	Retained profits	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at April 1, 2006	29,737	158,856	199,594	17,711	1,707	–	19,464	427,069	57	427,126
Profit and total recognised income for the year	–	–	–	–	–	–	11,849	11,849	–	11,849
Total recognised income and expense for the year	–	–	–	–	–	–	11,849	11,849	–	11,849
Issue of shares										
– Conversion of convertible notes	22,222	180,242	–	(21,206)	–	–	–	181,258	–	181,258
– Reversal of deferred tax on equity component of convertible notes	–	–	–	3,495	–	–	–	3,495	–	3,495
– Exercise of share options	368	6,716	–	–	(1,707)	–	–	5,377	–	5,377
Share-based compensation expenses	–	–	–	–	12,289	–	–	12,289	–	12,289
Balance at March 31, 2007 and April 1, 2007	52,327	345,814	199,594	–	12,289	–	31,313	641,337	57	641,394
Currency translation differences and income recognised directly to equity	–	–	–	–	–	(1,035)	–	(1,035)	–	(1,035)
Profit and total recognised income for the year	–	–	–	–	–	–	74,400	74,400	–	74,400
Total recognised income and expense for the year	–	–	–	–	–	(1,035)	74,400	73,365	–	73,365
Share-based compensation expenses	–	–	–	–	9,439	–	–	9,439	–	9,439
Convertible note equity component	–	–	–	3,529,218	–	–	–	3,529,218	–	3,529,218
Issue of shares										
– Acquisition of mining, and exploration rights	22,500	8,223,750	–	–	–	–	–	8,246,250	–	8,246,250
– Subscription of shares	23,600	294,700	–	–	–	–	–	318,300	–	318,300
– Placing of shares	22,000	242,000	–	–	–	–	–	264,000	–	264,000
– Exercise of share options	518	31,445	–	–	(13,503)	–	–	18,460	–	18,460
Share issue expenses	–	(5,304)	–	–	–	–	–	(5,304)	–	(5,304)
Balance at March 31, 2008	120,945	9,132,405	199,594	3,529,218	8,225	(1,035)	105,713	13,095,065	57	13,095,122

Consolidated Cash Flow Statement

for the year ended March 31, 2008

	2008 HK$'000	2007 HK$'000
Operating activities		
Profit before income tax	**109,208**	7,140
Interest income	**(3,342)**	(4,351)
Interest expenses	**31,271**	16,145
Dividend income	**(15)**	(20,442)
Written off of property, plant and equipment	**13**	–
Share of loss (profit) of associates	**2,365**	(67)
Share of loss of a jointly controlled entity	**688**	2
Amortisation of intangible asset	**44**	–
Depreciation	**12,909**	8,180
Fair value (gain) loss on investment properties	**(190,000)**	35,000
Provision for amounts due from associates and a related company	**–**	4,015
Gain on disposal of subsidiaries	**–**	(2,703)
Gain on disposal of interest in associates	**(5,747)**	–
Gain on disposal of interest in a jointly controlled entity	**(12,402)**	–
Gain on fair value changes from held-for-trading investments	**(20,075)**	(46,096)
Reversal of impairment losses of long term receivable	**–**	(11,179)
Reversal of impairment losses of a related company	**–**	(3,037)
Share based compensation expenses	**9,439**	12,289
Operating cash flows before movements in working capital	**(65,644)**	(5,104)
Decrease (increase) in accounts receivables, other receivables, prepayments and deposits	**9,084**	(24,305)
Decrease (Increase) of held-for-trading investments	**90,760**	(8,562)
(Decrease) increase in accounts payables, other payables and accruals	**(7,566)**	48,846
Net cash generated from operations	**26,634**	10,875
Tax refund – Hong Kong profits tax	**122**	40
Tax paid – Hong Kong profits tax	**(902)**	–
Net cash generated from operating activities	**25,854**	10,915

	Note	2008 HK$'000	2007 HK$'000
Investing activities			
Purchase of property, plant and equipments		**(86,895)**	(5,224)
Proceeds from disposal of property, plant and equipment		**–**	183
Exploration and evaluation assets additions		**(151,355)**	–
Intangible asset additions		**(424)**	–
Increase in prepayments for exploration and evaluation expenditure		**(82,097)**	(21,661)
Increase in deposits for property, plant and equipment		**(78,233)**	–
Acquisitions of associates		**–**	(8,729)
Capital contribution to associates		**(35,413)**	–
Disposal of associates		**62,135**	–
Advance to associates		**(179,560)**	(56,865)
Sales of a jointly controlled entity		**134,668**	–
Advance to a jointly controlled entity		**(74,387)**	(33,467)
Repayment received from long term receivable		**–**	23,877
Net cash outflows on disposal of a subsidiary	33	**–**	(7,635)
Dividend income		**15**	20,442
Bank interest received		**3,342**	4,351
Net cash used in investing activities		**(488,204)**	(84,728)
Financing activities			
Drawdown (repayment) of borrowings		**71,100**	(24,924)
Proceeds received from issue of shares		**582,300**	5,377
Proceeds received from exercise of share options		**18,460**	–
Interest paid on bank and other borrowings		**(17,575)**	(10,415)
Share issue expenses		**(5,304)**	–
Net cash generated from (used) in financing activities		**648,981**	(29,962)
Net increase (decrease) in cash and cash equivalents		**186,631**	(103,775)
Cash and cash equivalents at beginning of the year		**67,710**	171,485
Cash and cash equivalents at end of the year		**254,341**	67,710

Notes to the Consolidated Financial Statements

for the year ended March 31, 2008

1. General

The Company is a public limited liability company incorporated in Bermuda. The address of its principal place of business is Room 1502-5, New World Tower 1, 16-18 Queen's Road Central, Hong Kong. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Pursuant to a special resolution passed at a special general meeting of its shareholders held on April 18, 2007, the name of the Company was changed from New World Cyberbase Limited to Mongolia Energy Corporation Limited. The Company acts as an investment holding company and its subsidiaries (together the "Group") are principally engaged in energy and related resources, property investments and provision of charter flight services.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In current year, the Group has applied the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the Group's financial year beginning April 1, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations which have been issued but not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arranagements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after January 1, 2009

2 Effective for annual periods beginning on or after July 1, 2009

3 Effective for annual periods beginning on or after January 1, 2008

4 Effective for annual periods beginning on or after July 1, 2008

HKAS 23 (Revised) eliminated the option available under the previous version of HKAS 23 to recognise all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, HKAS 23 (Revised) requires that they shall be capitalised as part of the cost of that asset. All other borrowing costs should be expensed as incurred. The Group currently expenses all borrowing costs as incurred. As a result of the application of HKAS 23 (Revised), borrowing costs related to the acquisition, construction or production of a qualifying asset will be capitalised. The application of the standard on the current year financial statements will result in the capitalisation of interest of HK$17,030,000 of for the acquisition of the mining and exploration rights.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009, HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair value as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in associates

Associates are all entities over which the Group has significant influence which are neither subsidiaries nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associates equals or exceeds its interest in the associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

3. Significant accounting policies *(Continued)*

Investments in associates *(Continued)*

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in jointly controlled entities

A jointly controlled entity is a joint venture in which the Group and other parties undertake an economic activity which is subject to jointly control and none of the participating parties has unilateral control over the economic activity. The Group's investments in jointly controlled entities are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entity's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell as at balance sheet date.

