MEC

MONGOLIA ENERGY CORPORATION

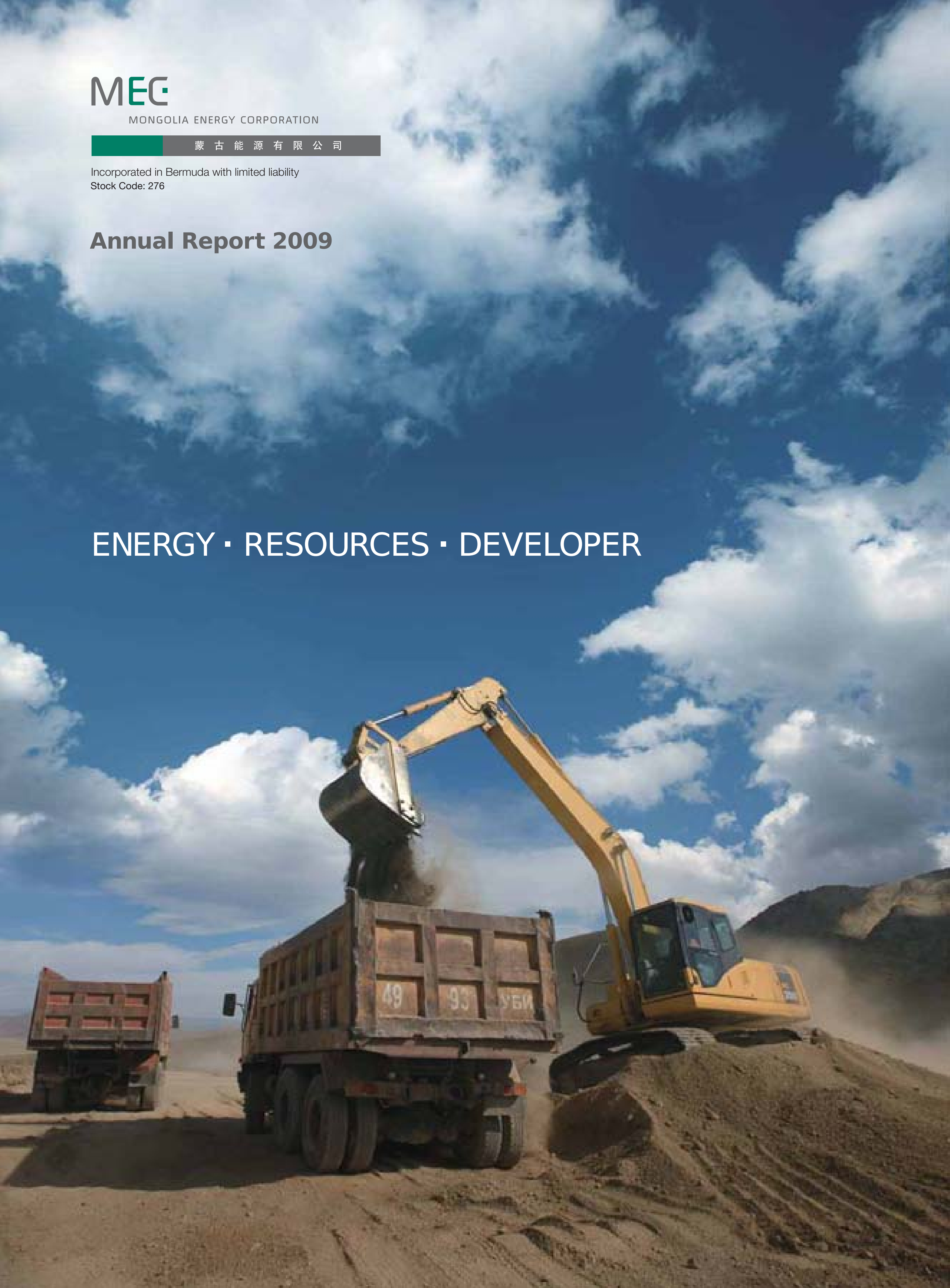
蒙古能源有限公司

Incorporated in Bermuda with limited liability

Stock Code: 276

Annual Report 2009

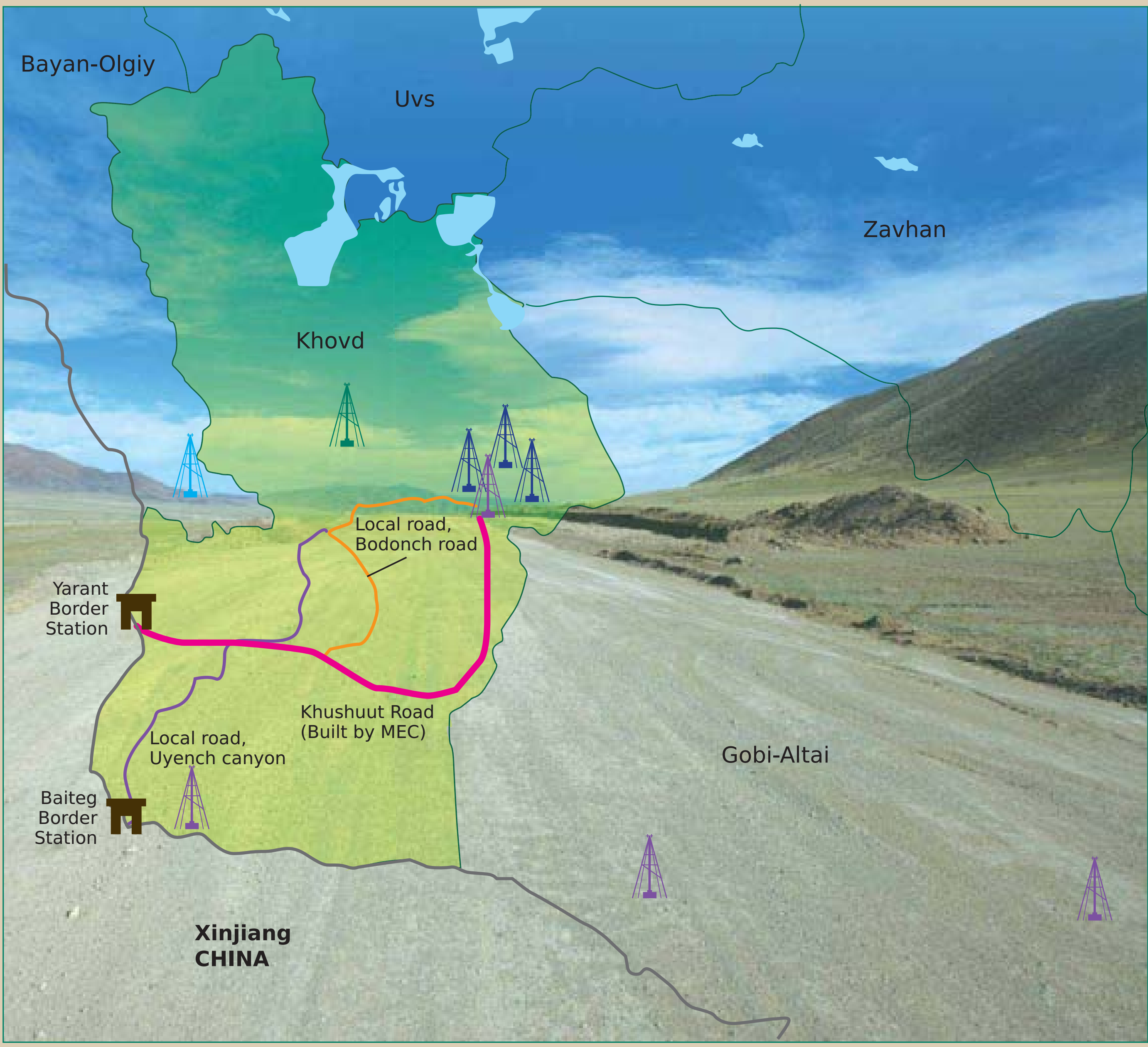
ENERGY · RESOURCES · DEVELOPER



Caution Regarding Forward-Looking Statements

This Annual Report contains certain forward-looking statements and opinions with respect to the operations and businesses of MEC. These forward-looking statements and opinions relate to, among other things, our objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates and are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may, will or other results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements and opinions, which apply only as of the date of this Annual Report. These forward-looking statements are based on MEC's own information and on information from other sources which MEC believes to be reliable. Our actual results may be materially less favorable than those expressed or implied by these forward looking statements and opinions which could affect the market price of our shares. You should also read the risk factors set out under our circulars and announcements for each of the transactions, which are deemed incorporated and form part of this document and as qualification to the statements relating to the relevant subject matters. Neither MEC nor its directors and employees assume any liability in the event that any forward-looking statements or opinions does not materialize or turns out to be incorrect. Subject to the requirements of the Hong Kong Listing Rules, MEC does not undertake to update any forward-looking statements or opinions contained in this Annual Report.

MEC's Western Mongolia Concessions



Mongolia is an independent country located in East and Central Asia, bordering Russia to the north and China to the south, east and west. In terms of volume and variety of mineral resources, Mongolia ranks among the richest countries, possessing prospected deposits of ferrous, non-ferrous, rare, precious and light metals as well as rare earth elements. There are also numerous deposits of non-metallic minerals and fossil fuels. The most important minerals

Map shown above is not to scale

in terms of economic value are copper, molybdenum, fluorite, coal, gold and rare elements. *(Source: Government of Mongolia)*

Since 2007, MEC has entered into 8 acquisitions for different mineral, energy and resources. Among those are 4 acquisitions with combined concession areas of 330,000 hectares of coal, ferrous and non-ferrous metal resources in western Mongolia at Khushuut, Darvi, Gants Mod, Olon Bulag, Gobi-Altai and Bayan-Olgiy.

MEC is an energy and resources developer. We acquire concessions, explore and coordinate mine development. We work with leading companies in our endeavors.

Contents

We **AC**

QUIRE

The independent nation of Mongolia borders Russia and China. It is rich in natural resources with around 80 types of minerals including coal, ferrous and non-ferrous metals resources.

Since 2007, MEC has increased ownership of its concession areas tenfolds in western Mongolia to **330,000 hectares** at Khushuut, Darvi, Gants Mod, Olon Bulag and Gobi-Altai.

MEC also has various oil and gas projects and an investment in a Chinese resources corporation. MEC is expanding its geographical reach and product areas.

We EX

PLORE

MEC coordinates exploration with its international team of experts. In the process MEC works with leading companies such as John T. Boyd Company, Fenwei Energy Group and China National Administration of Coal Geology 129 Exploration Team.

In 600 hectares with 60,000 meters of drilling at Khushuut, MEC has demonstrated approximately **150 million tonnes** of JORC in-place coal resources, which are predominantly premium coking coal. Exploration continues for coal and indications of gold and copper prospects in western Mongolia.

We DE

VELOP

MEC has identified the market and is developing its Khushuut premium coking coal resources. MEC is on target for planned commencement of mining operation in 2009.

MEC expects to reach a production rate of 3 million tonnes raw coal (2 million tonnes saleable) in 2010 with the intention to expand to 8 million tonnes raw coal (5.5 million tonnes saleable) per annum over time.

MEC is upgrading the road foundation (approximately **340 km**) connecting Khushuut with the Yarant (Takeshenken) border to truck its coking coal and other resources as and when they are developed.

