MONGOLIA ENERGY CORPORATION

蒙古能源有限公司

Incorporated in Bermuda with limited liability
Stock Code: 276

INTERIM REPORT 2008

VISION

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

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Chairman's Statement

Dear Shareholders,

In the 2007/2008 Annual Report of Mongolia Energy Corporation Limited ("MEC"), I, as Chairman of MEC, reported the then developments of MEC's business in the energy and related resources sector. I am pleased to present you with MEC's 2008 Interim Report for the six months ended September 30, 2008.

To recap:

- MEC acquired around 330,000 hectares of concession areas in western Mongolia for coal, ferrous and non-ferrous metal resources. As an update, the exploration work by MEC within 600 hectares of concession areas in "Khushuut" demonstrated 150 million tonnes of JORC Code* ("JORC") compliant coal resources. MEC is working on commencement of production as set out below. MEC also carried out preliminary exploration work at "Olan Bulag", Western Mongolia of over 7,000 cumulative meters of drilling and geological reconnaissance for gold and copper prospects at "Gobi-Altai", western Mongolia. In 2009, MEC will continue geological reconnaissance over various concession areas and develop an exploration program to carry out further exploration at potential prospect areas.

- MEC has a 20% interest in approximately 487,509 hectares of an oil and gas project in western Mongolia. This is at the feasibility study stage. CNPC Daqing Petroleum is co-operating with MEC.

- MEC is acquiring 20% benefits of a multi-metals project in Xinjiang Uygur Autonomous Region ("Xinjiang"), PRC. 235,600 tons of tungsten trioxide and 49,400 tons of tin resources are already demonstrated. As a further update, the transaction was recently sanctioned by the independent shareholders of MEC. MEC will work towards completing the transaction.

- MEC is acquiring 20% benefits of two joint ventures in Xinjiang, PRC. This is with two PRC geological bureaus. The geologic bureaus have demonstrated 2 billion tonnes of coal resources. As a further update, MEC acquired 25% interest of Xinjiang Kaiyue Yuan. This is a wholly foreign owned enterprise. The acquisition was for RMB37.5 million. As Xinjiang Kaiyue Yuan is to own 80% of the two joint ventures, MEC's 25% interest in Xinjiang Kaiyue Yuan, translates to 20% benefits of the two joint ventures. In addition, MEC will also benefit from 25% of any further projects of Xinjiang Kaiyue Yuan which is approved by PRC to invest in coal, copper and iron resources.

- MEC increased its asset value to HK$14.2 billion, or HK$2.2 per share, after acquisition of 66,000 hectares of concession areas for coal resources at "Khushuut", "Darvi" and "Gants Mod". This is out of the 330,000 hectares of concession areas for coal, ferrous and non-ferrous metal resources in western Mongolia.

In addition, MEC, as a 20% consortium member, successfully tendered for an oil and gas production sharing contract with the Government of Mongolia for the Ergel XII Petroleum Block in southern Mongolia. This was after a contested international open tender for the petroleum block. The petroleum block is some 1.18 million hectares in size. It is around 150 km away from Erlian, Inner Mongolia. The project represents a co-operation with the peoples of Mongolia and expansion of MEC's projects from western Mongolia, to southern Mongolia. The production sharing contract needs to be ratified by the Government of Mongolia. Following ratification MEC will invite CNPC Daqing Petroleum and other international oil and gas companies, as appropriate, to co-operate on the project.

Aside from the transactions of MEC as set out above, MEC is working on the concessions in western Mongolia. In 2007, MEC demonstrated around 150 million tonnes of JORC compliant coal resources in 600 hectares of the 330,000 hectares of concession areas, at "Khushuut", western Mongolia. The JORC compliant coal resources are based on the 2007 Khushuut exploration program by MEC of approximately 200 holes and cumulative drilling of 52,000 meters. The 2008 Khushuut exploration by MEC included an additional 42 drill holes of over 7,000 cumulative meters of drilling to better define coal quality. It is anticipated that substantially all the JORC compliant resources can be blended to produce premium coking coal products.

MEC commissioned an independent market study report. The report concludes that there is sustained demand for MEC's coking coal by steel mills located in Xinjiang, PRC. The market study builds on a price decrease through to 2010. In short, despite the current market conditions, MEC has a premium product which is in sustained demand by the steel mills in Xinjiang, PRC.

To get from Khushuut, to the Xinjiang markets, MEC is upgrading and building approximately 340 km of roadway, the "Khushuut Road", from Khushuut to the Yarant border crossing. Approximately 243 km of the Khushuut Road foundation is complete and interconnecting to an existing roadway owned by local Mongolian government. The Khushuut Road will be ready prior to the scheduled commencement of mining operation next year.

MEC's plan is to commence an initial 3 million tonnes per annum mining operation. Mine planning is being finalized and mining commencement is scheduled to begin by the middle of 2009. MEC's objective is to expand the operations to 8 million tonnes per annum by 2012.