3. Significant accounting policies *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

(a) Rental and management fee income

Rental income is recognized in the consolidated income statement on a straight-line basis over the term of the relevant lease.

Management fee income is recognised when services are provided.

(b) Charter flight income

Charter flight income is recognised when transportation services are rendered.

(c) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(d) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. Significant accounting policies *(Continued)*

Intangible assets

Intangible assets acquired separately

Software acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Prepayments for exploration and evaluation expenditure

Prepayments for exploration and evaluation expenditure, pending exploration works to be performed, are stated at cost and are recognised as exploration and evaluation assets when works have been performed.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of mining and exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either intangible assets or other fixed assets. These assets are assessed for impairment before reclassification.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 Impairment of Assets whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

3. Significant accounting policies *(Continued)*

Exploration and evaluation assets *(Continued)*

Impairment of exploration and evaluation assets *(Continued)*

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Impairment losses on tangible and intangible assets (excluding exploration and evaluation assets)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

3. Significant accounting policies *(Continued)*

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases, except for those classified as investment properties accounted for under the fair value model.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. Significant accounting policies *(Continued)*

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable nor deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. Significant accounting policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of two categories, including financial assets at held-for-trading investments and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the asset.

Income is recognised on an effective interest basis for debt instruments.

Held-for-trading investments

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, held-for-trading investments are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts receivable, other receivables, amounts due from related companies and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. For the convertible note issued in connection to the acquisition of the mining and exploration rights set out in Note 15 (the "2008 Convertible Notes"), the conversion option component is recognised at fair value and included in equity (capital reserve). For other convertible notes, the difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (capital reserve).

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible notes (Continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in capital reserve until the embedded option is exercised (in which case the balance stated in capital reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in capital reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including short-term bank loan, accounts payable, other payables and loan note are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial guarantee contracts

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

Equity-settled share-based payment transactions

Share options granted to employees after November 7, 2002 and vested on or after April 1, 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to the share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to employees after November 7, 2002 and vested before April 1, 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Equity instruments granted for acquisitions of assets

Equity instruments (shares and conversion options) issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the equity instruments granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets.

4. Capital risk management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which included the borrowings disclosed in notes 25 and 27, convertible notes disclosed in note 26 and equity attributable to equity holders of the parent, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly, taking into account of the cost and risk associated with the capital. The Group will then balance its capital structure through the payment of dividends, new shares issues as well as the issue of new debt or the redemption of the existing debt.

5. Financial instruments

5a. Categories of financial instruments

	2008	2007
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**447,694**	204,764
Held-for-trading investments	**54,383**	125,098
Financial liabilities		
Measured at amortised cost	**1,033,270**	142,707

5b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, other receivables, held-for-trading investments, cash and cash equivalents, accounts payable, other payables, short term bank loans, convertible notes and loan note. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risks. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner:

5. Financial instruments *(Continued)*

5b. Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

Several subsidiaries the Company mainly operates in Hong Kong and Mongolia and the exposure in exchange rate risk mainly arises from accounts receivable, accounts payable and bank balances denominated in the foreign currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
United State Dollars ("US$")	**727**	2,688	**288**	7,566
Renminbi ("RMB")	**1**	1	**1,178**	8,772

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The Group is mainly exposed to the fluctuation of RMB against the functional currency of HK$. As HK$ is pegged to US$, the exposure to fluctuations in exchange rate of HK$ against US$ is not considered significant and thus the effect is not considered in the sensitivity analysis.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against the relevant foreign currency of RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes accounts receivable, bank balances and accounts payable denominated in RMB. A negative number below indicates a decrease in profit where the HK$ strengthens 5% against RMB. For a 5% weakening of the HK$ against RMB, there would be an equal and opposite impact on the profit.

	2008	2007
	HK$'000	HK$'000
Profit for the year		
– RMB	**(59)**	(439)

5. Financial instruments *(Continued)*

5b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, such as convertible note and loan note (see Notes 26 and 27 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Notes 23 and 25 for details). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity section of this note. The Group's cash flow interest rate risk is mainly contracted on the fluctuation of Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's Hong Kong Dollar denominated bank balances and short term borrowings.

Sensitivity analysis

The sensitivity analyses below has been determined based on the exposure to interest rates for bank balances and short term borrowings at the balance sheet date. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended March 31, 2008 would decrease/increase by HK$238,531 (2007: decrease/increase by HK$215,281). This is mainly attributable to the Group's exposure to interest rates on its bank balances and variable rates on short term borrowings.

5. Financial instruments *(Continued)*

5b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. Management regularly reviews the expected returns from holding these investments, on an individual basis.

The Group's equity price risk is mainly concentrated on equity instruments operating in the information technology software and service industry.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the balance sheet date.

If the prices of the respective equity instruments had been 5% higher/lower, profit for the year ended March 31, 2008 would increase/decrease by HK$2,719,000 (2007: increase/decrease by HK$6,255,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

As at March 31, 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

(1) the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

(2) the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 31.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk on amount due from an associate. At March 31, 2008, the amount due from an associate represents an advance granted to one associate. The failure of this associate to make required payment could have a substantial negative impact on the Group's profits and liquidity. In order to minimise the credit risk, management of the Group has established procedures to monitor the business operation and financial position of the associate. In addition, the Group reviews the balance with this associate at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputations.

5. Financial instruments *(Continued)*

5b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2008

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at March 31, 2008 HK$'000
Non-derivative financial liabilities							
Accounts payables	–	3,094	1,287	1,927	–	6,308	6,308
Other payables	–	4,139	1,298	24,524	–	29,961	29,961
Bank borrowings	5.00	–	–	198,255	–	198,255	197,900
Convertible note	3.00	–	–	–	155,325	155,325	114,880
Loan note	5.00	–	–	–	905,625	905,625	684,221
		7,233	2,585	224,706	1,060,950	1,295,474	1,033,270

2007

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at March 31, 2007 HK$'000
Non-derivative financial liabilities						
Accounts payables	–	1,848	1,094	4,941	7,883	7,883
Other payables	–	146	7,878	–	8,024	8,024
Bank borrowings	5.21	–	–	136,683	136,683	126,800
		1,994	8,972	141,624	152,590	142,707

5. Financial instruments *(Continued)*

5c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. Revenue and segment information

Revenue represents rental income and management free income earned from investment properties and charter flight income.