We are **MEC**

Our principal business is that of an energy and natural resources developer. We currently have projects and investments in the independent nation of Mongolia and Xinjiang, PRC. As an energy and resources developer, we acquire concession areas, and with an international team of experts, coordinate all aspects of mine development, including exploration, mine design and extraction to international standards.

We currently own 330,000 hectares of concession areas in western Mongolia at Khushuut, Darvi, Gants Mod, Olon Bulag and Gobi-Altai for coal, ferrous and non-ferrous metals resources. We have interests in various oil and gas projects in western and southern parts of Mongolia and an investment in a resources corporation authorized to invest in coal, copper and iron resources as well as minerals processing in Xinjiang and elsewhere in the PRC. These other interests and investments provide additional opportunities for our Company.

Over the last two and a half years, we focused on developing the Khushuut coal mine areas. These are 600 hectares out of 330,000 hectares of our concession areas in western Mongolia. We have demonstrated approximately 150 million tonnes of JORC in-place coal resources. The coal resources are of a premium coking coal quality with low sulfur, low to mid volatile matters and a high caking index. These make our coal resources a premium blending material for the production of coke to be used by steel manufacturers wishing to manufacture premium steel products, including rolled steel and deformed steel products, for infrastructure projects in the PRC. Our roadway of 340 km from Khushuut to the border with Xinjiang which we are completing will assist our production scheduled to commence later this year.

In relation to the rest of the 330,000 hectares of concession areas we will continue exploration in the vicinity of Khushuut and conduct aerial reconnaissance over certain areas with indications of gold and copper prospects. We will also conduct general reconnaissance over the rest of the concession areas. We also have a residual business of private jet charter services which continues.

OUR PROJECTS

1st Acquisition — Coal

We entered an acquisition of 34,000 hectares of coal concessions in Khushuut and Darvi, western Mongolia in January 2007. Within 600 hectares of the current 330,000 hectares of concessions, approximately 150 million tonnes of JORC in-place coal resources which are predominantly premium coking coal, have been demonstrated. We are developing mining operations for the production of coking coal. In July 2008, we awarded the contracts for upgrading the “Khushuut Road” of approximately 340 km from the Khushuut coal mine areas to the border of Xinjiang to facilitate transportation upon commencement of coal production. The road foundation will be completed later this year.

2nd Acquisition — Coal & Minerals

We entered an acquisition of 32,000 hectares of coal, ferrous and non-ferrous metals concessions in Gants Mod, western Mongolia in May 2007. We are conducting general reconnaissance over the concession areas.

3rd Acquisition — Oil & Gas

We acquired 20% of an oil and gas project of 487,509 hectares in western Mongolia in December 2007. This is at the feasibility study stage under a cooperation with CNPC Daqing Petroleum. This is a future growth opportunity for us in the oil and gas area.

4th Acquisition — Minerals

We entered an acquisition of a 20% benefit in a multi-metals project with tungsten and tin resources in Xinjiang, PRC in March 2008. The transaction is conditional and has not been completed.

5th Acquisition — Coal & Minerals

We acquired 263,008 hectares of coal, ferrous and non-ferrous metals concessions in Olon Bulag and Gobi-Altai, western Mongolia in May 2008. We are conducting general reconnaissance over the concession areas.

6th Acquisition — Coal & Others

We entered an acquisition of 25% interest in a Chinese corporation with business scope to invest in coal, copper and iron resources as well as minerals processing in September 2008. This is a future growth opportunity for us in Xinjiang and elsewhere in the PRC.

7th Acquisition — Oil and Gas

We, as a 20% consortium member won an open tender for a 1.18 million hectares oil and gas production sharing contract with the Government of Mongolia in September 2008. The project is located in southern Mongolia, 150 km from the border with Erlian, Inner Mongolia. The area has a relatively developed transport infrastructure. The project requires the Government of Mongolia’s ratification. This is a future growth opportunity for our Company in the oil and gas area.

8th Acquisition — Minerals

We entered an acquisition of 2,986 hectares of ferrous metals concession in Bayan-Olgiy in western Mongolia in July 2009. We will conduct further exploration over the area.

Chairman's Statement

Forging Ahead

We are an Energy Re De

Dear Shareholders,

It has been over two years since we, at MEC, acquired our initial concession areas in western Mongolia. I am pleased to inform you that MEC's business as an energy and resources developer is on track. Our vision remains to achieve a global brand name recognition in the energy and resources sector. I believe that this is well under way.

The CEO's Annual Review, which you will find in this Annual Report, will provide you with a favor of the workings of our initial project at Khushuut, western Mongolia. While this relates to a relatively small area of our overall concessions in western Mongolia, I believe that this will illustrate the rich nature of resources that are available in Mongolia and give you an idea of how focused, professional and realistic we are in our approach towards working our concession areas. I am sure that you will find our endeavors a real driver for value to you as our shareholder.

I would also like to highlight, from a broad perspective, our progress during the last two years. Our concession areas in western Mongolia for coal, ferrous and non-ferrous metals resources have increased almost tenfolds. We are venturing into various oil and gas projects in Mongolia and working with a leading oil and gas company. We are also expanding our reach from western Mongolia to southern Mongolia and Xinjiang, PRC. Xinjiang is a market place for MEC's products from western Mongolia. As such, to expand our reach into Xinjiang represents a natural extension to MEC's business from a strategic perspective. The Khushuut road upon completion will assist us in this regard.

In addition to continuing our acquisitions for future growth, we also focused on defining the quality of the substantial coal resources that we demonstrated from our earlier exploration of the Khushuut mine areas in western Mongolia. I am now pleased to inform you that these coal resources are predominantly premium coking coal resources. These premium coking coal resources will be earmarked for direct sales to Xinjiang where we have established that there is a sustainable and growing demand. The demand flows from the fact that Xinjiang's steel industry is on an expansion mode to manufacture premium steel products which are conditional upon a stable supply of premium coking coal which is in short supply within the Xinjiang area. MEC's Khushuut brand of premium coking coal would help address this demand and supply imbalance.

In addition to our business perspective, we are a responsible corporate citizen. Our road construction will be beneficial to the people of western Mongolia and the development of the local economy. The power plant which we will build for

"MEC's business as an energy and resources developer is on track. Our vision remains to achieve a global brand name recognition in the energy and resources sector. I believe that this is well under way."

sources
veloper

our operational needs at Khushuut could also provide electricity to local villages. Our thermal power generation capability can be expanded, if and when we demonstrate thermal coal resources from our further exploration.

MEC's projects as yet to be developed include: the rest of our 330,000 hectares of concession areas in western Mongolia, that holds prospects for copper and gold deposits and other prospects we may demonstrate: two oil and gas projects, one currently at the feasibility study stage and the other at the production sharing contract ratification stage; and our investments in a Chinese resources corporation authorized to invest into coal, iron and copper resources and related processing and production in Xinjiang and elsewhere in the PRC. This associated company of ours is in discussions relating to potential joint ventures for substantial coal resources with certain geological bureau affiliates. This associated company of ours will also consider other potential projects consistent with its business scope. MEC would also explore business opportunities in thermal power generation utilizing any thermal coal deposits. I hope all these can deliver further growth opportunities for MEC.

In every mining operation, there are substantial human toil and efforts. There is also a close partnership with the people where the resources exist. As such, we, at MEC, owe our gratitude to the peoples of Mongolia and China, including where our mines are located and those working with us in our exploration and mine development. I would also like to express my gratitude to our staff for the professionalism that they have demonstrated. We will continue our effort to build our operations over time and look forward to your support to do so.

Lo Lin Shing, Simon
Chairman

July 23, 2009

CEO's Annual Review

Work on our Mongolian concession areas continues to make rapid progress. We are essentially conducting two simultaneous programs:

1. Development of the Khushuut Coking Coal Mine Project

2. Reconnaissance exploration of other concession areas

As previously reported, detailed exploration was completed during 2007 over a contiguous area of approximately 600 hectares within our total concessions. This area is referred to as the Khushuut Coking Coal Mine Project. The exploration program provided John T. Boyd Company (MEC's technical adviser) sufficient information to identify approximately 150 million in-place coal tonnes meeting the international reporting JORC Standards. Resources were reported for two (2) major seams:

	Million Tonnes
C Seam	101.7
B Seam	47.5
	149.2

Two supplemental exploration programs during 2008 and early 2009 were completed within the Khushuut mine area to better define the high quality coking coal resources. The drilling programs are complete and analysis of the samples is ongoing.

MEC commissioned Shanxi Fenwei Energy Consulting Co. Ltd. ("Fenwei") to complete a detailed "Market Study of Khushuut's Coal Resources". Results of the Market Study affirm favorable market conditions for the high quality coking coal at the Khushuut mine.

Fenwei reviewed coal quality data available for the C and B seams resources at Khushuut. Their findings support our position that the majority of Khushuut coal is a high value, high quality coking coal and the remaining Khushuut coal can be used as a coking coal blend.

Fenwei's Market Study reviewed potential markets throughout China and the possibility of export into the international market. The study identified the Xinjiang Autonomous Region, PRC, as the primary target market for MEC's Khushuut coking coal resources, i.e.

- "We believe with a moderate to high degree of confidence that the Khushuut's coking coal can be profitably developed for the Xinjiang market."

- "Xinjiang is lacking and is in need of the kind of coking coal which Khushuut can produce. MEC should set its priorities to develop the Xinjiang market first."

Xinjiang is a growing producer of steel products using new and modern facilities to support the PRC's efforts to move major industrial production to the underdeveloped west. These new facilities require a high quality coking coal which can be supplied by MEC.

Fenwei has reviewed delivered market pricing several times since the initial Market Study showing that market pricing for the coking coal products has remained strong during the first half of 2009:

Grade Coking Coal	Quality	Uses	Market Price Delivered RMB/tonne	
			Jun 2009	**Jan 2009**
1	Highest	Large blast furnace; high quality coke; mostly by Bayi Iron & Steel Co. Ltd ("Bayi"); some by Xinjiang Hongji Coke Corporation Ltd ("Hongji") and Xinjiang International Coal & Coking Corporation Ltd ("XICC")	1,350	1,450
2	Average	Small blast furnace; average quality coke; by Hongji and XICC	1,050	1,080
3	Lowest	Local ironworks	600	750

A major challenge to develop a large scale mining project in western Mongolia is having the infrastructure to transport workers, equipment and coal production between the mine site and the market. Khushuut's coal will cross into Xinjiang at the Yarant Border Station, known on the China side of the border as Takeshenken. Fenwei estimated that the average freight rate in Xinjiang is about RMB0.30/tonne/km. The travel distances from Takeshenken to three major potential customers are: 1) Bayi is about 510 km, 2) Hongji is about 560 km, and 3)XICC is about 1,400 km.

MEC has been upgrading the road foundation (approximately 340km) connecting the Takeshenken (Yarant) border crossing to the Khushuut mine site. Work on the road is progressing and initial road foundation should be completed prior to commencement of mining operations at which point MEC will be able to transport large trucks (60 tonnes capacity) between the mine and the border. The coking coal will then be transported from the border to the customer over the established China roadway system in Xinjiang.