I hope to report to you on MEC's progress from time to time. In the meantime, please visit our website at www.mongolia-energy.com, for the latest information relating to MEC as set out under our announcements and circulars, which you should read with this report.

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
December 19, 2008

* *Australasian Joint Ore Reserves Committee (JORC), which is sponsored by the Australian mining industry and its professional organizations publishes the Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code). Please see www.jorc.org.*

Management Discussion and Analysis

RESULTS ANALYSIS

For the six months ended September 30, 2008 (the "Period"), the Group continued to focus on building its energy and related resources business.

During the Period, on July 15, 2008, the Group disposed of its investment property to an independent third party at a consideration of HK$540.0 million. This was at approximately the peak of the recent real estate cycle. The property investment business is presented as discontinued operation in the condensed consolidated financial statements for the Period.

The aggregate turnover from the continuing operations, mainly the private jet business, and discontinued operation, namely the real estate investment disposed on July 15, 2008, were HK$10.5 million (2007: HK$15.4 million) during the Period. The decrease was contributed by the disposal of the investment property on July 15, 2008 which reduced the rental income during the Period.

The profit for the Period from the discontinued operation was HK$56.1 million (2007: HK$5.9 million). The increase was mainly due to an accounting treatment on the reversal of deferred taxation charge, which is non-cash in nature, upon the disposal of the Group's investment property in July 2008.

The loss for the Group during the Period was HK$185.6 million (2007: Profit of HK$4.4 million) flowing mainly from the accounting loss relating to the energy and related resources projects of the Group. In fact, HK$179.4 million of the loss during the Period relates to the accounting loss treatment from (1) an early partial redemption of loan note[1] (HK$73.6 million) and (2) the interest element of the HK$2 billion zero coupon convertible note, which requires a notional interest element on the liability portion of the zero coupon convertible note despite it bears zero interest along with interest element of another convertible note[2] (HK$86.1 million) and (3) the fair value change from listed Hong Kong investments of HK$19.7 million (2007: Gain of HK$40.6 million) with the decrease in prices of Hong Kong equities over the Period.

[1] *The loss on early redemption of loan note of HK$73.6 million (2007: Nil) being the difference between the face value of the loan note redeemed and the carrying amount of the fair value of the loan note at the date of redemption. The redemption was supported by the Group's increased cashflow from the HK$540 million disposal of the investment property as set out above and completion of the issuance of HK$2 billion zero coupon convertible note during the Period.*

[2] *For completeness, please refer to note 14 to the condensed consolidated financial statements for details of the convertible notes. The coupon payments on the convertible notes (if any) are payable only at the maturity date or upon repayment whichever is the earlier.*

BUSINESS REVIEW

In May 2008, the Group acquired title to an additional of around 264,000 hectares of concession areas in western Mongolia for coal, ferrous and non-ferrous metal resources. This brings to a total of around 330,000 hectares of concession area in western Mongolia acquired by the Group for coal, ferrous and non-ferrous metal resources.

The Group also entered into an agreement to acquire a 25% minority interest in Xinjiang Kaiyue Yuan Minerals Company Limited (新疆凱禹源礦業有限公司) ("Kaiyue Yuan"). This provides the Group with the opportunities to indirectly participate in 20% of two joint ventures to be established with two PRC geological bureaus for approximately 2 billion tonnes of coal resources in Xinjiang, PRC. This is through Kaiyue Yuan's 80% interests under the two joint ventures. Also, the Group has the opportunity to participate in other projects of Kaiyue Yuan. Kaiyue Yuan is authorised to invest into coal, copper and iron resources related project. This acquisition of 25% interest Kaiyue Yuen was completed after the Period.

In order to further expand the Group's energy and resources business, the Group, as 20% consortium member won an open and contested international tender with the Government of Mongolia over a production sharing contract over the Ergel XII petroleum block in southern Mongolia, 150 km from Erlian, Inner Mongolia. The production sharing contract is at the ratification stage by the Government of Mongolia. The Group will invite CNPC Daqing Petroleum to assist on the project following and subject to ratification by the Government of Mongolia.

During the Period, the Group started the upgrade and the building of foundation works over the road (the "Khushuut Road"), which connect the Group's mine area in Khushuut to Takeshenken (Yarant) border crossing at Xinjiang, PRC. The contract sum is approximately RMB866.1 million. The Khushuut Road will assist the Group's commencement of mining operations. This allows the Group to transport coal from the Khushuut mine site to the target market in Xinjiang, PRC. 243 km of the road has since been built. There is an interconnection with an existing road of the local government for the rest of the route, which depending on terms, may be used by the Group. In any event, the Khushuut Road foundation will be in place to complement commencement of mining operations.

OUTLOOK

An important focus of the Group, aside from identifying further investment opportunities and working on the geological reconnaissance and exploration of the existing concession areas and projects, is working towards an initial 3 million tonnes per annum coal mining operation in Khushuut, western Mongolia next year, principally on coking coal. Our objective is to expand the operation to 8 million tonnes and beyond per annum by 2012. The mine planning is being finalised.