Revenues recognised during the year are as follows:

	2008	2007
	HK$'000	HK$'000
Rental income from investment properties	**22,383**	19,132
Management fee from investment properties	**4,525**	4,397
Gross rental income and management fee	**26,908**	23,529
Charter flight income	**3,044**	16,244
	29,952	39,773

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.

6. Revenue and segment information *(Continued)*

Primary reporting format – business segments

In 2008, the Group has commenced its business in coal mining (under the Group's energy and related resources business) and is organised into three main business segments, namely coal mining, property investments and charter flight services.

There are no sales or other transactions between business segments.

The segment results for the year ended March 31, 2008 are as follows:

	Coal mining HK$'000	Property investments HK$'000	Charter flight services HK$'000	Total HK$'000
Revenue	–	26,908	3,044	29,952
Segment results	(17,448)	212,117	(15,087)	179,582
Unallocated corporate expenses				(77,631)
Investment income				3,357
Gain on fair value changes from held-for-trading investments				20,075
Gain on disposal of interests in jointly controlled entities				12,402
Gain on disposal of interests in associates				5,747
Finance costs				(31,271)
Share of losses of associates				(2,365)
Share of loss of a jointly controlled entity				(688)
Profit before income tax				109,208
Income tax expense				(34,808)
Profit for the year				74,400
Depreciation	3,620	–	7,178	10,798
Amortisation	44	–	–	44
Unallocated depreciation				2,111
				12,953
Capital expenditure	12,787,916	–	–	12,787,916
Unallocated capital expenditure				11,587
				12,799,503

6. Revenue and segment information *(Continued)*

Primary reporting format – business segments *(Continued)*

The segment results for the year ended March 31, 2007 are as follows:

	Property investments HK$'000	Charter flight services HK$'000	Total HK$'000
Revenue	23,529	16,244	39,773
Segment results	(17,015)	(14,634)	(31,649)
Unallocated corporate expenses			(28,924)
Investment income			24,793
Gain on fair value changes from held-for-trading investments			46,096
Reversal of impairment losses on long term receivable			11,179
Gain on disposal of interests in subsidiaries			2,703
Reversal of impairment loss of amount due from a related company			3,037
Provision for impairment on amounts due from associates and a related company			(4,015)
Finance costs			(16,145)
Share of profits of associates			67
Share of loss of a jointly controlled entity			(2)
Profit before taxation			7,140
Income tax credit			4,709
Profit for the year			11,849
Depreciation	–	7,927	7,927
Unallocated depreciation			253
			8,180
Unallocated capital expenditure			5,221

6. Revenue and segment information *(Continued)*

Primary reporting format – business segments *(Continued)*

The segment assets and liabilities at March 31, 2008 are as follows:

	Coal mining HK$'000	Property investments HK$'000	Charter flight services HK$'000	Unallocated HK$'000	Total HK$'000
Assets	**12,863,450**	**542,685**	**184,338**	**618,836**	**14,209,309**
Liabilities	**821,028**	**10,295**	**728**	**282,136**	**1,114,187**

The segment assets and liabilities at March 31, 2007 are as follows:

	Property investments HK$'000	Charter flight services HK$'000	Unallocated HK$'000	Total HK$'000
Assets	362,099	198,056	282,924	843,079
Liabilities	6,046	2,834	192,805	201,685

Secondary reporting format – geographical segments

The Group operates in three main geographical areas:

Hong Kong:	Property investments and charter flight services
Mainland China:	Coal mining
Mongolia:	Coal mining

There are no sales between geographical segments.

	For the year ended March 31,			
	Revenue		Capital expenditure	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong	**29,952**	39,773	**–**	–
Mainland China	**–**	–	**8,962**	–
Mongolia	**–**	–	**12,778,954**	–
	29,952	39,773	**12,787,916**	–

6. Revenue and segment information *(Continued)*

Secondary reporting format – geographical segments *(Continued)*

	March 31, 2008 HK$'000	March 31, 2007 HK$'000
Assets		
Hong Kong	**693,985**	499,026
Mainland China	**43,167**	61,129
Mongolia	**12,853,321**	–
	13,590,473	560,155

Revenue is allocated based on the countries or locations in which the customers are located. Assets and capital expenditure are allocated based on where the assets are located.

7. Finance costs

	2008 HK$'000	2007 HK$'000
Interest on borrowings wholly repayable within five years:		
– bank loans	**9,528**	6,771
– convertible note (Note 26)	**2,005**	9,374
– loan note (Note 27)	**11,691**	–
– other borrowings (Note)	**8,047**	–
	31,271	16,145

Note: The amount includes an interest paid to Mr. Lo Lin Shing, Simon ("Mr. Lo"), the executive director of the Company, of HK$3,004,000 for short term loans advanced to the Company during the year. The interest expense was charged at 1% or 1.5% over HIBOR. The loans were fully repaid during the year.

8. Profit before taxation

	2008 HK$'000	2007 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (Note 10)	**4,002**	3,334
Other staff costs	**35,398**	20,298
Retirement benefits scheme contributions (excluding director's contributions)	**418**	134
Total staff costs	**39,818**	23,766
Auditor's remuneration	**1,464**	867
Operating lease rental in respect of office premises	**8,058**	1,332
Direct operating expenses arising from investment properties that generate rental income	**3,121**	5,292
Direct operating expenses arising from investment properties that did not generate rental income	**187**	126
Depreciation of property, plant and equipment	**12,909**	8,180
Amortisation on software	**44**	–
Write off of property, plant and equipment	**13**	183
Net exchange losses (included in other expenses)	**297**	–

9. Income tax expense (credit)

The amount of tax charged (credited) to the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000
Current income tax:		
– Hong Kong profits tax	**819**	616
– (Over) under provision for Hong Kong profits tax in prior year	**(43)**	15
Deferred income tax (Note 28)	**34,032**	(5,340)
	34,808	(4,709)

The Company is not subject to any taxation in Bermuda as Bermuda levies no tax on the income of the Group.