With the identified Khushuut coal resources and the comprehensive understanding of the potential markets, MEC commissioned John T. Boyd Company to complete a conceptual and a pre-feasibility study for an initial 3 million tonnes raw coal (2 million tonnes saleable) per annum open cut coal mining operation with the intention to increase to 8 million tonnes raw coal (5.5 million tonnes saleable) per annum. Based on the results of these studies, we have commissioned Shenyang Design Institute (a leading surface mine design engineering firm in China) to complete feasibility and detailed mine design to commence mining operations later this year.

MEC's plans for the upcoming year include:

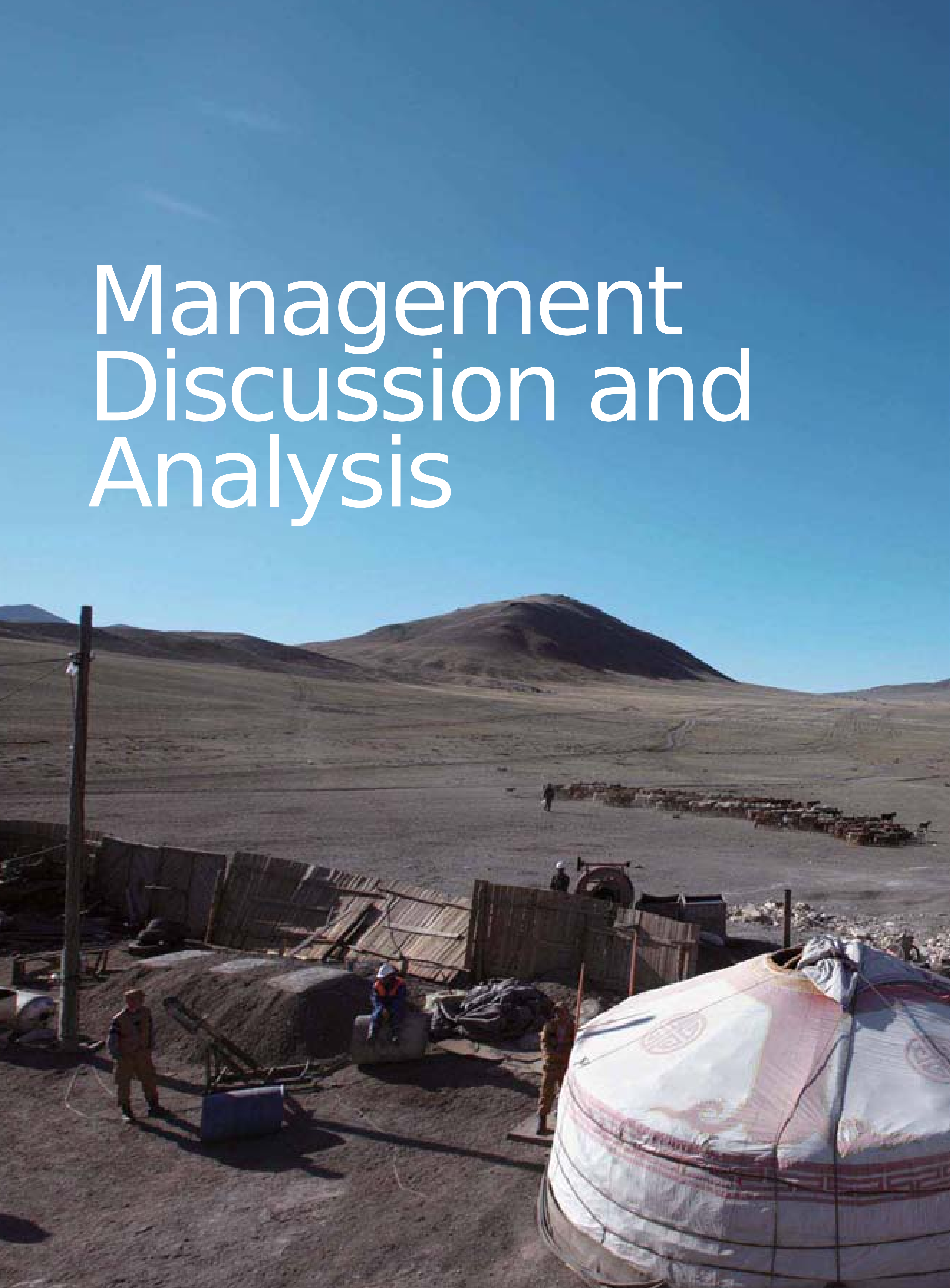
1. Completion of mine design requirements
2. Consummate long term coal supply agreement(s) with major Xinjiang steel/coke producer(s)
3. Implement mining operations by the end of 2009
4. Achieve an annual production rate of 3 million tonnes raw coal (2 million tonnes saleable) during 2010

Also, 2008 reconnaissance exploration in the Gants Mod and Gobi-Altai areas indicated potential target areas for ferrous and non-ferrous metals, including gold and copper prospects. Reconnaissance activities for the balance of our 330,000 hectares of license areas in Mongolia will continue throughout 2009.

James J. Schaeffer, Jr
Chief Executive Officer

July 23, 2009

Management Discussion and Analysis



RESULTS ANALYSIS

During the financial year ended March 31, 2009 (the "Financial Year"), we continued to focus on our business as an energy and resources developer, including to acquire various concessions and projects, as well as to coordinate the development of our ongoing projects, in a focused, professional and realistic manner. Our focal project was the exploration and development of the Khushuut Coal Mine.

In terms of acquisition of concessions, we expanded the size of our concession areas in western Mongolia for coal, ferrous and non-ferrous metals resources from around 66,000 hectares to approximately 330,000 hectares during the Financial Year. We sought opportunities and ultimately have acquired a 25% interest in a Chinese resources corporation. This associated company has a business scope to invest in coal, copper and iron resources as well as minerals processing in Xinjiang and elsewhere in the People's Republic of China ("PRC"). We were also able to establish a cooperation with CNPC Daqing Petroleum and to participate as a 20% consortium member in various oil and gas projects in western Mongolia and southern Mongolia. Our investments in the Chinese resources corporation and the oil and gas projects were aimed to provide future growth opportunities to us at MEC.

We saw an approximately 63% decline in our revenue during the Financial Year. This was as expected as no revenue contribution was made during the development phase of our business as an energy and resources developer. Also, the turnover from the private jet business, which is a historical business of ours, declined with the global financial crisis. In any event, this was insignificant in the context of our cash outlay. Furthermore, the disposal of our investment properties in Hong Kong in July 2008 accounted for a significant drop in rental income during the Financial Year.

The loss for the Financial Year attributable to the shareholders was HK$438.4 million (2008: Profit of HK$74.4 million) flowing mainly from the accounting loss relating to the energy and related resources projects of the Group. In fact, HK$295.5 million of the loss during the Financial Year was related to the accounting loss treatment from (1) early redemption of loan note (HK$100.4 million); (2) the notional interest expenses on the convertible notes and loan note (HK$171.1 million) as disclosed in Note 7 to the consolidated financial statements; (3) fair value loss from listed Hong Kong investments of HK$24.0 million (2008: Gain of HK$20.1 million) with the decrease in market prices of Hong Kong equities over the Financial Year. Apart from these, MEC in moving forward as an energy and resources developer also incurred operating costs of HK$45.2 million (2008: HK$17.4 million) in this business segment. As at the balance sheet date, the Group reviewed the carrying amount of its interests in

associates and determined that the carrying amount should be reduced by HK$56.8 million to its recoverable amount. An impairment loss on interests in and loans to associates of HK$56.8 million (2008: Nil) was then recognized in the Financial Year.

BUSINESS REVIEW

As Energy and Resources Developer
During the Financial Year, the following acquisitions were made:

- In May 2008, we acquired 263,008 hectares of coal, ferrous and non-ferrous metals concessions in Olon Bulag and Gobi-Altai, western Mongolia.

- In September 2008, we, as a 20% consortium member, won an open tender for a 1.18 million hectares oil and gas production sharing contract in southern Mongolia with the Government of Mongolia. This is subject to ratification.

- In September 2008, we entered an acquisition of 25% interest in a Chinese resources corporation, namely新疆凱禹源礦業有限公司(Xinjiang Kai Yu Yuan Mining Corporation Limited) with business scope to invest in coal, copper and iron resources as well as minerals processing in Xinjiang and elsewhere in PRC.

Progress of Our Projects

Khushuut Coal Mine
Within 600 hectares of around 330,000 hectares of our concession areas in western Mongolia, we have demonstrated approximately 150 million tonnes of JORC in-place coal resources. These are predominantly premium quality coking coal resources, with low sulfur, low to mid volatile matters and a high caking index. Coking coal is an essential ingredient in the steel manufacturing process and the market price is generally higher than thermal coal which is used for power generation. Also, coking coal of the comparable quality found in concentrations in Shanxi, are approximately four times as far away as from Khushuut to where customers are located in Xinjiang, PRC.

Management Discussion and Analysis

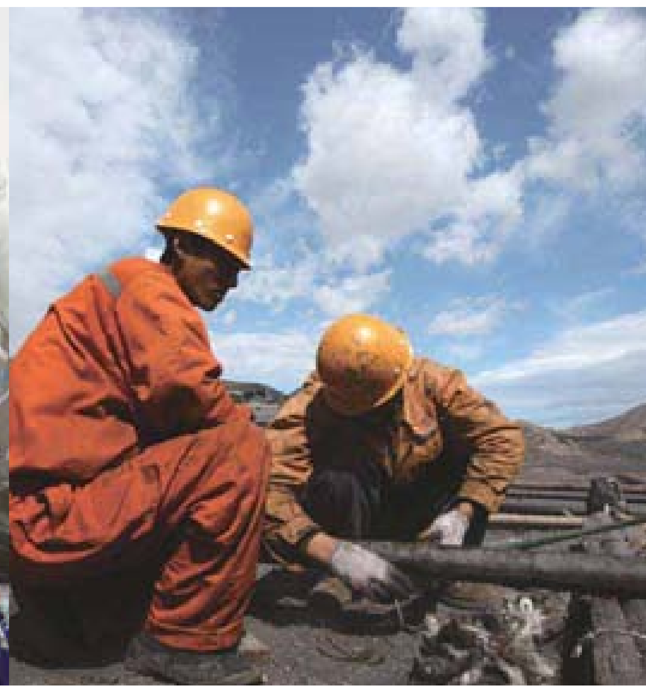
We have engaged Shanxi Fenwei Energy Consulting Co. Ltd. to identify the potential market, and as expected, they confirmed that Xinjiang, PRC is a favorable target market for our coking coal resources. There is an established and rapidly growing demand from steel manufacturers and coke producers to upgrade their products. This requires premium coking coal which is in short supply in Xinjiang, PRC which currently has only predominantly thermal coal resources.

Road transportation is an essential part for our upcoming coal production. We awarded two road work contracts totaling RMB866 million in July 2008 to contractors for upgrading the "Khushuut Road". This is approximately 340 km from the Khushuut coal mine to the border of Xinjiang. By the end of the Financial Year, more than 240 km of the road foundation was completed. We are confident that the road foundation work will be completed prior to our commercial mining operation.

We were also in negotiations with potential customers in Xinjiang during the Financial Year. We have delivered coking coal samples to a potential customer and we are in the process of supplying further samples for a bulk test and negotiations of the terms of the contract. We look forward to concluding the sales contract.