The Group commissioned Shanxi Fenwei Energy Consulting Co. Ltd. ("Fenwei") to conduct an independent market research on MEC's coal products. Fenwei affirms that there is a sustained demand for coking coal by steel mills in Xinjiang, PRC. They recommended the Group to focus on selling coking coal to Xinjiang, PRC as a strategy. Although recent trends indicate a decrease in prices of coking coal, the Group is confidence that the premium coking coal products will attract favourable markets.

Apart from the upcoming mining operation, as noted, the Group will continue geological reconnaissance over various concession areas in western Mongolia to identify coal and metal prospects next year and to develop the exploration programs to carry out further exploration at areas of interest.

In view of the current market conditions, the private jet charter operation will have its challenges. However, the operation currently compliments the Group's energy and related resources business.

The Group, until the commencement of commercial coal production, may continue to experience a decrease in turnover and loss in the remaining financial year. The focus of the Group remains to move towards commercial production of the Khushuut mine project and working the Group's concessions and projects in Mongolia and Xinjiang, PRC. The Group is focused on being a leading company in the energy and related resources sector.

FINANCIAL RESOURCES

1. Liquidity and financial 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 September 30, 2008 amounted to HK$294.1 million (March 31, 2008: HK$742.7 million) and the net asset value per share was HK$2.24 (March 31, 2008: HK$2.17).

The drop in the net borrowings of the Group was due to the disposal of the investment property at a consideration of HK$540 million and the full settlement of the related secured bank loan of approximately HK$197.9 million.

During the Period, Chow Tai Fook Nominee Limited subscribed HK$2 billion zero coupon convertible note with 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 HK$7.3 at the holder's option. The net proceeds of the convertible note is intended to assist the Group in the development of energy and resources projects including but not limited to the construction of coking facilities.

Aside from the zero coupon convertible note, the Group has a loan note and a convertible note with face value of HK$426 million as at September 30, 2008. The maturity date of the loan note and convertible note are both January 29, 2011, with interest rates of 5% and 3% per annum on their respective face values respectively. The interest expenses on the loan note and convertible note are payable on maturity or on redemption whichever is the earlier.

As at September 30, 2008, the cash and bank balances were HK$1,518.7 million (March 31, 2008: HK$254.3 million). The liquidity ratio as at September 30, 2008 was 10.6 (March 31, 2008: 2.1).

2. Investment in listed securities

As at September 30, 2008, the Group's portfolio comprised mainly Hong Kong listed securities with fair value of HK$33.1 million (March 31, 2008: HK$54.4 million). During the period, investment in listed securities reported a fair value loss of HK$19.7 million (2007: Gain of HK$40.6 million) and dividend income of HK$10.9 million (2007: HK$1.9 million).

3. Charge on Group's assets

As at September 30, 2008, there were no charges on the Group's assets (March 31, 2008: Investment property with carrying value of HK$540 million was pledged to a bank to secure banking facilities granted to the Group).

4. Gearing Ratio

As at September 30, 2008, the gearing ratio of the Group was 0.12 (March 31, 2008: 0.07) which was calculated based on the Group's total borrowings to total assets.

5. 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 Mongolian Tugrik. The Group does not have a foreign currency hedging policy. However, management will monitor foreign exposure and will consider hedging significant currency exposure should the need arise.

6. Contingent liabilities

As at September 30, 2008, the Group did not have significant contingent liabilities (March 31, 2008: Nil).

Report on Review of Interim Financial Information

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
MONGOLIA ENERGY CORPORATION LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 28, which comprise the condensed consolidated balance sheet of Mongolia Energy Corporation Limited and its subsidiaries as of September 30, 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement for the six-month period ended September 30, 2007 and the comparative condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period ended September 30, 2007 disclosed in the interim financial information have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

December 19, 2008

Condensed Consolidated Income Statement

For the six months ended September 30, 2008

	Notes	Six months ended September 30, 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Continuing operations:			
Revenue	*3*	**1,569**	2,228
Investment income		**10,894**	1,937
Other income		**147**	—
Staff costs		**(25,979)**	(17,339)
Depreciation		**(11,422)**	(5,169)
Other expenses		**(32,125)**	(36,064)
Loss on early redemption of loan note	*4*	**(73,581)**	—
Gain on disposal of interests in subsidiaries		**—**	15,954
(Loss) gain on change in fair value of held-for-trading investments		**(19,712)**	40,555
Operating (loss) profit from continuing operations		**(150,209)**	2,102
Finance costs	*5*	**(100,221)**	(2,888)
Share of loss of an associate		**(2,898)**	—
Share of loss of jointly controlled entity		**—**	(688)
Loss before taxation		**(253,328)**	(1,474)
Income tax credit	*6*	**11,584**	—
Loss for the period from continuing operations		**(241,744)**	(1,474)
Discontinued operation:			
Profit from discontinued operation	*7*	**56,133**	5,866
(Loss) profit for the period attributable to equity holders of the Company	*8*	**(185,611)**	4,392
(LOSS) EARNINGS PER SHARE	*9*		
From continuing operations and discontinued operation — basic (HK cents)		**(3.07)**	0.17
— diluted (HK cents)		**(3.07)**	0.17
From continuing operations — basic (HK cents)		**(4.00)**	(0.06)
— diluted (HK cents)		**(4.00)**	(0.06)