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

	2008 HK$'000	2007 HK$'000
Profit before income tax	**109,208**	7,140
Calculated at a tax rate of 17.5%	**19,111**	1,250
Tax effect on income not subject to tax	**(7,277)**	(15,488)
Tax effect on expenses not deductible for tax purposes	**12,471**	1,676
Tax effect on tax loss not recognised	**10,546**	7,838
(Over) under provision in prior year	**(43)**	15
Income tax expense (credit)	**34,808**	(4,709)

10. Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of each of the directors for the year ended March 31, 2008 is as follows:

Name of Director	Fees HK$'000	Salaries HK$'000	Other benefits HK$'000	Share based payments HK$'000	Employer's contribution to MPF Scheme HK$'000	Total HK$'000
Executive directors						
Lo Lin Shing, Simon	**–**	**–**	**648**	**1,279**	**–**	**1,927**
Yvette Ong	**–**	**1,707**	**46**	**–**	**12**	**1,765**
Non-executive director						
To Hin Tsun, Gerald	**10**	**–**	**–**	**–**	**–**	**10**
Independent non-executive directors						
Peter Pun	**100**	**–**	**–**	**–**	**–**	**100**
Lau Wai Piu	**100**	**–**	**–**	**–**	**–**	**100**
Tsui Hing Chuen, William	**100**	**–**	**–**	**–**	**–**	**100**
	310	**1,707**	**694**	**1,279**	**12**	**4,002**

The remuneration of each of the directors for the year ended March 31, 2007 is as follows:

Name of Director	Fees HK$'000	Salaries HK$'000	Other benefits HK$'000	Share based payments HK$'000	Employer's contribution to MPF Scheme HK$'000	Total HK$'000
Executive directors						
Lo Lin Shing, Simon	–	–	648	–	–	648
Yvette Ong	–	1,707	45	–	12	1,764
Non-executive director						
To Hin Tsun, Gerald	10	–	–	–	–	10
Independent non-executive directors						
Peter Pun	100	–	–	204	–	304
Wei Chi Kuan, Kenny	44	–	–	–	–	44
Lau Wai Piu	100	–	–	204	–	304
Tsui Hing Chuen, William	56	–	–	204	–	260
	310	1,707	693	612	12	3,334

During the two years, no director waived any directors' emoluments.

10. Directors' and senior management's emoluments *(Continued)*

(b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one (2007: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2007: four) highest paid individuals during the year are as follows:

	2008	2007
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**12,817**	2,987
Discretionary bonus	**–**	184
Contributions to pension scheme	**24**	34
Share based payments	**7,481**	11,248
	20,322	14,453

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2008**	2007
Nil – HK$1,000,000	**–**	2
HK$1,500,001 – HK$2,000,000	**1**	1
HK$3,500,001 – HK$4,000,000	**1**	–
HK$6,000,001 – HK$6,500,000	**1**	–
HK$8,500,001 – HK$9,000,000	**1**	–
HK$11,000,001 – HK$11,500,000	**–**	1
	4	4

(c) During the year, no emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on profit attributable to the equity holders of the Company adjusted for interest expense on convertible notes. The weighted average number of ordinary shares in issue during the year, as used in the calculation of basic earnings per share, adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2008	2007
	HK$'000	HK$'000
Earnings		
Profit attributable to the equity holders of the Company, as used in the calculation of basic earnings per share	**74,400**	11,849
Interest expense on convertible notes	**2,005**	–
Profit attributable to the equity holders of the Company, as used in the calculation of diluted earnings per share	**76,405**	11,849

	Number of shares	
	2008	2007
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**3,207,408**	1,924,389
Effect of dilutive potential ordinary shares:		
Convertible notes	**86,065**	–
Share options	**20,050**	9,894
Weighted average number of ordinary shares in issue for diluted earnings per share	**3,313,523**	1,934,283

The computation of 2007 diluted earnings per share did not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share.

12. Property, plant and equipment

	Buildings at the mining site	Leasehold improvements	Computer equipment	Furniture, fixtures and office equipment	Plant, machinery and other equipment	Motor vehicles	Aircraft	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST								
At March 31, 2006	–	620	3,343	1,139	–	397	143,568	149,067
Additions	–	1,487	255	250	–	3,232	–	5,224
Disposals/written off	–	(182)	–	(335)	–	(397)	–	(914)
Disposal of subsidiaries	–	(642)	(204)	(214)	–	–	–	(1,060)
At April 1, 2007	–	1,283	3,394	840	–	3,232	143,568	152,317
Additions	56,665	10,804	2,742	3,531	4,740	8,413	–	86,895
Written off	–	–	(1,563)	(569)	–	–	–	(2,132)
At March 31, 2008	**56,665**	**12,087**	**4,573**	**3,802**	**4,740**	**11,645**	**143,568**	**237,080**
ACCUMULATED DEPRECIATION								
At March 31, 2006	–	178	3,145	899	–	212	641	5,075
Charge for the year	–	119	40	25	–	146	7,850	8,180
Disposal/written off	–	(182)	–	(330)	–	(219)	–	(731)
Disposal of subsidiaries	–	(63)	(26)	(15)	–	–	–	(104)
At April 31, 2007	–	52	3,159	579	–	139	8,491	12,420
Charge for the year	1,417	1,587	516	344	143	1,724	7,178	12,909
Written off	–	–	(1,558)	(561)	–	–	–	(2,119)
At March 31, 2008	**1,417**	**1,639**	**2,117**	**362**	**143**	**1,863**	**15,669**	**23,210**
NET BOOK VALUE								
At March 31, 2008	**55,248**	**10,448**	**2,456**	**3,440**	**4,597**	**9,782**	**127,899**	**213,870**
At March 31, 2007	–	1,231	235	261	–	3,093	135,077	139,897

The following estimated useful lives are used for the depreciation of property, plant and equipment using the straight-line method:

Buildings at the mining site	10 years
Leasehold improvements	over unexpired lease terms
Computer equipment	3 years
Furniture, fixtures and office equipment	5 – 10 years
Plant, machinery, and other equipment	10 – 20 years
Motor vehicles	5 years
Aircraft and engines	12 – 20 years

13. Investment properties

	2008 HK$'000	2007 HK$'000
At beginning of the year	**350,000**	385,000
Increase (decrease) in fair value recognised in the income statement	**190,000**	(35,000)
At end of the year	**540,000**	350,000

The Group's investment properties were revalued on an open market value basis at March 31, 2008 by Jones Lang LaSalle Sallmanns ("Sallmanns"), an independent professionally qualified valuer. Sallmanns has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

Investment properties with an aggregate carrying amount of HK$540,000,000 (2007: HK$350,000,000) have been pledged to secure banking facilities to the extent of HK$197,900,000 (2007: HK$126,800,000) granted to the Group (Note 25).

The investment properties are located in Hong Kong and are held on leases of between 10 to 50 years.

Subsequent to March 31, 2008, the shareholders of the Company have approved, through an ordinary resolution passed at a special general meeting, the disposal of all investment properties held by the Group (the "Property disposal") at a consideration of HK$540 million. The Property disposals are subject to fulfillment of certain conditions which were met on 15 July 2008 and the disposal was finalised.