We are on target for planned commencement of mining operations in 2009 and to reach an annualized production rate of 3 million tonnes raw coal (2 million saleable) in 2010 with the intention to move to an annualized production rate of 8 million tonnes raw coal (5.5 million saleable) over time.

Other Coal and Mineral Concession Areas in Western Mongolia
Our total concession areas for coal, ferrous and non-ferrous metals resources in western Mongolia were around 330,000 hectares at the end of the Financial Year. Apart from the Khushuut Coal Mine, we have conducted general reconnaissance and initial explorations in some areas for potential resources in the Financial Year. We will continue to develop exploration plans for potential resources.



Other Energy and Related Resources Investments

? Thermal coal vs coking coal?

When coal is used for fuel in power generation it is referred to as thermal coal. When coal is used to create coke for use in iron and steel manufacturing, it is referred to as coking coal. Coking coal is relatively scarce with higher economic value.

Oil and Gas

We currently have two oil and gas projects.

The first project is around 487,509 hectares in western Mongolia. We have 20% interest in the project. We are conducting a feasibility study with the help of CNPC Daqing Petroleum before proceeding further with the project. We view this project as a project for our future growth opportunity.

Our second project is in Ergel XII of approximately 1.18 million hectares which we, as a 20% consortium member, won in an open tender for a production sharing contract with the Government of Mongolia. The project is located in southern Mongolia, 150 km from the border with Erlian, Inner Mongolia, with a relatively developed transport infrastructure. The project requires ratification. This is also regarded as a project for our future growth opportunity.

Mineral Resources

We entered into an agreement to acquire 20% benefits relating to a multi-metals project in Xinjiang with an explored 235,600 tonnes of tungsten trioxide and 49,000 tonnes of tin resources in March 2008. The transaction has been sanctioned by our independent shareholders. One of the conditions precedent for completion is the issue of mining licence to the concession owner which is on or prior to October 31, 2009.

Coal, Copper and Mineral Resources

We acquired a 25% interest in a Chinese resources corporation, 新疆凱禹源礦業有限公司(Xinjiang Kai Yu Yuan Mining Corporation Limited) during the Financial Year. This is a wholly foreign-owned enterprise set up in 2007 with a registered capital of RMB400 million and a total investment amount of RMB700 million. It has a business scope to invest in coal, copper and iron resources as well as minerals processing in Xinjiang and elsewhere in the PRC. Xinjiang Kai Yu Yuan has informed us that it is studying potential coal related joint venture projects with two geological bureau affiliates, aside from other opportunities to make investments consistent with its business scope. We view this as an investment for our future growth opportunity.

Management Discussion and Analysis

Private Jet Business

The Group has a Gulfstream G200 private jet used for provision of private jet charter services, which is a residual business of our Company. The new Falcon which we contracted to acquire in 2007 will be delivered by early 2010. The operation of our private jet business was affected by the global financial crisis during the Financial Year. The operations will potentially recover with the recovery of the global economy. Nevertheless, upon commencement of commercial production of the Khushuut Coal Mine, the current turnover contribution under the private jet business is anticipated to be of much reduced significance.

Other Investments

On July 15, 2008, we disposed of our investment properties in Hong Kong to an independent third party at a consideration of HK$540 million. A fair value loss on disposal of investment properties of HK$16.1 million was recognized during the Financial Year. We also made an investment in a villa in Beijing for capital appreciation during the Financial Year. The property is located in Tianzhu, Beijing. We are also working with an independent third party, with an aim, subject to approvals, to develop a composite commercial complex in Beijing to house our PRC headquarters after a number of years. The project is at a preliminary planning stage and we have provided a start-up capital amount.

FINANCIAL REVIEW

Liquidity and financial resources

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

The borrowings of the Group as at March 31, 2009 comprised loan note and convertible notes amounted to HK$1,757.6 million (2008: HK$997.0 million which comprised of short-term bank loans, loan note and convertible note). During the Financial Year, Chow Tai Fook Nominee Limited subscribed to a HK$2 billion zero coupon convertible note with maturity period of three years from the issue date. This convertible note can be converted into 1 ordinary share of MEC

? What is JORC?

JORC stands for the Australasian Joint Ore Reserves Committee, which is sponsored by the Australian mining industry and its professional organizations. The JORC Code is its Code for Reporting of Mineral Resources and Ore Reserves. It provides a mandatory system for classification of tonnage/grade estimates according to geological confidence and technical/economic considerations, and is widely accepted as an international standard for professional reporting purposes.

? What is the investment climate like in modern Mongolia?

Mongolia is a democratic country with a 98% literacy. According to a 2009 World Bank report, it is ranked 24th out of 181 economies in terms of protecting investors.

at HK$0.02 each for HK$7.3 at the holder's option. The net proceeds of the convertible note are intended to assist the Group in the development of energy and resources projects. The initial recognition of the liability component of this zero coupon convertible note was HK$1.3 billion.

As at March 31, 2009, the cash and bank balances were HK$660.9 million (2008: 254.3 million). The liquidity ratio as at March 31, 2009 was 24 (2008: 1.3).

Investment in listed securities

As at March 31, 2009, the Group's held-for-trading investments comprised Hong Kong listed securities with fair value of HK$28.7 million (2008: 54.4 million).

Charge on Group's assets

As at March 31, 2009, there were no charges on the Group's assets (2008: Investment properties with carrying value of HK$540 million were pledged to a bank to secure banking facilities granted to the Group).

Gearing ratio

As at March 31, 2009, the gearing ratio of the Group was 0.12 (2008: 0.07) which was calculated based on the Group's total borrowings to total assets.

Management Discussion and Analysis


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 currency exposures and will consider hedging significant currency exposure should the need arise.

Contingent liabilities

As at March 31, 2009, the Group did not have significant contingent liabilities (2008: Nil).

OUTLOOK

Our business focus as an energy and resources developer in western Mongolia initially for coal resources at Khushuut in Khovd Province, was an involved one in terms of the need to put in significant efforts in exploration and mine development. The results of our effort over the last two and a half years were that we demonstrated, in 600 hectares out of 330,000 hectares, around 150 million tonnes of JORC in-place coal resources. The resources are predominantly of a premium quality coking coal with low sulfur, low to mid volatile matters and a high caking index.

Premium coking coal of comparable quality of our Khushuut brand has an established demand in line with our independent market study report. The demand flows from steel and coke manufacturers in Xinjiang, PRC to upgrade steel products, including rolled steel and deformed steel products, primarily for infrastructure construction. Premium steel products are required as part of the PRC Government's development of western China and the RMB 4 trillion economic stimulus package to stabilize its economy.

There is currently a short supply of premium coking coal in Xinjiang, PRC. The current comparable bulk supply of premium coking coal of comparable quality of the Khushuut brand is from Shanxi. To Xinjiang, this is around four times the distance from Khushuut. Aside from the significant transport costs, Shanxi's supply to Xinjiang will also be very limited as these premium quality coking coal resources would likely have committed customers based on existing demands. As such, we, at MEC, view our premium coking supply as complimenting the steel and coke manufacturing industries in Xinjiang, by addressing a demand and supply imbalance. After an initial drop in coking coal prices flowing from the financial crisis in 2008, delivered prices to Xinjiang buyers have since picked up and stabilized in 2009.

We are currently completing the foundation for our road construction from Khushuut to the Yarant border crossing with Xinjiang, PRC of some 340 km for RMB866 million (around US$127 million). This is to be prior to commencement of production which we are targeting for the end of this year. We are working towards an annualized rate of production of 3 million tonnes raw coal (2 million saleable) and eventually achieving an annualized rate of production of 8 million tonnes raw coal (5.5 million saleable) over time.

We will explore the vicinity of Khushuut to seek to expand the resources base of our Khushuut project. At the same time, we are conducting aerial reconnaissance over areas with indications of gold and copper prospects as well as general reconnaissance over the rest of our 330,000 hectares concession areas. We also anticipate that there may be further opportunities with our oil and gas projects and investments in the Chinese resources corporation with business scope to invest in coal, copper and iron resources as well as mineral processing in Xinjiang and elsewhere in the PRC over time.

We will continue to work in a focused, professional and realistic manner. We will with our team of international experts, under the direction of our CEO, Mr. James Schaeffer, Jr., coordinate all aspects of our business as an energy and resources developer. We will continue to incur significant cash outlay in working towards our production and our future revenues over time.

Our private jet charter business is a residual business of ours. The revenue has decreased in line with the economic environment. This will potentially recover with the recovery of the global economy. Nevertheless, upon commencement of commercial production of the Khushuut project, it is anticipated that the revenue contribution will become insignificant. We will review our business strategy in relation to our private jet charter business from time to time.

? Ton vs Tonne?

There are three primary weight measurements for large quantities; long ton, short ton and tonne

Long ton (UK) — British measurement and equals to 2,240 pounds

Short ton (US) — USA measurement, equals to 2,000 pounds

Tonne (or Metric ton/Metric tonne) — Metric measurement, a unit of weight that equals 1,000 kilograms or 2,204.6 pounds or the weight of 1 cubic meter of water

Investor Relations Report

OVERVIEW

MEC is committed to build strong investor relations ("IR"). It has in place effective communication channels to reach existing and potential shareholders. The Company maintains high corporate transparency through timely disclosure of business information. In the future, the Company will continue to enhance its investor relations endeavor with the aim of safeguarding the interests of its shareholders and all stakeholders.

Dedicated IR Team

The Company has a specialized team to handle IR issues. MEC's IR department is not only responsible for disseminating company information to the public, but also serves as the bridge through which the Company communicates with and gauges the views of investors while relaying them the latest development of the Company. The team, through regular and close contact with investors, has helped the Company address investor concerns and in turn facilitated investment decisions.

Timely Disclosure

The Company is keen on keeping shareholders and the investing public up-to-date on its latest business pursuits. All developments are disclosed timely through public announcement, distribution of press releases and the CEO Technical Summary, which can all be found on MEC corporate website (www.mongolia-energy.com) for convenient access by the shareholders and the investing public.

IR ACTIVITIES REVIEW

Financial Reports

Results reports are the most important documents for keeping the investment community informed about the Company. Thus, the Company compiles the reports with extensive discussions of its financial and operational performances and future outlook.

Enhanced Communication Channels

With the world having entered the digital age, MEC has constantly kept its online communication platform in the best shape. During the last Financial Year, the Company revamped the corporate website to make it more appealing and user-friendly for investors. The above-standard disclosure has contributed to better understanding between the Group, its shareholders and the investing public.

Investor Conferences and Road Shows

In the past year, MEC's management was invited to various investor conferences and events organized by reputable investment banks, such as the Citibank Greater China Investor Conference 2008, Credit Suisse Asian Investment Conference 2009 and UBS Coal/Power Corporate Day 2009. The Company was also invited by major financial institutions to non-deal investor road shows to key financial hubs including Hong Kong, Singapore, New York and London with the objectives of expanding its international shareholder base and enhancing analyst coverage.

Investor Meetings

Regular face-to-face meetings and telephone conferences were arranged with investors during the year. Management believes direct dialogues with shareholders, potential investors, analysts and fund managers are conducive to mutual understanding and high corporate transparency.