Condensed Consolidated Balance Sheet

At September 30, 2008

	Notes	September 30, 2008 HK$'000 (unaudited)	March 31, 2008 HK$'000 (audited)
Non-Current Assets			
Property, plant and equipment	*10*	**211,301**	213,870
Investment properties	*10*	**—**	540,000
Intangible assets		**513**	380
Development in progress	*11*	**525,994**	—
Exploration and evaluation assets		**12,855,285**	12,712,228
Interests in associates		**38,518**	41,936
Other assets		**1,150**	1,150
Prepayments for exploration and evaluation expenditure		**71,274**	103,758
Prepayments for property, plant and equipment		**52,466**	23,656
Other long term deposits		**55,984**	54,577
		13,812,485	13,691,555
Current Assets			
Accounts receivable	*12*	**726**	1,743
Other receivables, prepayments and deposits		**59,266**	16,185
Held for trading investments		**33,069**	54,383
Amount due from associates		**206,236**	200,000
Cash and cash equivalents		**1,518,742**	254,341
		1,818,039	526,652
Current Liabilities			
Accounts payable	*13*	**3,124**	6,308
Other payables and accruals		**157,986**	38,164
Amount due to an associate		**4,093**	8,898
Short term bank loans		**—**	197,900
Tax payable		**6,692**	301
		171,895	251,571
Net Current Assets		**1,646,144**	275,081
		15,458,629	13,966,636

	Notes	September 30, 2008 HK$'000 (unaudited)	March 31, 2008 HK$'000 (audited)
Non-Current Liabilities			
Convertible notes	*14*	**1,546,011**	114,880
Loan note		**266,808**	684,221
Deferred income tax liabilities		**96,482**	72,413
		1,909,301	871,514
Net assets		**13,549,328**	13,095,122
Financed by:			
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	*15*	**120,964**	120,945
Reserves		**13,428,307**	12,974,120
		13,549,271	13,095,065
Minority interests		**57**	57
Total Equity		**13,549,328**	13,095,122

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Exchange translation HK$'000	Retained profits (accumulated losses) HK$'000	Minority interests HK$'000	Total HK$'000
At April 1, 2007 (audited)	52,327	345,814	199,594	—	12,289	—	31,313	57	641,394
Share-based compensation expenses	—	—	—	—	2,869	—	—	—	2,869
Profit for the period and total recognised income for the period	—	—	—	—	—	—	4,392	—	4,392
At September 30, 2007 (unaudited)	52,327	345,814	199,594	—	15,158	—	35,705	57	648,655
At April 1, 2008 (audited)	**120,945**	**9,132,405**	**199,594**	**3,529,218**	**8,225**	**(1,035)**	**105,713**	**57**	**13,095,122**
Currency translation differences and income recognised directly in equity	**—**	**—**	**—**	**—**	**—**	**88,004**	**—**	**—**	**88,004**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**(185,611)**	**—**	**(185,611)**
Total recognised income and expense for the period	**—**	**—**	**—**	**—**	**—**	**88,004**	**(185,611)**	**—**	**(97,607)**
Share-based compensation expenses	**—**	**—**	**—**	**—**	**541**	**—**	**—**	**—**	**541**
Convertible note equity component	**—**	**—**	**—**	**654,948**	**—**	**—**	**—**	**—**	**654,948**
Deferred tax on equity	**—**	**—**	**—**	**(108,066)**	**—**	**—**	**—**	**—**	**(108,066)**
Issue of shares — Exercise of share options	**19**	**5,987**	**—**	**—**	**(1,616)**	**—**	**—**	**—**	**4,390**
At September 30, 2008 (unaudited)	**120,964**	**9,138,392**	**199,594**	**4,076,100**	**7,150**	**86,969**	**(79,898)**	**57**	**13,549,328**

Condensed Consolidated Cash Flow Statement

For the six months ended September 30, 2008

	Six months ended September 30,	
	2008	2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(90,733)**	(141,320)
Net cash from investing activities		
Proceeds from disposal of investment properties	**515,735**	—
Development in progress additions	**(392,914)**	—
Other investing cash flows	**(59,528)**	20,069
	63,293	20,069
Net cash from financing activities		
(Repayment) drawdown of borrowings	**(197,900)**	411,100
Repayment of loan note	**(504,000)**	—
Proceeds received from issue of zero coupon convertible note	**2,000,000**	—
Other financing cash flows	**(6,259)**	—
	1,291,841	411,100
Net increase in cash and cash equivalents	**1,264,401**	289,849
Cash and cash equivalents at beginning of the period	**254,341**	67,710
Cash and cash equivalents at end of the period, represented by bank balances and cash	**1,518,742**	357,559

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended March 31, 2008.