14. Intangible assets

	Software HK$'000
Additions during the year	424
Less: Amortisation	(44)
As at March 31, 2008	380

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Software	3 years

15. Exploration and evaluation assets

	HK$'000
Additions during the year and as at March 31, 2008	12,712,228

Note: On January 30, 2007, the Group entered into an acquisition agreement (the "Initial agreement") with Puraway Holdings Limited and its subsidiaries (the "PHL"), which is wholly owned by Mr. Liu Cheng Lin ("Mr. Liu"), an independent third party under which the PHL conditionally agreed to sell and the Group conditionally agreed to purchase the mining and exploration rights to an area of 34,000 hectares of a coal mine located in Khovd Province in Mongolia and its mining assets. The Group agreed, upon satisfying a list of precedent conditions, to issue to the PHL: (1) 1,125,000,000 new shares of the Company, (2) HK$142.5 million convertible note with a 3% per annum coupon rate with a 3-year maturity ("2008 Convertible Note"), and (3) HK$787.5 million loan note with a 5% per annum coupon rate with 3-year maturity, as a consideration of the acquisition. The total consideration of the above amounted to HK$12,560,873,000. The acquisition was completed on January 29, 2008 when all the precedent conditions set out in the Initial agreement have been satisfied. Details of convertible note, loan note and share issued are set out in Notes 26, 27 and 29, respectively. As for the fair value of the mining and exploration rights acquired, since only 1.7% of the acquired area has been explored, the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, determined in accordance with HKFRS 2 "Share-based Payments" were used to account for the costs of the mining and exploration rights.

Upon the completion of the acquisition, Mr. Liu became a substantial shareholder of the Company through issuance of equity instruments (share and conversion options) as settlement of part of the purchase consideration.

On May 29, 2007, the Group entered into an agreement to acquire the exploration rights for a further 32,000 hectares of a coal mine in Khovd Province in Mongolia. The agreement was concluded with Shine Ocean International Limited ("SOIL"), a company which Mr. Liu has equity interest in. The exploration rights were initially acquired for a consideration of US$1. In addition, the Group has agreed to pay SOIL, within 30 days after the exploration for the coal resources, ferrous resources and non-ferrous resources (the "Resources"), a resources fee as follows:

(i) Coal resources fees: HK$2.00 per tonne for the coal resources by way of a loan note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment;

(ii) Ferrous resources fees 0.5% of the prevailing international market price for the relevant ferrous material of the quality and type by way of loan note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment; and

(iii) Non-ferrous resources fees 0.5% of the prevailing international market price for the relevant non-ferrous metal of the quality and type by way of loan note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment.

15. Exploration and evaluation assets *(Continued)*

Note: *(Continued)*

The exploration of the acquired area is at the sole and absolute discretion of the Group and no minimum conditions for the exploration has been set by SOIL.

The fees payable for the resources cannot be determined until commencement of exploration, accordingly, only US$1 was recorded in exploration and evaluation assets. The fee payable would be recognised when a reliable measurement of the resource can be obtained, with the corresponding increase in the exploration and evaluation assets.

The Group have not commenced any exploration activity on this coal mine as at March 31, 2008.

16. Interests in associates/Amount due from (to) associates

	2008	2007
	HK$'000	HK$'000
Cost of associates		
– unlisted shares, at cost	**44,234**	9,179
Share of results	**(2,298)**	67
	41,936	9,246

The Group's share of the aggregate amounts of the assets, liabilities and results of the associates are as follows:

	2008	2007
	HK$'000	HK$'000
Assets		
Non-current assets	**14,001**	–
Current assets	**69,389**	24,143
	83,390	24,143
Liabilities		
Non-current liabilities	**(40,003)**	–
Current liabilities	**(1,451)**	(14,897)
Net assets	**41,936**	9,246
Group's share of result of associates for the year	**(2,365)**	67

16. Interests in associates/Amount due from (to) associates *(Continued)*

Details of the associates at March 31, 2008 and 2007 are as follows:

Name	Place of incorporation	Particulars of issued/ registered share capital	Interest held	Principal activities
亞聯公務機有限公司	Mainland China	RMB100,000,000	43%	Provision of charter flight services and aircraft management
Upper Easy Enterprises Limited	British Virgin Islands	5 shares of US$1.00 each	20%	Investment holdings
eGuanxi (Cayman) Limited	Cayman Islands	6,667,000 shares of US$1.00 each	25%	Dormant
BAA Jet Management Limited #	Hong Kong	1,000 share of HK$1.00 each	40.1%	Provision of charter flight services
Moral Known Investments Limited #	British Virgin Islands	3 shares of HK$1.00 each	33.3%	Property development & land investment
Crown Frame Properties Limited (formerly known as Crestbright Properties Ltd.) #	British Virgin Islands	100 shares of HK$1.00 each	30%	Property development & land investment
Crestbright Investments Ltd. #	British Virgin Islands	100 share of HK$1.00 each	34%	Provision of environmental services

Associate disposed of during the year

The capital commitment contracted but not provided for in respect of further capital investment in an associate amounted to HK$35.4 million as at March 31, 2007 (2008: Nil).

The amount due from an associate represents an advance granted to Upper Easy Enterprises Limited, of which Mr. Liu Cheng Lin, a substantial shareholder of the Company, owns the remaining interest. The amount is unsecured and interest free. The advance is expected to be settled within one year upon Upper Easy obtained external funding. The advance was made for the purpose of securing a mineral resource project.

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

17. Assets held for sale

The assets held for sale comprise the Group's interests in three associates, namely Moral Known Investments Ltd, Crown Frame Properties Limited (formerly known as Crestbright Properties Ltd.) and Crestbright Investments Ltd. On May 31, 2007, the Group completed the disposals of the entire equity interests in these associates, together with the assignment of amounts due from associates, to Mr. Lo at a total consideration of HK$56,120,000 and recorded a gain on disposal of approximately HK$3,082,000. Mr. Lo is an executive director and substantial shareholder of the Company. The assets held for sale were stated at their carrying amounts at March 31, 2007.

18. Interest in a jointly controlled entity/Amount due from a jointly controlled entity

	2008 **HK$'000**	2007 HK$'000
Cost of investment in a unlisted jointly controlled entity	**–**	–
Amount due from a jointly controlled entity	**–**	48,569
Less: loss allocated in excess of investment	**–**	(2)
	–	48,567

The amount due from the jointly controlled entity was unsecured, interest free and repayable on demand.

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

Name	**Place of incorporation**	**Particulars of issued share capital**	**Interest held**	**Principal activities**
Everbest Business Limited ("Everbest")	British Virgin Islands	2 shares of US$1.00 each	50%	Aircraft charter

On September 30, 2007, the Group disposed of all of its interest in Everbest at a consideration of approximately HK$134,668,000 which includes a settlement on the amount due from the jointly controlled entity, and recorded a gain of approximately HK$12,402,000 on disposal.