Site Visits

For investors to gain direct understanding of the daily operation and working environment of the Company, the Company arranged site visits for representatives of various institutional investors to its Ulaanbaatar office and coking coal mine in Khushuut, western Mongolia last year. The Company plans to arrange similar visits in the coming Financial Year for the media, analysts and investors.

Investor Audits

The Company conducts investor audits regularly to gain in-depth understanding of how investors perceive its operations, valuation, financial performance and future development strategies. The findings of the audits have provided valuable reference to the Company in improving investor relations strategies as well as disclosure quality.

Media Relations

To fully leverage the news media as a communication channel with investors, retail and institutions, MEC arranged interviews and site visits for reporters during which business information and views on the industry were provided for the media to relay to the public.

LISTING INFORMATION

HKEx Stock Code: 276
Board Lot: 1,000 shares
Number of issued shares: 6,048,220,363
Email: ir@mongolia-energy.com
Web site: www.mongolia-energy.com

AMENDMENTS OF THE BYE-LAWS

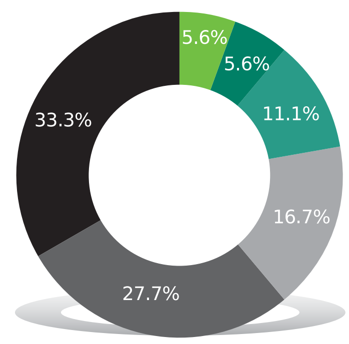
The recently revised Listing Rules, which became effective on January 1, 2009, set out, among others, the minimum notice period requirements for annual general meetings and other shareholders' meetings and that votings in shareholders' meetings are to be taken by poll. For good corporate governance practice, MEC is to propose at the Annual General Meeting amendments to the Bye-laws to bring them in line with the requirements of the Listing Rules. The proposed amendments in the Bye-laws principally include:-

1. All votes of the Shareholders at a general meetings shall be taken by poll;
2. An annual general meeting shall be called by notice of at least twenty (20) clear business days;
3. All other general meetings shall be called by notice of at least ten (10) clear business days;
4. The Board shall have power to appoint an auditor to fill any casual vacancy of an auditor; and
5. Minor and clerical amendments to the Bye-laws.

Poon Tung Hoi, Gordon
Director of Corporate Development & Investor Relations

July 23, 2009

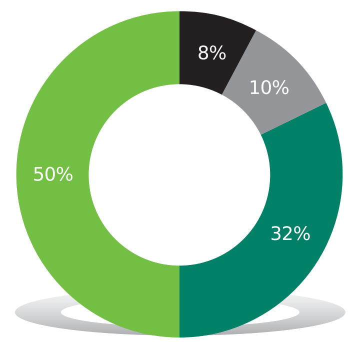
Major IR Events



Mongolia Site Visits
Industrial Forums
Conference Calls
Investment Forums
Road Shows
Media Interviews

Total number of events: 18 (from 1 April 2008 – 31 July 2009)

One-on-one Meetings



Media
Research Analysts
Investment Bankers
Fund Managers

Total number of people: 199

Corporate Social Responsibility Report

As a responsible corporation, MEC continues to carry out its corporate social responsibility in giving back to the society through helping different poverty alleviation and sponsoring social events. The Company hopes to drive the harmonious development of the community and improve the overall standard of living for the people around us.

Sichuan Earthquake

MEC fully supported the disaster relief work following the earthquake in Sichuan in May 2008. The Company responded quickly to support the rescue efforts and post-disaster reconstruction by donating money to the disaster areas. By the end of 2008, over HK$1 million was donated for the Sichuan earthquake.

Charity Donations

MEC is committed to assist the Mongolian local community. Since 2007, the Company has donated over HK$3 million to local charity foundations to help needy people. During a snowstorm in early 2008, the Company participated in an emergency rescue of people and livestock in western Mongolia. In the winter of the same year, the Company extracted 5,000

MEC is Dedicated to Build a Safe and Harmonious Society

tonnes of coal to the local Mongolian for their urgent heat generation needs.

Event Sponsorships

In 2008, MEC sponsored a series of events, including "Hong Kong Charity Birdman Competition 2008" and "Buddha's Light 2009" aimed to demonstrate its support to the various marginalized groups of society.

Health & Safety

The Company has implemented various health and safety policies in a proactive, effective and coordinated manner for its staff. MEC recognizes its substantial social and economic responsibilities.

MEC strictly adheres to the principle that prevention is better than cure. The Company took initiative to create a working environment and conditions favorable to the health of its staff. This further highlights MEC's "people-oriented" approach with commitment to the health care of staff and the control of occupational hazards in the workplace.

A key component of sustainability is maintaining the safety of employees, contractors and the public. Safety is a top priority at MEC.

The Company will continue to work towards helping the harmonious development of the community where it does business, including to improve the overall standard of living of its people. The Company will continue to maintain environmental and safety concerns to international standards.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") recognizes the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders. The Board and the senior management of the Company recognize their responsibilities to maintain the interest of the shareholders and to enhance their value. The Board also believes a deliberate policy of corporate governance can facilitate the Company's rapid growth under a healthy governance structure and strengthen the confidence of shareholders and investors.

The Company 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").

For the year ended March 31, 2009, the Company has complied with the code provisions of the CG Code except for deviations from the code provision A.4.1 and E.1.2 of the CG Code as summarized below:

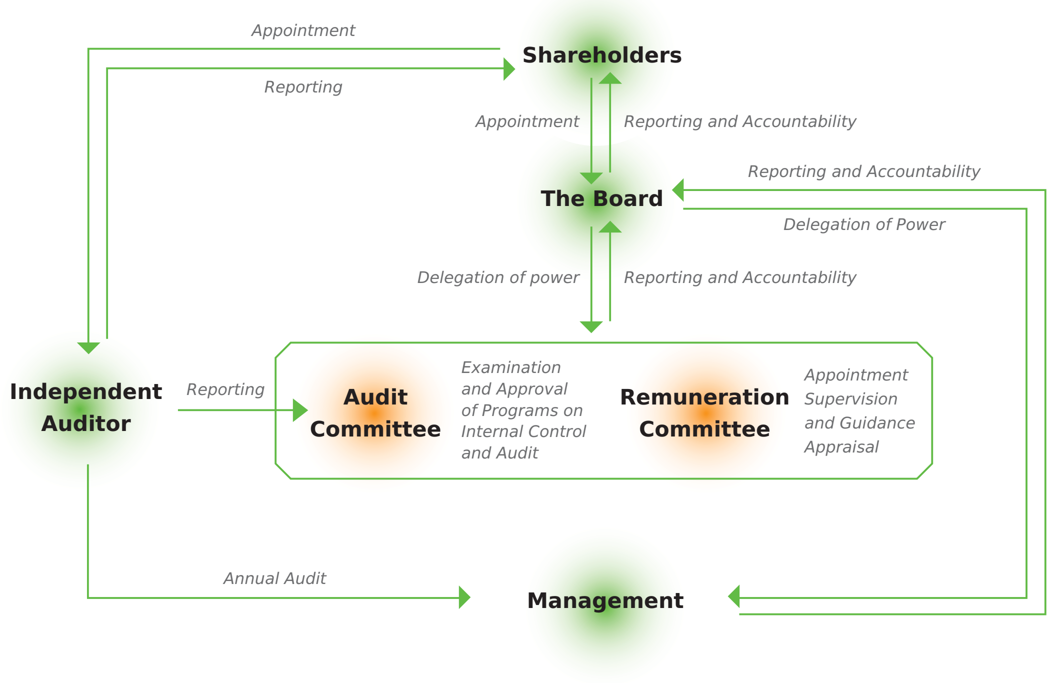
i. Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election.

   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 CG 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 CG 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 of the Board did not attend the 2008 AGM due to other business engagement. An executive director of the Company had chaired the 2008 AGM and answered questions from shareholders.

   The AGM of the Company provides a channel for communication between the Board and the shareholders. The chairman of the Audit Committee and the Remuneration Committee was also available to answer questions at the 2008 AGM. Other than the AGM, shareholders may also communicate with the Company through the contact information listed on the Company's website under the "Investor Relations Contact".

CORPORATE GOVERNANCE STRUCTURE



COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Model Code for Securities Transactions by Directors (the "Code"), which is on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Code is sent to each director of the Company on his/her initial appointment and from time to time which is amended or restated.

The Company has also established written guidelines on no less exacting terms than the Model Code ("Employees' Guidelines") for securities transactions by relevant employees of the Group who are likely to be in possession of unpublished price-sensitive information of the Company. To date, no incident of non-compliance of the Employees' Guidelines by the employees has been noted by MEC.

To enhance corporate governance transparency, the Code and the Employees' Guidelines have been published on the Company's website at www.mongolia-energy.com. In April 2009, the Company has updated and amended the Code and the Employees' Guidelines to bring them in line with the revised Model Code which became effective from January 2009.

During the period of 60 days immediately preceding and including the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to and including the publication date of the annual results, all directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published. The Group Compliance Counsel of the Company will send a reminder prior to the commencement of such period to all directors and relevant employees.

In the period of 30 days immediately preceding and including the publication of the half year results or, if shorter, the period from the end of the relevant quarterly or half year period up to and including the publication date of the results, all directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published. The Group Compliance Counsel of the Company will send a reminder prior to the commencement of such period to all directors and relevant employees.

It is stipulated under the Code and/or Employees' Guidelines that all dealings of the Company's securities must be conducted in accordance with the provisions stated therein. Under the 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.

All directors of the Company have confirmed in writing that they have complied with the required standards set out in Model Code and the Code throughout the financial year ended March 31, 2009.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Promoting good corporate governance and managing enterprise-wide risk is a priority of the Company. The Company is 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, one non-executive director and three independent non-executive directors overseeing the operation of the Company. The biographical details of each director are set out on pages 38 to 39. Our Board possesses a balance of skills and experience appropriate for the running of the Company's business. They come from different streams with diversified expertise including management, finance, legal and accounting.

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

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

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

The Board will consider the following attributes or qualifications in evaluating membership in the Board:

— Management and leadership experience;

— Skilled and diverse background;

— Integrity and professionalism; and

— Independency.

During the financial year ended March 31, 2009, the Board at all times met the requirements under Rule 3.10 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 Functions

The Board is responsible for formulating strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The directors of the Board, 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, the directors of the Board will seek independent professional advice at the Group's expense, ensuring that the 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 administration and management functions of the Group. The directors of the Board have separate and independent access to senior management of the Company to make enquiries or obtain necessary information. There are monthly management meetings between management and representation of the Board to discuss operating issues of the Group.

All non-executive directors of the Board are not involved in daily management. The non-executive directors are helping the Board in determining overall policies of the Company and contributing to the decision making of the Board. They also give independent views on the deliberations of the Board and ensure the financial probity on the part of the Company is maintained in high standard.

For the financial year ended March 31, 2009, the Board had:

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 recommended 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. 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 financial year ended March 31, 2009 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 Chairman is also responsible to ensure the Board works effectively, in particular, to ensure all directors receive reliable, adequate and complete information in a timely manner.

The Chief Executive Officer is responsible to implement strategic business plans in relation to 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 shall 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 pages 51 to 52.

(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.

The Board also conducts 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 findings.