In the current interim period, the Group has applied, for the first time, the following new amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on April 1, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are 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]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[2]
HKFRSs (Amendments)	Improvements to HKFRSs[5]

[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 July 1, 2008*

[4] *Effective for annual periods beginning on or after October 1, 2008*

[5] *Effective for annual periods beginning on or after January 1, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after July 1, 2009*

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 and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Primary reporting format — business segments

For management purposes, the Group is currently organised into two operating divisions — coal mining and charter flight services. These divisions are the basis on which the Group reports its primary segment information.

The Group was also involved in property investments. That operation was discontinued on July 15, 2008 (see note 7).

There are no sales or other transactions between business segments.

	For the six months ended September 30, 2008			
	Continuing operations			Discontinued operation
	Coal mining HK$'000	Charter flight services HK$'000	Total HK$'000	Property investment HK$'000
Turnover	—	1,569	1,569	8,928
Segment results	(21,768)	(8,570)	(30,338)	5,253
Unallocated corporate expenses			(37,619)	—
Investment income			10,894	—
Other income			147	1,726
Unallocated loss				
— Loss on early redemption of loan note	(73,581)		(73,581)	—
— Loss on disposal of investment properties			—	(16,062)
— Loss on change in fair value of held-for-trading investments			(19,712)	—
Operating losses			(150,209)	(9,083)
Finance costs			(100,221)	(772)
Share of loss of an associate			(2,898)	—
Loss before taxation			(253,328)	(9,855)
Income tax credit			11,584	65,988
(Loss) profit for the period			(241,744)	56,133

The segment results for the period ended September 30, 2007 are as follows:

	For the six months ended September 30, 2007			
	Continuing operations			Discontinued operation
	Coal mining HK$'000	Charter flight services HK$'000	Total HK$'000	Property investment HK$'000
Turnover	—	2,228	2,228	13,178
Segment results	(10,275)	(5,936)	(16,211)	10,953
Unallocated corporate expenses			(40,133)	—
Investment income			1,937	—
Other income			—	79
Unallocated gain				
— Gain on disposal of interests in subsidiaries			15,954	—
— Gain on change in fair value of held-for-trading investments			40,555	—
Operating profit			2,102	11,032
Finance costs			(2,888)	(4,773)
Share of loss of jointly controlled entity			(688)	—
(Loss) profit before taxation			(1,474)	6,259
Income tax charge			—	(393)
(Loss) profit for the period			(1,474)	5,866

4. LOSS ON EARLY REDEMPTION OF LOAN NOTE

During the interim period, the Company early redeemed part of the loan note with a principal amount of HK$504,000,000. Under the term of the loan note, the loan note 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 early redemption gave rise to a loss of approximately HK$73,581,000.

5. FINANCE COSTS

	Six months ended September 30, 2008 HK$'000	2007 HK$'000
Continuing operations		
Interest expense:		
— convertible notes	**86,079**	2,005
— loan note	**23,656**	—
— other borrowings	**—**	883
Less: Interest expense capitalised under development in progress	**(9,514)**	—
	100,221	2,888
Discontinued operation		
Interest expense:		
— bank loans	**772**	4,773

6. INCOME TAX CREDIT

The amount of taxation credited to the consolidated profit and loss account represents:

	Six months ended September 30, 2008 HK$'000	2007 HK$'000
Continuing operations		
Current income tax at Hong Kong tax rate 16.5% (2007: 17.5%)	**—**	—
Deferred income tax credit	**11,584**	—
Income tax credit relating to continuing operations	**11,584**	—
Discontinued operation		
Current income tax at Hong Kong tax rate 16.5% (2007: 17.5%)	**(6,427)**	—
Deferred income tax credit (charge)	**72,415**	(393)
Income tax credit (charge) relating to discontinued operation	**65,988**	(393)
Income tax credit (charge) relating to continuing operations and discontinued operation	**77,572**	(393)

7. DISCONTINUED OPERATION

During the period, the Group disposed of all its investment properties to an independent third party. Details regarding the disposal are set out in Note 10.

The profit for the period from the discontinued operation is analysed as follows:

	Six months ended September 30,	
	2008	2007
	HK$'000	HK$'000
Profit from property investments operation for the period	**72,195**	5,866
Loss on disposal of investment properties	**(16,062)**	—
	56,133	5,866

An analysis of the results and cash flows of the discontinued operation is as follows:

	Six months ended September 30,	
	2008	2007
	HK$'000	HK$'000
Revenue	**8,928**	13,178
Other income	**1,726**	79
Staff cost, depreciation and other expenses	**(3,675)**	(2,225)
Finance costs	**(772)**	(4,773)
Profit before taxation	**6,207**	6,259
Income tax credit (charge)	**65,988**	(393)
Profit for the period	**72,195**	5,866
Net cash generated from operating activities	**5,283**	12,468
Net cash generated from investing activities	**517,350**	79
Net cash generated from (used in) financing activities	**9,894**	(21,419)
Total net cash inflow (outflow)	**532,527**	(8,872)

8. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after crediting and charging:

	Six months ended September 30,	
	2008	2007
	HK$'000	HK$'000
Crediting		
Gross rental income and management fee from investment properties	**8,928**	13,178
Investment income	**10,894**	1,937
Charging		
Provision for amount due from associates	**—**	2,229
Exchange loss	**40**	291
Operating lease rentals in respect of land and buildings	**5,335**	2,804
Direct outgoings in respect of investment properties	**1,701**	1,598
Amortisation of intangible assets	**77**	—

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended September 30,	
	2008	2007
	HK$'000	HK$'000
(Loss) earnings		
(Loss) earnings from continuing operations and discontinued operation attributable to the equity holders of the Company, as used in the calculation of basic and diluted (loss) earnings per share	**(185,611)**	4,392
Loss from continuing operations attributable to the equity holders of the Company, as used in the calculation of basic and diluted loss per share	**(241,744)**	(1,474)

	Number of shares Six months ended September 30,	
	2008	2007
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue for (loss) earnings per share	**6,047,913**	2,616,362

The computation of 2008 and 2007 diluted loss per share from continuing operations does not assume the conversion of the Company's outstanding convertible notes and/or exercise of share options since their exercise would result in a decrease in loss per share. The denominators used are the same as those detailed above for basic and diluted (loss) earnings per share from continuing operations and discontinued operation.

From discontinued operation

Basic earnings per share from discontinued operation is HK cents 0.93 per share (2007: HK cents 0.23 per share) and diluted earnings per share from the discontinued operation is HK cents 0.93 per share (2007: HK cents 0.23 per share), based on the profit for the period from the discontinued operation of approximately HK$56,133,000 (2007: HK$5,866,000) and the denominators detailed above for both basic and diluted earnings per share.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group spent approximately HK$1,724,000 on leasehold improvements of new office premises, HK$2,193,000 on plant, machinery and other equipment and HK$7,520,000 on motor vehicles.

During the period, the Group disposed all of its investment properties with a carrying amount of HK$540,000,000 for a consideration of approximately HK$523,938,000, resulting in a loss on disposal of approximately HK$16,062,000, which was included in the profit from discontinued operation. For cash flow purpose, approximately HK$515,735,000 was received in cash while the remaining HK$8,203,000 was settled through discharging the Group from a liability in relation to the rental deposits received by the Group.

11. DEVELOPMENT IN PROGRESS

During the period, an agreement was entered between the Governor's Administration Office of Khovd Province of Mongolia ("the Governor") and MoEnCo LLC, a wholly owned subsidiary of the Company, on a road exclusive use right granted by the Governor to MoEnCo LLC subject to certain conditions. Under the terms of the agreement, MoEnCo LLC will construct a road at its own costs from the Group's mine areas in Khushuut, western Mongolia to the Yarant border crossing with Xinjiang, People's Republic of China ("PRC"), with the construction permit granted to MoEnCo LLC from the Ministry of Road, Transportation and Tourism of the Mongolian government. In return, MoEnCo LLC enjoys the rights (the "Road Use Right"), which was granted at the date of the agreement, for the unrestricted use of the road for 30 years (the "approved period"). The road will be opened to public use subject to weight restrictions. The Group is also responsible for maintenance of the road during the approved period. The Group will use the road mainly for the purpose of transporting coal from its mine areas to its customers in PRC and the road is under development at September 30, 2008.

12. ACCOUNTS RECEIVABLE

The Group's credit terms on provision of services range from 30 to 90 days. The ageing analysis of accounts receivable is as follows:

	September 30, 2008 HK$'000	March 31, 2008 HK$'000
Current to 30 days	**276**	346
31 to 60 days	**380**	410
61 to 90 days	**—**	118
Over 90 days	**70**	869
	726	1,743

13. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	September 30, 2008 HK$'000	March 31, 2008 HK$'000
Current to 30 days	**1,630**	3,094
31 to 60 days	**509**	621
61 to 90 days	**266**	666
Over 90 days	**719**	1,927
	3,124	6,308

14. CONVERTIBLE NOTES

On January 29, 2008, the Company issued a 3% convertible note ("Convertible Note") at a total nominal value of HK$142.5 million. It 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 at the holder's option. Interest of 3% per annum will be paid up until the settlement date.

On April 30, 2008, the Company issued a zero coupon convertible note ("Zero Coupon Convertible Note") at a total nominal value of HK$2 billion. It 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$7.3 at the holder's option. The Zero Coupon Convertible Note entitles the holder to convert it into ordinary shares of the Company at any time between the date of issue of the note and its maturity date on April 30, 2011 and if it has not been converted, it will be redeemed on April 30, 2011 at par.

These convertible notes contain two components, a liability and an equity element. The equity component is presented in equity as part of the Capital Reserve. The effective interest rates of the liability component for the Convertible Note and Zero Coupon Convertible Note are 11.23% and 14.14% respectively.