18. Interest in a jointly controlled entity/Amount due from a jointly controlled entity *(Continued)*

The following is an extract of the results and financial position of Everbest based on a set of unaudited accounts for the year ended March 31, 2007 prepared by management of the Group in accordance with those relevant accounting policies as set out in Note 3.

	Everbest 2007 HK$'000	Group's attributable interests 2007 HK$'000
Assets		
Non-current assets – prepayment for purchase of aircraft	97,087	48,544
Liabilities		
Non-current liabilities – shareholders' loans	(97,087)	(48,544)
Current liabilities	(10)	(5)
	(97,097)	(48,549)
Net liabilities	(10)	(5)
Results		
Income	–	–
Expenses	(4)	(2)
Loss for the year	(4)	(2)
Capital commitments		
Contacted but not provided for in respect of the aircraft	145,991	72,995

There are no contingent liabilities relating to the Group's interest in the jointly controlled entity and no contingent liabilities of the jointly controlled entity itself.

19. Held-for-trading investments

	2008 HK$'000	2007 HK$'000
Equity securities of companies listed in Hong Kong	**54,383**	125,098

20. Other assets

Other assets represent club memberships with indefinite useful life and with the rights to use the club facilities and are carried at cost less impairment loss. The club membership has been tested for impairment loss by the management with reference to its second hand market value at the balance date and no impairment loss was charged for both years.

21. Prepayments for exploration and evaluation expenditure

	2008 HK$'000	2007 HK$'000
Road improvement and drilling equipment transport	**25,284**	–
Exploration drilling	**29,936**	21,661
Road design and environmental assessment	**48,538**	–
	103,758	21,661

22. Accounts receivable

The Group's credit terms on its trade customers mainly range from 30 to 90 days. The ageing analysis of accounts receivable of the Group is as follows:

	2008 HK$'000	2007 HK$'000
Current to 30 days	**346**	618
31 to 60 days	**410**	174
61 to 90 days	**118**	442
Over 90 days	**869**	841
	1,743	2,075

Included in the Group's accounts receivable balance are debtors with aggregate carrying amount of HK$987,000 (2007: HK$1,283,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

22. Accounts receivable *(Continued)*

Ageing of trade receivables which are past due but not impaired:

	2008 HK$'000	2007 HK$'000
61 to 90 days	**118**	442
Over 90 days	**869**	841
Total	**987**	1,283

No provision has been made for receivables in both years as there has not been a significant change in credit quality and the amounts are still considered recoverable.

23. Cash and cash equivalents

	2008 HK$'000	2007 HK$'000
Bank balances and cash	**12,663**	59,710
Time deposits	**241,678**	8,000
	254,341	67,710

The weighted average effective interest rate on short-term bank deposits was 2.07% (2007: 2.5%) per annum. The maturity days of the short-term time deposits was one week (2007: one week). Cash at bank earns interest at rates based on daily bank deposit rates.

24. Accounts payable

The ageing analysis of accounts payable is as follows:

	2008 HK$'000	2007 HK$'000
Current to 30 days	**3,094**	1,848
31 to 60 days	**621**	720
61 to 90 days	**666**	374
Over 90 days	**1,927**	4,941
	6,308	7,883

25. Short-term bank loans

The bank loans bear interest at 0.65% (2007: 0.65%) over the HIBOR and are secured by the Group's investment properties. The weighted average effective interest rate for the year was 5.04% (2007: 5.21%) per annum. Mr. Lo has also provided a personal guarantee to the bank to the extent of all outstanding interests in connection with the bank loans.

26. Convertible notes

On February 17, 2006, the Company issued 200,000,000 2.5% convertible notes at a total nominal value of HK$200 million ("2006 Convertible Note"). These convertible notes have a maturity period of three years from the issue date and can be convertible into 1 ordinary share of the Company at HK$0.02 each for every HK$0.18 convertible note at the holder's option. The 2006 Convertible Note was fully converted into ordinary shares during the financial year ended March 31, 2007.

On January 29, 2008, the Company issued 3% 2008 Convertible Note at a total nominal value of HK$142.5 million in connection with the acquisition set out in note 15. The 2008 Convertible Note has a maturity period of three years from the issue date and can be converted into 1 ordinary share of the Company at HK$0.02 each for every HK$0.285 convertible note at the holder's option. Interest of 3% per annum will be paid up until the settlement date.

The convertible notes contains two components, liability and equity elements. The equity element amounted to HK$3,529,218,000 and is presented in equity as part of the "capital reserve". The effective interest rate of the liability component for the 2008 Convertible Bond is 11.23% (2007: for the 2006 Convertible Note was 7.3%).

The movement of the liability component of the 2008 Convertible Note and 2006 Convertible Note for the year is set out below:

	2008 **HK$'000**	2007 HK$'000
At beginning of the year	**–**	175,528
Initial recognition	**112,875**	–
Interest expense (Note 7)	**2,005**	9,374
Interest paid	**–**	(3,644)
Conversion during the year (Note 29)	**–**	(181,258)
At end of the year	**114,880**	–

26. Convertible notes *(Continued)*

The fair value of the equity component of the 2008 Convertible Note is determined by using Binomial model. The inputs into the model were as follows:

	2008
Share price	**HK$7.33**
Expected volatility	**66%**
Risks free rate	**1.68%**
Expected dividend yield	**0%**

27. Loan note

The loan note with principal amount of HK$787.5 million is unsecured, interest bearing at 5% per annum and has a 3-year maturity period but can be repaid before the maturity date at the discretion of the Company. The effective interest rate of the loan note is 10.43%. The directors do not intend to repay the loan note within the next fiscal year and therefore have classified this loan note as non-current liability. Interests on loan note are payable at the maturity date or upon repayment whichever is earlier.

28. Deferred income tax liabilities

The components of the deferred income tax account recognised in the consolidated balance sheet (prior to offsetting of balances within the same tax jurisdiction) and the movements during the year are as follows:

	Investment properties HK$'000	**Convertible notes** HK$'000
At April 1, 2006	43,721	3,495
Credited to the income statement (Note 9)	(5,340)	–
Credited to equity	–	(3,495)
At March 31, 2007 and April 1, 2007	38,381	–
Charged to the income statement (Note 9)	34,032	–
At March 31, 2008	**72,413**	**–**

Deferred income tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. At March 31, 2008, unrecognised tax losses of the Group amounted to HK$105,943,000 (2007: HK$45,680,000). No deferred tax asset has been recognised for these tax losses as it is uncertain as to whether the relevant Group companies will have sufficient future taxable profits to utilise these tax losses. These tax losses do not have an expiry date.