To facilitate and enhance better internal control, the Company has recently recruited a Head of Compliance in Mongolia to ensure our operations in Mongolia comply with the relevant regulatory requirements. The Group Compliance Counsel will assist in internal control and review process to ensure the compliance aspects of the Group are met. The Company Secretary will ensure the Board and the Board Committees are provided with timely information and sufficient resources to enable them to discharge their duties.

(f) Meetings and Corporate Communication

The Group makes great efforts to enhance the communication with investors. Our Investor Relations Department is established for improving the relationship between the Company and our investors. From time to time, the website of the Company (www.mongolia-energy.com) contains updated information of the Group and press releases are posted on our website in a timely manner. Shareholders can also visit the Company's website for updated information of the Group.

The Company has complied with the Listing Rules regarding the requirements on 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 from time to time. The Company is proposing to amend its Bye-laws in the coming annual general meeting by requiring all shareholders' meeting to be taken by poll.

During the year, the Company had held 3 general meetings including the annual general meeting. In the annual general meeting for the financial year ended March 31, 2008, an executive director, the chairman of Audit Committee and the independent auditor had attended to answer shareholders' enquiries.

The Board conducts meetings on both regular and ad hoc bases from time to time in relation to the business of the Company. During the year, the Company held four regular Board meetings to consider the final results, interim results, financial and operating performance. The attendance of each director is as follows:

	Attendance (Number of meetings)
Executive Directors	
Mr. Lo Lin Shing, Simon *(Chairman)*	2(4)
Mr. Liu Zhuo Wei	0(4)
Ms. Yvette Ong	4(4)
Non-Executive Director	
Mr. To Hin Tsun, Gerald	4(4)
Independent Non-Executive Directors	
Mr. Lau Wai Piu	2(4)
Mr. Peter Pun *OBE, JP*	4(4)
Mr. Tsui Hing Chuen, William *JP*	4(4)

BOARD COMMITTEES

The Board has established 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.

The terms of reference of the Audit Committee and Remuneration Committee are published on our website.

AUDIT COMMITTEE

The Audit Committee has three members, all of whom are independent non-executive directors. Mr. Lau Wai Piu is appointed as the chairman of the Audit Committee. He has appropriate professional qualifications, accounting and related financial management expertise.

(a) Composition of Audit Committee Members

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

(b) Role and Functions

The Audit Committee is mainly responsible for:

i. reviewing 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. discussing with the independent auditor the nature and scope of audit and reviewing audit issues raised by the independent auditor;

iii. reviewing financial controls, internal controls and risk management systems of the Group and in particular, the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget; and

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

(c) Attendance

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

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

During the year, the chief financial officer of the Company attended each of the audit committee meetings to present the financial reporting of the Group to the committee members. He also oversees the financial reporting procedures and ensures the financial reporting and other accounting-related issues are complied in accordance with the requirements of the Listing Rules.

REMUNERATION COMMITTEE

The Remuneration Committee currently consists of three independent non-executive directors. The Company has also appointed an external consultant to review and compare the level of compensation paid to the Board with those prevailing in the market and to give recommendation and to review and study the remuneration level of the senior management of the Company and to give recommendation thereon.

(a) Composition of Remuneration Committee Members

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

(b) Role and Functions

The Remuneration Committee is mainly responsible for:

i. reviewing and approving compensation payable to executive directors and senior management of the Group 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 an 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 engaging independent consultant to conduct report on emolument review; and

iv. ensuring that no director or any of his associates is involved in deciding his own remuneration.

(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 is as follows:

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

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu was reappointed as independent auditor of the Group at the 2008 AGM. 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 pages 51 to 52.

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	2,268
Non-audit services	630
	2,898

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.

Directors' Profiles

Lo Lin Shing, Simon

Liu Zhuo Wei

Yvette Ong

MR. LO LIN SHING, SIMON

Chairman and Executive Director

Mr. Lo, aged 53, an entrepreneur, is the Chairman of the Company. He has been an executive director since August 1999. Mr. Lo possesses over 20 years of experience in the financial, securities and futures industries, including many trans-border transactions. He has been a member of Chicago Mercantile Exchange and International Monetary Market (Division of Chicago Mercantile) since 1986. Mr. Lo is the chairman of New World Mobile Holdings Limited and executive director of International Entertainment Corporation, both of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Lo is a standing committee member of the Tenth Chinese People's Political Consultative Conference Shanxi Committee. He identifies business opportunities for MEC, including the acquisition of the coal mine in western Mongolia, and provides direction for MEC as an energy and resources company.

MR. LIU ZHUO WEI

Executive Director

Mr. Liu, aged 56, has been an executive director since April 2008. He 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.

MS. YVETTE ONG

Executive Director

Ms. Ong, aged 44, has been an executive director since September 1999. She has over 18 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.

To Hin Tsun, Gerald *Peter Pun* *Tsui Hing Chuen, William* *Lau Wai Piu*

MR. TO HIN TSUN, GERALD

Non-Executive Director

Mr. To, aged 60, was appointed as an independent non-executive director in August 1999 and was re-designated as a non-executive director in October 2000. 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 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.

MR. PETER PUN *OBE, JP*

Independent Non-Executive Director

Mr. Pun, aged 78, has been an independent non-executive director since October 1997. He is 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 authorized architect under the Hong Kong Buildings Ordinance since 1964 and a practising authorized 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.

MR. TSUI HING CHUEN, WILLIAM *JP*

Independent Non-Executive Director

Mr. Tsui, aged 58, has been an independent non-executive director since September 2006. He 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, New World Mobile Holdings Limited and International Entertainment Corporation, all of which are listed on The Stock Exchange of Hong Kong Limited.

MR. LAU WAI PIU

Independent Non-Executive Director

Mr. Lau, aged 45, has been an independent non-executive director since September 2004. He is 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, New World Mobile Holdings Limited and International Entertainment Corporation, all of which are listed on The Stock Exchange of Hong Kong Limited.

Senior Management's Profiles

From left to right: Tang Chi Kei; James J. Schaeffer, Jr; Poon Tung Hoi, Gordon; Mohan Datwani

MR. 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.

MR. MOHAN DATWANI

General Counsel

Mr. Datwani, a former partner of Paul, Hastings, Janofsky & Walker, specializes 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). 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 18 years and holds an LLB and an LLM.

MR. TANG CHI KEI

Chief Financial Officer and Company Secretary

Mr. Tang has over 20 years' experience in corporate finance, treasury, accounting and company secretarial work. He has worked in senior finance roles for various Hong Kong listed companies. Mr. Tang holds a master degree of Finance and is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

MR. POON TUNG HOI, GORDON

Director of Corporate Development and Investor Relations

Mr. Poon has over 20 years' experience in investment banking. He worked as senior management in corporate finance and capital markets trading and sales in London, North America, Tokyo and Hong Kong for leading houses, including HSBC, CIBC, Bank of America and UBS. In recent years, he has been focusing on direct investment and pre-IPO funding transactions globally for leading institutional clients with an emphasis on the Greater China region.

Directors' Report

The directors present their report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the financial year ended March 31, 2009 ("Financial Year").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are in the energy and related resources sector. The activities of the principal subsidiaries are set out in note 34 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group for the Financial Year is set out in note 6 to the financial statements.

RESULTS

The results of the Group for the Financial Year are set out in the Consolidated Income Statement on page 53.

No interim dividend was declared (2008: Nil) and the Board does not recommend payment of a final dividend for the Financial Year (2008: Nil).

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital and the share options of the Company during the Financial Year are set out in notes 28 and 29 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years are set out on page 103.

RESERVES

Details of changes in the reserves of the Group for the Financial Year are set out in the Consolidated Statement of Changes in Equity on page 56. The details of the distributable reserves of the Company as at March 31, 2009 are set out in note 32 to the financial statements.

DONATIONS

As a caring enterprise, the Group had made charitable and other donations to a total amount of HK$3,448,000 during the Financial Year.

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the principal subsidiaries and associated companies of the Group as at March 31, 2009 are set out in notes 34 and 17 to the financial statements respectively.

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	38%
five largest suppliers in aggregate	73%
Sales	
the largest customer	24%
five largest customers in aggregate	49%

None of the directors of the Company, 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 during the Financial Year and up to the date of this report are as follows:

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

In accordance with Bye-law 87 of the Bye-laws of the Company, Ms. Yvette Ong, Mr. To Hin Tsun, Gerald and Mr. Peter Pun will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The directors, 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 and the senior management of the Group are set out on pages 38 to 40.

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 28 to 36.

DIRECTORS' INTERESTS

As at March 31, 2009, the interests of the directors 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
Mr. Lo Lin Shing, Simon	Interest of a controlled corporation/Beneficial/ Interest of spouse (Note)	1,200,739,301	19.853%
Ms. Yvette Ong	Beneficial	1,090,000	0.018%
Mr. To Hin Tsun, Gerald	Beneficial	5,400,000	0.089%
Mr. Tsui Hing Chuen, William	Beneficial	500,000	0.008%
Mr. Lau Wai Piu	Beneficial	201,200	0.003%

Note: Among the 1,200,739,301 shares, 4,960,000 shares represent interest of Mr. Lo Lin Shing, Simon ("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.

2. Long positions in the underlying shares

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

Save as disclosed above and the section headed "Share Option Schemes", as at March 31, 2009, none of the directors 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 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, 2009, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Long 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	1,625,000,000 (Note 1)	26.867%
Puraway Holdings Limited	Corporate	1,525,000,000 (Note 1)	25.214%
Ms. Ku Ming Mei, Rouisa	Beneficial/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	Corporate	328,070,000	5.424%
Dato' Dr. Cheng Yu Tung	Beneficial/Interest of a controlled corporation	498,972,602 (Note 4)	8.250%
Chow Tai Fook Nominee Limited	Corporate	493,972,602 (Note 4)	8.167%

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 1,525,000,000 shares held by Puraway. The 1,525,000,000 shares held by Puraway represents 1,025,000,000 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 1,199,679,301 shares under the SFO. Ms. Ku Ming Mei, Rouisa is personally interested in 1,750,000 shares.*

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 Ms. 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 represent 220,000,000 shares and 273,972,602 underlying shares. Dato' Dr. Cheng Yu Tung is personally interested in 5,000,000 shares.*

Save as disclosed above and those disclosed under "Directors' Interests", the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at March 31, 2009.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Financial 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 Financial 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 Financial Year.

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 as at the date of this report is 252,195,566 which represents approximately 4.17% of the issued share capital of the Company.