The movement of the liability component of the Convertible Note and Zero Coupon Convertible Note for the period is set out below:

	September 30, 2008 HK$'000	March 31, 2008 HK$'000
At beginning of the period	**114,880**	—
Initial recognition	**1,345,052**	112,875
Interest expense	**86,079**	2,005
At end of the period	**1,546,011**	114,880

15. SHARE CAPITAL

Authorised and issued share capital

	September 30, 2008 HK$'000	March 31, 2008 HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.02 each	**300,000**	300,000

	Number of ordinary shares at HK$0.02 each	**Amount** HK$'000
Issued and fully paid:		
At April 1, 2007	2,616,362,363	52,327
Issue of shares		
— Acquisition of assets	1,125,000,000	22,500
— Subscription of new shares	1,180,000,000	23,600
— Placing of new shares	1,100,000,000	22,000
— Exercise of share options	25,900,000	518
At March 31, 2008 and April 1, 2008	6,047,262,363	120,945
Issue of shares		
— Exercise of share options	958,000	19
At September 30, 2008	6,048,220,363	120,964

16. COMMITMENTS

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

(a) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	September 30, 2008 HK$'000	March 31, 2008 HK$'000
Not later than one year	**18,273**	9,821
Later than one year and not later than five years	**15,867**	9,318
	34,140	19,139

(b) Capital commitment

As at September 30, 2008, the Group had capital commitments in relation to the acquisition of property, plant and equipment contracted for but not provided for amounting to approximately HK$306,823,000 (2007: HK$278,698,000).

17. RELATED PARTY TRANSACTIONS

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

(a) Charter flight services income

	Six months ended September 30,	
	2008 HK$'000	2007 HK$'000
Associates	**—**	879

(b) Charter flight services expense

	Six months ended September 30,	
	2008 HK$'000	2007 HK$'000
Associates	**8,981**	12,087

(c) Key management compensation

	Six months ended September 30, 2008 HK$'000	2007 HK$'000
Basic salaries, other allowances and benefits in kind	**5,993**	7,149
Share based payments	**—**	2,413
Contributions to pension schemes	**12**	12
	6,005	9,574

18. SUBSEQUENT EVENT

The Company entered into an agreement on March 10, 2008, supplemented by a supplemental agreement dated October 27, 2008, with Mr. Liu Cheng Lin ("Mr. Liu"), a substantial shareholder of the Company, (the "Transaction") pursuant to which the Company would acquire from Mr. Liu the 20% benefits in a multi-metals resources project including explored tungsten trioxide and tin resources located in 13.54 sq. k.m. of an exploration concession area in Ruoqiang County, Xinjiang, PRC. The consideration for the Transaction of approximately HK$1 billion comprises (i) HK$200 million to Mr. Liu as a service fee for procurement of the Transaction; (ii) RMB100 million (equivalent to approximately HK$114 million) in the form of cash as reimbursement to Mr. Liu for the purpose of development and commercial exploitation; and (iii) the remaining HK$686 million in the form of new shares of the Company to be allotted at the closing market price as at the completion date of the Transaction, subject to a maximum cap of 100 million shares.

The Transaction is subject to fulfillment of certain conditions including (i) the shareholders' approval of the Company and (ii) the mining licence over the concession area being obtained. The Transaction was approved by the shareholders of the Company at a special general meeting held on November 25, 2008 and has not been completed as at the date when these condensed consolidated financial statements were approved for issue by the Directors.

Disclosure of Interest

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at September 30, 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:

(a) LONG POSITIONS IN THE SHARES

Name of director	Capacity	Number of shares	Percentage of shareholding
Mr. Lo Lin Shing, Simon ("Mr. Lo")	Beneficial owner/ Interest of a controlled corporation/ Interest of spouse	1,200,739,301 *(Note)*	19.853%
Ms. Yvette Ong	Beneficial owner	1,090,000	0.018%
Mr. To Hin Tsun, Gerald	Beneficial owner	5,400,000	0.089%
Mr. Tsui Hing Chuen, William	Beneficial owner	500,000	0.008%
Mr. Lau Wai Piu	Beneficial owner	201,200	0.003%

Note:
Among the 1,200,739,301 shares, 4,960,000 shares represent interest of Mr. Lo on an individual basis; while 1,194,029,301 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.