29. Share capital

Authorised and issued share capital

	March 31, 2008 HK$'000	March 31, 2007 HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.02 each	**300,000**	300,000

	Notes	Number of ordinary shares at HK$0.02 each	Amount HK$'000
Issued and fully paid:			
At April 1, 2006		1,486,861,261	29,737
Issue of shares			
– Conversion of 2006 Convertible Note	(i)	1,111,111,102	22,222
– Exercise of share options	(ii)	18,390,000	368
At March 31, 2007 and April 1, 2007		2,616,362,363	52,327
Issue of shares			
– Acquisition of assets	(iii)	1,125,000,000	22,500
– Subscription of new shares	(iii)	1,180,000,000	23,600
– Placing of new shares	(iii)	1,100,000,000	22,000
– Exercise of share options	(ii)	25,900,000	518
At March 31, 2008		**6,047,262,363**	**120,945**

Notes:

(i) During the year ended March 31, 2007, convertible notes with a face value of HK$200,000,000 were converted into 1,111,111,102 ordinary shares of the Company, of which HK$22,222,222 was credited to share capital and the balance was credited to the share premium account.

(ii) During the year, share options to subscribe for 25,900,000 (2007: 18,390,000) shares were exercised, of which HK$518,000 (2007: HK$368,000) was credited to share capital and the balance of HK$31,445,000 (2007: HK$6,716,000) was credited to the share premium account.

29. Share capital *(Continued)*

Authorised and issued share capital *(Continued)*

Notes: *(Continued)*

(iii) On January 29, 2008, the following transactions were completed:

(a) the issuance of 1,125,000,000 new shares of the Company in connection to the acquisition set out in note 15 at HK$7.33 each, being the closing market price at completion date.

(b) subscriptions of 1,180,000,000 new shares of which (i) 780,000,000 shares issued to Golden Infinity Ltd. at HK$0.285 each; (ii) 200,000,000 shares issued to Chow Tai Fook Nominees Limited at HK$0.24 each and (iii) 200,000,000 shares issued to Dragon Noble Group Limited at HK$0.24 each; and

(c) placing of 1,100,000,000 new shares at HK$0.24 each.

30. Share-based payment compensation

Equity-settled share option scheme

Under the share option schemes adopted by the Company on September 22, 2000 (the "Terminated Option Scheme") and August 28, 2002 (the "Existing Option Scheme") options were granted to certain directors and employees of the Company entitling them to subscribe for shares of the Company. The Terminated Option Scheme was terminated on August 28, 2002 upon the adoption of the Existing Option Scheme.

Movements of share options outstanding and their weighted average exercise prices are as follows:

	2008		2007	
	Weighted average exercise price per share HK$	**Number of share options**	Weighted average exercise price per share HK$	Number of share options
At beginning of the year	**0.69**	**25,763,444**	0.1692	15,306,420
Granted	**5.9373**	**5,440,000**	0.69	30,100,000
Exercised	**0.7128**	**(25,900,000)**	0.2924	(18,390,000)
Lapsed/cancelled	**4.5832**	**(504,174)**	0.1695	(1,252,976)
At end of the year	**6.1049**	**4,799,270**	0.69	25,763,444

Options exercised during the year ended March 31, 2008 resulted in 25,900,000 ordinary shares (2007: 18,390,000) being issued at the weighted average exercise price of HK$0.7128 (2007: HK$0.2924) each. The related weighted average share price at the time of exercise was HK$8.269 (2007: HK$1.0797) per share.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

30. Share-based payment compensation *(Continued)*

Share options outstanding at the end of the year have the following exercise period and exercise price:

Date of grant	Exercise price HK$	Exercise period	Number of shares subject to options 2008	2007
1-3-2005	0.1695 (note)	1-3-2005 to 28-2-2012	**4,670**	8,844
15-2-2006	0.1636	15-2-2006 to 16-4-2009	**4,600**	4,600
8-2-2007	0.69	8-2-2007 to 7-2-2012	**–**	25,750,000
23-4-2007	4.62	23-4-2007 to 1-4-2009	**2,100,000**	–
26-3-2008	7.284	26-3-2008 to 25-3-2011	**2,690,000**	–
			4,799,270	25,763,444

Note: The exercise price was adjusted from HK$0.1933 to HK$0.1695 pursuant to the rights issue of the Company during the year ended March 31, 2006.

The fair values of options granted determined using the Binomial Valuation Model were as follow:

	Date of grant of share option February 8, 2007	April 23, 2007	March 26, 2008
Option value (at grant date)	HK$12,289,000	HK$4,452,000	HK$4,987,000
Significant inputs into the valuation model:			
Exercise price at grant date	HK$0.69	HK$4.62	HK$7.28
Share price at grant date	HK$0.69	HK$4.62	HK$7.22
Expected volatility (note)	80%	62.28%	62.01%
Risk-free interest rate	4%	3.92%	1.155%
Expected life of options	5 years	1.94 years	2 years
Expected dividend yield	N/A	N/A	N/A

Note: The expected volatility is measured at the standard deviation of expected share price return and is based on statistical analysis of daily share prices over the last 6 months before the respective dates of grant.

The Group recognised the total expense of HK$9,439,000 for the year ended March 31, 2008 (2007: HK$12,289,000) in relation to share options granted by the Company.

31. Financial guarantees

	2008 HK$'000	2007 HK$'000
Guarantees in respect of credit facilities granted to an associates	**3,340**	1,710

The extent of such facilities utilized by the associate at the balance sheet date was approximately HK$725,000 (2007: HK$395,000).

32. Commitments

In addition to those disclosed elsewhere in the consolidated financial statements, the Group has the following commitments:

(a) Commitments under operating leases

At March 31, 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2008 HK$'000	2007 HK$'000
Not later than one year	**9,821**	2,142
Later than one year and not later than five years	**9,318**	3,389
	19,139	5,531

(b) Future minimum rental payments receivable

The Group's operating leases are for terms of 1 to 5 years. At March 31, 2008, the future minimum rental payments receivable under non-cancellable operating leases are as follows:

	2008 HK$'000	2007 HK$'000
Not later than one year	**23,907**	16,008
Later than one year and not later than five years	**29,735**	8,053
	53,642	24,061

The investments properties were subsequently disposed of on July 15, 2008 as set out in Note 13.

(c) Capital commitment

As at March 31, 2008, the Group had capital commitments contracted for but not provided for amounted to approximately HK$332,050,000 (2007: nil).

33. Disposal of a subsidiary

During 2007, Business Aviation Asia Limited, an indirect wholly owned subsidiary of the Company, disposed of its 59.9% interest in the issued share capital of BAA Jet Management Limited to an independent party at a consideration of HK$599.