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, canceled 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 Financial Year are as follows:

Name or category of participant	Date of grant	Exercise price HK$	Exercise period	Vesting period	Number of shares				
					As at April 1, 2008	Granted during the year ended March 31, 2009	Canceled during the year	Exercised during the year (Note 4)	As at March 31, 2009
Director									
Mr. Lo Lin Shing, Simon	26-03-2008	7.284	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	0.170	01-03-2008 to 28-02-2012	01-03-2005 to 31-08-2005	4,670	–	–	4,000	670
	15-02-2006	0.164	15-02-2006 to 16-04-2009	N/A	4,600	–	400	4,000	200
	23-04-2007	4.620	02-04-2007 to 01-04-2009	N/A	2,100,000	–	–	950,000	1,150,000
	26-03-2008	7.284	26-03-2008 to 25-03-2010	N/A	2,000,000	–	–	–	2,000,000
	18-08-2008	6.142	18-08-2008 to 17-08-2010	18-08-2008 to 22-09-2008	–	125,000 (Note 1)	125,000	–	–
	18-08-2008	6.142	18-08-2008 to 17-08-2010	N/A	–	250,000 (Note 1)	-	–	250,000
	02-02-2009	2.134	02-02-2009 to 01-02-2012	N/A	–	3,000,000 (Note 2)	–	–	3,000,000
	06-02-2009	2.220	06-02-2009 to 05-02-2011	N/A	–	3,000,000 (Note 3)	–	–	3,000,000
					4,799,270	**6,375,000**	**125,400**	**958,000**	**10,090,870**

Notes:

(1) On August 18, 2008, 375,000 share options were granted to the employees of the Company 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 18, 2008, being the date of grant, was HK$3.50. The closing price of the Company's share on August 15, 2008, being the trading day immediately before the grant of the share options, was HK$4.860.

(2) On February 2, 2009, 3,000,000 share options granted to an employee of the Company 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$2.134. The closing price of the Company's shares on January 30, 2009, being the date of grant, was HK$2.09. The closing price of the Company's shares on January 30, 2009, being the trading day immediately before the grant of the share options, was HK$2.19.

(3) On February 6, 2009, 3,000,000 share options granted to an employee 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$2.132. The closing price of the Company's shares on February 6, 2009, being the date of grant, was HK$2.22. The closing price of the Company's shares on February 5, 2009, being the trading day immediately before the grant of the share options, was HK$2.14.

(4) 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$13.327.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions require disclosure in the annual report of the Company.

Acquisition of 263,008 hectares of concession areas in western Mongolia for coal, ferrous and non-ferrous metals resources

On May 5, 2008, the Company entered into an acquisition agreement with Mr. Liu Cheng Lin ("Mr. Liu") and other members of his group in relation to the acquisition of mining and exploratory concession areas (the "Concession Areas") of approximately 263,008 hectares in western Mongolia for coal, ferrous and non-ferrous metals resources.

The consideration for the acquisition is nominal at US$1.00.

In addition, the Company is required to pay to Mr. Liu's group the following resources fees within 30 days after the relevant resources are demonstrated by the Company's exploration to the international standards:

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

(b) Ferrous Resources Fees: 0.5% of the prevailing international market price ("Prevailing International Market Price") for the relevant ferrous metals resources ("Ferrous Resources") of the quality and type by way of Loan Note as deferred payment; and

(c) Non-Ferrous Resources Fees: 0.5% of the Prevailing International Market Price for the relevant non-ferrous metals resources ("Non-Ferrous Resources") of the quality and type by way of Loan Note as deferred payment.

The Company is required to pay to Mr. Liu's group the following commercial exploitation payments upon commercial use of the relevant resources:

(a) Coal Resources Exploitation Payments: HK$10.00 per tonne;

(b) Ferrous Resources Exploitation Payments: 2.5% of the Prevailing International Market Price for the relevant Ferrous Resources of the quality and type or the actual sales price, whichever is lower; and

(c) Non-Ferrous Resources Exploitation Payments: 2.5% of the Prevailing International Market Price for the relevant Non-Ferrous Resources of the quality and type or the actual sales price, whichever is lower.

The payment of resources fees and commercial exploitation is subject to compliance with the requirements under the Listing Rules. For the year ended March 31, 2009, no payment obligation was triggered by the Company.

Mr. Liu is a substantial shareholder of the Company and hence a connected person under the meaning of the Listing Rules.

Petroleum exploration block Ergel-XII of around 1.1828 million hectares in the east Govi Basin, Mongolia

The Company entered into a consortium agreement with Mr. Liu Cheng Lin ("Mr. Liu") on July 31, 2008 to set up a consortium ("Consortium").

Under the consortium agreement, the Company is a 20% consortium member and Mr. Liu is an 80% consortium member, with rights and obligations on a pro rata basis. The Consortium won a tender over Petroleum exploration block Ergel-XII of around 1.1828 million hectares in the East Govi Basin, Mongolia.

In accordance with the terms of the tender, the Consortium's minimum commitment over the next 5 years for exploration and other related expenses will be around US$52,770,000. The Company will share 20% of this commitment, or around US$10,554,000. The production sharing contract is subject to ratification.

Mr. Liu is a substantial shareholder of the Company and hence a connected person under the meaning of the Listing Rules.

Acquisition of an interest of 25% in a Xinjiang Kai Yu Yuan Mining Corporation Limited ("Xinjiang Kai Yu Yuan")

Xinjiang Kai Yu Yuan is a wholly foreign owned enterprise set up on September 11, 2007 under the laws of the PRC. The registered capital of the Xinjiang Kai Yu Yuan was RMB200 million at the time of setting up. The ultimate beneficial owner of Xinjiang Kai Yu Yuan was Mr. Liu Cheng Lin ("Mr. Liu"). Xinjiang Kai Yu Yuan is allowed to invest, among others, in coal, copper and iron resources and minerals processing under its business licence.

Under an acquisition agreement dated September 21, 2008, MEC agreed to acquire 25% interest of Xinjiang Kai Yu Yuan from Mr. Liu for RMB50 million representing a reimbursement of 25% of the RMB200 million ownership interests and related shareholder's loan. The Company is to contribute all further sums required by Xinjiang Kai Yu Yuan on a pro rata basis for all further projects acceptable to the Company.

Xinjiang Kai Yu Yuan is working towards forming two joint ventures respectively with Xinjiang Coalfield and Geology Bureau and China National Administration of Coal Geology 129 Exploration Team for coal projects in Xinjiang, the People's Republic of China.

The acquisition was 25% interest in Xinjiang Kai Yu Yuan by the Company was completed on October 30, 2008.

Subsequently in January 2009, Xinjiang Kai Yu Yuan obtained relevant government approval to increase its (i) registered capital from RMB200 million to RMB400 million; and (ii) total investment limit from RMB200 million to RMB700 million (inclusive of the registered capital of RMB400 million).

Mr. Liu is a substantial shareholder of the Company and hence a connected person under the meaning of the Listing Rules.

GROUP'S BORROWINGS

Details of the Group's borrowings are set out in notes 24 to 26 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Financial Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 Mr. Lau Wai Piu, Mr. Peter Pun and Mr. Tsui Hing Chuen, William who are the independent non-executive directors of the Company. Their principal duties include reviewing and supervising 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, 2009 have been reviewed by the audit committee.

HUMAN RESOURCES

As at March 31, 2009, the Group employed a total of 255 employees (as at September 30, 2008: 159) in Hong Kong, Beijing, Xinjiang and Mongolia. 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.

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 will retire and, being eligible, offer themselves for re-appointment.

POST BALANCE SHEET EVENT

Details of the significant event subsequent to the balance sheet date is set out in note 36 to the financial statements.

On behalf of the Board

Lo Lin Shing, Simon
Chairman

Hong Kong, July 23, 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF MONGOLIA ENERGY CORPORATION 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 53 to 102, which comprise the consolidated balance sheet as at March 31, 2009 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 CONSOLIDATED 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 consolidated financial statements.

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

Independent Auditor's Report

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, 2009 and of the Group's loss 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, 2009

Consolidated Income Statement

For the year ended March 31, 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	6	**11,081**	29,952
Bank interest income		**19,072**	3,342
Dividend income from listed equity securities		**—**	15
Direct aviation costs		**(1,430)**	(1,311)
Staff costs		**(46,903)**	(39,818)
Depreciation	12	**(24,644)**	(12,909)
Other expenses		**(89,784)**	(63,963)
Fair value (loss) gain on investment properties	13	**(16,062)**	190,000
Loss on early redemption of loan note	26	**(100,371)**	—
Impairment losses on interests in and loans to associates	17	**(56,766)**	—
Fair value (loss) gain from held-for-trading investments		**(24,039)**	20,075
Gain on disposal of interest in a jointly controlled entity		**—**	12,402
Gain on disposal of interests in associates		**—**	5,747
Finance costs	7	**(171,877)**	(31,271)
Share of losses of associates	17	**(3,170)**	(2,365)
Share of loss of a jointly controlled entity		**—**	(688)
(Loss) profit before taxation	8	**(504,893)**	109,208
Income tax credit (expense)	9	**66,506**	(34,808)
(Loss) profit for the year attributable to the equity holders of the Company		**(438,387)**	74,400
(Loss) earnings per share	11		
— basic (HK cents)		**(7.25)**	2.32
— diluted (HK cents)		**(7.25)**	2.31

Consolidated Balance Sheet

At March 31, 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	12	224,456	213,870
Investment properties	13	104,046	540,000
Intangible assets	14	809	380
Development in progress	15	738,941	—
Exploration and evaluation assets	16	12,758,720	12,712,228
Interests in associates	17	67,678	41,936
Other assets		1,150	1,150
Prepayments for exploration and evaluation expenditure	18	54,050	103,758
Deposits for property, plant and equipment and other long-term deposits	19	170,527	78,233
Amount due from an associate	17	200,000	200,000
		14,320,377	13,891,555
Current assets			
Accounts receivable	21	—	1,743
Other receivables, prepayments and deposits		31,986	16,185
Held-for-trading investments	20	28,742	54,383
Amount due from an associate	17	5,275	—
Cash and cash equivalents	22	660,889	254,341
		726,892	326,652
Current liabilities			
Accounts payable	23	1,049	6,308
Other payables and accruals		18,482	38,164
Amounts due to associates	17	5,510	8,898
Short-term bank loans	24	—	197,900
Tax payable		5,301	301
		30,342	251,571
Net current assets		696,550	75,081
Total assets less current liabilities		15,016,927	13,966,636
Non-current liabilities			
Convertible notes	25	1,647,166	114,880
Loan note	26	110,468	684,221
Deferred income tax liabilities	27	—	72,413
		1,757,634	871,514
Net assets		13,259,293	13,095,122

	Notes	2009 HK$'000	2008 HK$'000
Financed by:			
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	**120,964**	120,945
Reserves		**13,138,272**	12,974,120
		13,259,236	13,095,065
Minority interests		**57**	57
Total equity		**13,259,293**	13,095,122

The consolidated financial statements on pages 53 to 102 were approved and authorized for issue by the Board of Directors on July 23, 2009 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, 2009

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Balance at April 1, 2007	52,327	345,814	199,594	—	12,289	—	31,313	641,337	57	641,394
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	—	—	—	(1,035)	—	(1,035)	—	(1,035)
Profit 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
Recognition of equity-settled share based payments	—	—	—	—	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 and April 1, 2008	120,945	9,132,405	199,594	3,529,218	8,225	(1,035)	105,713	13,095,065	57	13,095,122
Exchange differences arising on translation of foreign operations recognised directly in equity	**—**	**—**	**—**	**—**	**—**	**(63,352)**	**—**	**(63,352)**	**—**	**(63,352)**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(438,387)**	**(438,387)**	**—**	**(438,387)**
Total recognised income and expense for the year	**—**	**—**	**—**	**—**	**—**	**(63,352)**	**(438,387)**	**(501,739)**	**—**	**(501,739)**
Recognition of equity-settled share based payments	**—**	**—**	**—**	**—**	**6,572**	**—**	**—**	**6,572**	**—**	**6,572**
Convertible note equity component	**—**	**—**	**—**	**654,948**	**—**	**—**	**—**	**654,948**	**—**	**654,948**
Issue of shares upon exercise of share options	**19**	**5,987**	**—**	**—**	**(1,616)**	**—**	**—**	**4,390**	**—**	**4,390**
Balance at March 31, 2009	**120,964**	**9,138,392**	**199,594**	**4,184,166**	**13,181**	**(64,387)**	**(332,674)**	**13,259,236**	**57**	**13,259,293**