(b) LONG POSITIONS IN THE UNDERLYING SHARES

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

Save as disclosed in the section headed "Share Option Scheme", as at September 30, 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 September 30, 2008, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

1. Long position of substantial shareholders in the shares and/or underlying shares

Name	Capacity	Long position in shares/ underlying shares	Approximate percentage of the Company's total issued share capital
Mr. Liu Cheng Lin ("Mr. Liu")	Beneficial owner/ Interest of a controlled corporation	1,625,000,000 *(Note 1)*	26.867%
Puraway Holdings Limited ("Puraway")	Corporate	1,525,000,000 *(Note 1)*	25.214%

Name	Capacity	Long position in shares/ underlying shares	Approximate percentage of the Company's total issued share capital
Ms. Ku Ming Mei, Rouisa ("Mrs. Lo")	Beneficial Owner/ Interest of spouse	1,201,429,301 *(Note 2)*	19.864%
Golden Infinity Co., Ltd.	Corporate	1,194,029,301	19.742%
Dr. Cheng Kar Shun	Interest of a controlled corporation/ Interest of spouse	383,170,000 *(Note 3)*	6.335%
Ms. Ip Mei Hing	Interest of a controlled corporation/ Interest of spouse	383,170,000 *(Note 3)*	6.335%
Dragon Noble Group Limited ("Dragon")	Corporate	328,070,000	5.424%
Dato' Dr. Cheng Yu Tung	Beneficial Owner/ Interest of a controlled corporation	498,972,602 *(Note 4)*	8.250%
Chow Tai Fook Nominee Limited ("CTF")	Corporate	493,972,602 *(Note 4)*	8.167%
Mr. Ng Chun Ping, Brendan	Beneficial owner/ Interest of a controlled corporation	424,724,442 *(Note 5)*	7.022%

Notes:

1. *Mr. Liu Cheng Lin is interested in the entire issued share capital of Puraway. By virtue of the SFO, he is deemed to be interested in the 1,525,000,000 shares held by Puraway. The 1,525,000,000 shares held by Puraway represent 1,025,000,000 shares and 500,000,000 underlying shares.*

2. *Ms. Ku Ming Mei, Rouisa is the spouse of Mr. Lo and accordingly, she is deemed to be interested in 1,201,429,301 shares under the SFO.*

3. *Dr. Cheng Kar Shun is interested in the entire issued share capital of Dragon. By virtue of the SFO, he is deemed to be interested in the 328,070,000 shares held by Dragon and 55,100,000 shares are owned by Ms. Ip Mei Hing, the spouse of Dr. Cheng Kar Chun.*

4. *Dato' Dr. Cheng Yu Tung is interested in the entire issued share capital of 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 represent 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 Investment Limited ("Better Year") and Mass Million Limited ("Mass Million"). By virtue of the SFO, he is deemed to be interested in the 252,778,442 shares held by Better Year and 161,666,000 shares held by Mass Million.*

Save as disclosed above and those disclosed under "Directors' Interest and Short Positions", the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at September 30, 2008.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended September 30, 2008.

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.

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

Name or category of participant	Date of grant	Exercise price *HK$*	Exercise period	Vesting period	Number of shares subject to options: As at April 1, 2008	Granted during the Period ended September 30, 2008	Cancelled during the Period	Exercised during the Period *(Note 2)*	As at September 30, 2008
Directors									
Mr. Lo Lin Shing, Simon	26-03-2008	7.2840	26-03-2008 to 25-03-2010	N/A	690,000	—	—	—	690,000
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	—	—	4,000	670
	15-02-2006	0.1636	15-02-2006 to 16-04-2009	N/A	4,600	—	400	4,000	200
	23-04-2007	4.6200	02-04-2007 to 01-04-2009	N/A	2,100,000	—	—	950,000	1,150,000
	26-03-2008	7.2840	26-03-2008 to 25-03-2010	—	2,000,000	—	—	—	2,000,000
	18-08-2008	6.1420	18-08-2008 to 17-08-2010	18-08-2008 to 22-09-2008	—	125,000 *(Note 1)*	—	—	125,000
	18-08-2008	6.1420	18-08-2008 to 17-08-2010	N/A	—	250,000 *(Note 1)*	—	—	250,000
					4,799,270	375,000	400	958,000	4,215,870

Notes:

1. *On August 18, 2008, 375,000 share options granted to the employees under the Option Scheme. The average closing price of the Company's share for the five business days immediately before the date of grant was HK$6.142. The closing price of the Company's share on August 15, 2008, (the trading day immediately before the grant of the share options) was HK$4.860.*

2. *The weighted average closing price of the Company's share immediately before the dates on which the share options were exercised during the Period ended September 30, 2008 was HK$13.327.*

Corporate Governance

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 period ended September 30, 2008, the Company has complied with 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 summarised 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 2008 AGM due to other business engagement. An executive director had chaired the 2008 AGM and answered questions from shareholders. The chairman of the Audit and Remuneration Committee was also available to answer questions at the 2008 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 send 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 Period ended September 30, 2008.

EMPLOYEES

As at September 30, 2008, the Group employed 159 full-time employees in Hong Kong, Mongolia and Mainland China. 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.

AUDIT COMMITTEE

The audit committee currently comprises Mr. Peter Pun, Mr. Tsui Hing Chuen, William and Mr. Lau Wai Piu (Chairman of the committee), the three independent non-executive directors of the Company.

The audit committee has reviewed the unaudited interim accounts of the Group for the six months ended September 30, 2008.

Interim Dividend

The Directors have resolved not to declare any interim dividend for the six months ended September 30, 2008 (2007: Nil).

During the period, the Board comprises the following members:

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