	2007 HK$'000
Net assets disposed of:	
Property, plant and equipment (Note 12)	956
Accounts receivable	2,965
Other receivable, prepayments and deposits	3,910
Bank balances and cash	7,635
Accounts payable, other payables and accruals	(18,169)
	(2,703)
Gain on disposal of a subsidiary	2,703
	–
Satisfied by:	
Consideration settled in cash	–
Cash outflow on disposal of a subsidiary	7,635

34. Major non-cash transaction

During the year, the Group entered into an agreement for the acquisition of mining and exploration rights to the value of HK$12,560,873,000. The consideration of which was settled in shares, convertible notes and loan note. Further details of the acquisition are set out in Note 15 above.

35. Balance sheet of the Company

Balance sheet

	2008 **HK$'000**	2007 HK$'000
Total assets	**13,797,617**	556,487
Total liabilities	**(893,093)**	(68,313)
Net assets	**12,904,524**	488,174
Financed by:		
Equity		
Capital and reserves attributable to the Company's equity holders		
Share capital	**120,945**	52,327
Reserves	**12,783,579**	435,847
	12,904,524	488,174

35. Balance sheet of the Company *(Continued)*

Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at April 1, 2006	158,856	199,594	17,711	1,707	(64,202)	313,666
Loss and total recognised expense for the year	–	–	–	–	(57,648)	(57,648)
Issue of shares						
– Conversion of convertible notes	180,242	–	(21,206)	–	–	159,036
– Reversal of deferred tax on equity component of convertible notes	–	–	3,495	–	–	3,495
– Exercise of share options	6,716	–	–	(1,707)	–	5,009
Share-based compensation expenses	–	–	–	12,289	–	12,289
Balance at March 31, 2007 and April 1, 2007	345,814	199,594	–	12,289	(121,850)	435,847
Profit and total recognised income for the year	–	–	–	–	35,987	35,987
Share-based compensation expenses	–	–	–	9,439	–	9,439
Convertible note – equity component	–	–	3,529,218	–	–	3,529,218
Issue of shares						
– Acquisition of asset	8,223,750	–	–	–	–	8,223,750
– Share subscription	294,700	–	–	–	–	294,700
– Placing of shares	242,000	–	–	–	–	242,000
– Share options	31,445	–	–	(13,503)	–	17,942
Share issue expenses	(5,304)	–	–	–	–	(5,304)
Balance at March 31, 2008	**9,132,405**	**199,594**	**3,529,218**	**8,225**	**(85,863)**	**12,783,579**

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

36. Related party transactions

In addition to those disclosed elsewhere in the consolidated financial statements significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

(a) Sales of services

	2008 HK$'000	2007 HK$'000
Associates	**908**	6,776

(b) Service rendered

	2008 HK$'000	2007 HK$'000
Associates	**20,384**	8,672

(c) Key management compensation

	2008 HK$'000	2007 HK$'000
Basic salaries, other allowances and benefits in kind	**14,287**	5,339
Share based payments	**4,597**	10,819
Contributions to pension schemes	**24**	24
	18,908	16,182

37. Particulars of principal subsidiaries

Details of the Group's principal subsidiaries at March 31, 2008 and March 31, 2007:

Name	Place of incorporation	Particulars of issued share capital	Effective interest held	Principal activities
Business Aviation Asia Limited	Hong Kong	1 share of HK$1.00	100%	Investment holding
Cyber Network Technology Limited*	British Virgin Islands	1 share of US$1.00	100%	Investment holding
Gamerian Limited*	British Virgin Islands	1 share of US$1.00	100%	Investment holding
Glory Key Investments Ltd.	British Virgin Islands	1 share of US$1.00	100%	Investment holding

37. Particulars of principal subsidiaries *(Continued)*

Name	Place of incorporation	Particulars of issued share capital	Effective interest held	Principal activities
Jadesails Investments Limited	Hong Kong	10,000 shares of HK$1.00 each	100%	Property investment
Mongolia Energy Corporation (Greater China) Ltd. (formerly known as New World CyberBase (Greater China) Limited)*	Hong Kong	2 shares of HK$1.00 each	100%	Management services
Mongolia Energy Corporation Services Limited (formerly known as New World CyberBase Services Limited)*	Hong Kong	2 shares of HK$1.00 each	100%	Provision of secretarial and nominee services
Quinway Company Limited	Hong Kong	10,000 shares of HK$1.00 each	100%	Property investment
MoEnCo LLC#	Mongolia	10,000 shares of US$1.00 each	100%	Minerals exploration and mining activities

* Subsidiaries directly held by the Company.

\# Subsidiary which was incorporated during 2007.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

38. Subsequent events

Other than that was disclosed in Note 13, the subscription of HK$2 billion zero coupon convertible note by Chow Tai Fook Nominee Limited was completed on April 30, 2008. The net proceeds of the convertible note is intended to assist the Group in the funding of the construction of coking facilities for the production at 2 to 3 million tonnes of coke per annum. The Group has the discretion to apply the net proceeds of the convertible note for the development of other energy and resources projects.

The Group has awarded two road works contracts on July 7, 2008 worth RMB866,085,861. These contracts relate to foundation construction of the Khushuut Road from the Group's coal mine areas in Khushuut, western Mongolia to the border crossing with Xinjiang, PRC. The contract sum will be financed by internal resources.

Summary of Results, Assets and Liabilities

	Results of the Group for the year ended March 31				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	**HK$'000**
Turnover	29,650	18,776	24,052	39,773	**29,952**
Profit/(loss) attributable to Shareholders	(26,207)	9,100	(1,383)	11,849	**74,400**
Earnings/(loss) per share (HK cents) (Note 1)					
– Basic	(9.00)	3.11	(0.25)	0.62	**2.32**
– Diluted	N/A	3.11	(0.02)	0.61	**2.31**

	Assets and liabilities of the Group at March 31				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	**HK$'000**
Total assets	416,628	477,794	818,114	843,079	**14,218,207**
Less: Total liabilities	(188,740)	(251,548)	(390,988)	(201,685)	**(1,123,085)**
Total net assets	227,888	226,246	427,126	641,394	**13,095,122**

Notes:

(1) As a result of the rights issue in the year 2006, figures for the years from 2004 to 2005 have been adjusted for comparison purpose.

(2) The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after January 1, 2005. Figures for the year 2005 have been adjusted for these new and revised policies in accordance with the transitional provisions as disclosed in note 2 to the 2006 financial statements. However, it is not practicable to restate the financial statements for the year ended March 31, 2004 for comparison purposes.

Schedule of Principal Property

Investment property

Location	Purpose	Term of lease	Group Interest %
Basement and Ground Floor Bank of America Tower No. 12 Harcourt Road Central Hong Kong	Commercial	Medium term	100