Consolidated Cash Flow Statement

For the year ended March 31, 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
(Loss) profit before taxation	(504,893)	109,208
Bank interest income	(19,072)	(3,342)
Finance costs	171,877	31,271
Dividend income	—	(15)
Write off of property, plant and equipment	836	13
Write off of intangible assets	2	—
Share of losses of associates	3,170	2,365
Share of loss of a jointly controlled entity	—	688
Amortisation of intangible asset	224	44
Depreciation	24,644	12,909
Fair value loss (gain) on investment properties	16,062	(190,000)
Gain on disposal of interests in associates	—	(5,747)
Gain on disposal of interest in a jointly controlled entity	—	(12,402)
Impairment losses on interests in and loans to associates	56,766	—
Fair value loss (gain) from held-for-trading investments	24,039	(20,075)
Loss on early redemption of loan note	100,371	—
Share based compensation expenses	6,572	9,439
Operating cash flows before movements in working capital	(119,402)	(65,644)
(Increase) decrease in accounts receivables, other receivables, prepayments and deposits	(18,920)	9,084
Decrease in held-for-trading investments	1,602	90,760
Decrease in accounts payable, other payables and accruals	(16,218)	(7,566)
Net cash (used in) generated from operations	(152,938)	26,634
Tax refunded — Hong Kong profits tax	—	122
Tax paid — Hong Kong profits tax	(907)	(902)
Net cash (used in) generated from operating activities	(153,845)	25,854

Consolidated Cash Flow Statement

For the year ended March 31, 2009

	2009 HK$'000	2008 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(41,022)**	(86,895)
Purchase of investment property	**(104,046)**	—
Proceeds from disposal of investment properties	**515,735**	—
Development in progress additions	**(641,361)**	—
Exploration and evaluation asset additions	**(94,184)**	(151,355)
Intangible asset additions	**(701)**	(424)
Prepayments for exploration and evaluation expenditure	**—**	(82,097)
Deposits for property, plant and equipment	**(90,962)**	(78,233)
Acquisition of associates	**(56,771)**	—
Capital contribution to associates	**(28,444)**	(35,413)
Disposal of associates	**—**	62,135
Advance to associates	**(6,258)**	(188,458)
Sale of a jointly controlled entity	**—**	134,668
Advance to a jointly controlled entity	**—**	(74,387)
Dividend income	**—**	15
Bank interest received	**19,072**	3,342
Net cash used in investing activities	**(528,942)**	(497,102)
Financing activities		
Repayment to (advance from) associates	**(3,388)**	8,898
(Repayment) drawdown of borrowings	**(197,900)**	71,100
Proceeds received from issue of shares	**—**	582,300
Proceeds received from exercise of share options	**4,390**	18,460
Proceeds received from issue of zero coupon convertible note	**2,000,000**	—
Early redemption of loan note	**(687,500)**	—
Interest paid on bank and other borrowings	**(772)**	(17,575)
Interest paid on loan note	**(19,537)**	—
Share issue expenses	**—**	(5,304)
Net cash generated from in financing activities	**1,095,293**	657,879
Net increase in cash and cash equivalents	**412,506**	186,631
Cash and cash equivalents at beginning of the year	**254,341**	67,710
Effect of foreign exchange rate changes	**(5,958)**	—
Cash and cash equivalents at end of the year	**660,889**	254,341

Notes to the Consolidated Financial Statements

For the year ended March 31, 2009

1. GENERAL

The Company is a public limited liability company incorporated in Bermuda. The address of its principal place of business is 40/F and 41/F 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.

The Company acts as an investment holding company and its subsidiaries (the "Group") are principally engaged in energy and related resources, property investment and provision of charter flight services.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective or have become effective.

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 has 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 required.

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 that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[6]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[8]

1 *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*
2 *Effective for annual periods beginning on or after January 1, 2009, July 1, 2009 and January 1, 2010, as appropriate*
3 *Effective for annual periods beginning on or after January 1, 2009*
4 *Effective for annual periods beginning on or after July 1, 2009*
5 *Effective for annual periods ending on or after June 30, 2009*
6 *Effective for annual periods beginning on or after July 1, 2008*
7 *Effective for annual periods beginning on or after October 1, 2008*
8 *Effective for transfers on or after July 1, 2009*

The application of HKFRS 3 (Revised) may affect the Group's accounting for a business combination for which the acquisition date is on or after April 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

Interests in associates

An associate is an entity over which the investor has significant influence which is neither a subsidiary 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. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2009

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 recognised 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 including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less subsequent accumulated depreciation and 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.

Intangible assets acquired separately

Software acquired separately and with finite useful lives are carried at cost 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.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the consolidated income statement when the asset is derecognised.

Prepayments for exploration and evaluation expenditure

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

Development in progress

Development in progress includes the construction cost of a road of which the Group has a right of use. Development in progress is carried at cost less any recognised impairment losses. Development in progress is transferred to intangible assets with finite useful lives when the road construction work is completed and the road is ready for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 Group 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 Group has decided to discontinue such activities in the specific area; or

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements.

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 translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to 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 consolidated 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 the two categories, including financial assets held-for-trading 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 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.

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.

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 associates and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets other than held-for-trading investments, 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.

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 asset, 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, or 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.

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 loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

Interest expense is recognised on an effective interest basis.

Convertible notes

Convertible notes issued by the Company that contain both liability and conversion option components are classified separately into the 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 with the acquisition of the mining and exploration rights set out in Note 16, 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).

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 the capital reserve until the embedded option is exercised (in which case the balance stated in the 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 retained profits (accumulated losses). 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Other financial liabilities

Other financial liabilities including short-term bank loan, accounts payable, other payables, amounts due to associates 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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 contract 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 is determined by reference to the fair value of share options granted at the grant date. For share options which are vested at the date of grant, the fair value of the shares options granted is expensed immediately to profit or loss.

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 years.

The capital structure of the Group consists of debt, which included the borrowings disclosed in notes 24 and 26, convertible notes disclosed in note 25 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 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

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**684,401**	247,694
Held-for-trading investments	**28,742**	54,383
Financial liabilities		
Measured at amortised cost	**1,781,836**	1,042,168

5b. Financial risk management objectives and policies

The Group's financial instruments include accounts receivable, other receivables, held-for-trading investments, amounts due from/to associates, cash and cash equivalents, accounts payable, other payable, short-term bank loans, convertible notes and a 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 risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner:

Market risk

(i) *Currency risk*

The Group mainly operates in Hong Kong, Mainland China and Mongolia and the exposure in exchange rate risk mainly arises from accounts receivable, accounts payable and bank balances denominated in foreign currencies.

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

	Liabilities		Assets	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
United State Dollars ("US$")	**728**	727	**6,018**	288
Renminbi ("RMB")	**1**	1	**1,523**	1,178

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 arise.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The management considers the currency risk on RMB is insignificant and therefore no sensitivity analysis on such risk has been prepared.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, such as convertible notes and a loan note (see Notes 25 and 26 for details of these borrowings). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see Notes 22 and 24 for details).

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's cash flow interest rate risk is mainly due to the fluctuation of the prevailing bank time deposit rate (2008: the prevailing bank time deposit rate and the Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's Hong Kong Dollar denominated bank balances (2008: Hong Kong Dollar denominated bank balances and short term borrowings).

Sensitivity analysis

The sensitivity analysis on the exposure to the Group's cash flow interest rate risk has not been performed as the management considers that the exposure to these risks are insignificant.

(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 listed share prices of the respective equity instruments had been 5% higher/lower, the loss for the year ended March 31, 2009 would decrease/increase by HK$1,437,000 (2008: profit would increase/decrease by HK$2,719,000) as a result of the changes in fair value of held-for-trading investments.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk

As at March 31, 2009, 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:

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

- the amount of contingent liabilities in relation to financial guarantees issued by the Group for 2008 as disclosed in Note 30.

In order to minimise the credit risk, 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 amounts due from associates. At March 31, 2009, the amounts due from associates represent advances granted to two associates. The failure of these associates to make the required payment could have a substantial negative impact on the Group's results 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 associates. In addition, the Group reviews the balance with these associates 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.

Other than concentration risk on liquid funds which are deposited with that banks have good credit ratings, the Group does not have any other significant credit risk.

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.

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its 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.

2009

	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$'000	Carrying amount at March 31, 2009 HK$'000
Accounts payable	966	83	—	—	1,049	1,049
Other payables	7,086	10,557	—	—	17,643	17,643
Amounts due to associates	5,510	—	—	—	5,510	5,510
Convertible note	—	—	—	155,325	155,325	127,556
Zero coupon convertible note	—	—	—	2,000,000	2,000,000	1,519,610
Loan note	—	—	—	115,000	115,000	110,468
	13,562	10,640	—	2,270,325	2,294,527	1,781,836

2008

	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$'000	Carrying amount at March 31, 2009 HK$'000
Accounts payable	5,021	1,287	—	—	6,308	6,308
Other payables	28,663	1,298	—	—	29,961	29,961
Bank borrowings	—	—	198,255	—	198,255	197,900
Amounts due to associates	8,898	—	—	—	8,898	8,898
Convertible note	—	—	—	155,325	155,325	114,880
Loan note	—	—	—	905,625	905,625	684,221
	42,582	2,585	198,255	1,060,950	1,304,372	1,042,168

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For the year ended March 31, 2009

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

An analysis of the Group's revenue for the year is as follows:

	2009 HK$'000	2008 HK$'000
Rental income from investment properties	**7,788**	22,383
Management fee from investment properties	**1,288**	4,525
Gross rental income and management fee	**9,076**	26,908
Charter flight income	**2,005**	3,044
	11,081	29,952

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

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

The segment results for the year ended March 31, 2009 are as follows:

	Coal mining HK$'000	Property investments HK$'000	Charter flight services HK$'000	Total HK$'000
Revenue	—	9,076	2,005	11,081
Segment results	(45,183)	(11,132)	(18,440)	(74,755)
Unallocated corporate expenses				(92,987)
Bank interest income				19,072
Loss on early redemption of loan note				(100,371)
Impairment losses on interests in and loans to associates				(56,766)
Fair value loss from held-for-trading investments				(24,039)
Finance costs				(171,877)
Share of losses of associates				(3,170)
Loss before taxation				(504,893)
Income tax credit				66,506
Loss for the year				(438,387)
Depreciation	11,014	—	7,178	18,192
Amortisation	212	—	—	212
Unallocated depreciation and amortisation				6,464
				24,868
Capital expenditure	754,332	104,046	91,426	949,804
Unallocated capital expenditure				12,002
				961,806

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

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
Fair value gain from held-for-trading investments				20,075
Gain on disposal of interest in a jointly controlled entity				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 taxation				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	12,905,867	—	15,565	12,921,432
Unallocated capital expenditure				11,587
				12,933,019

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

The segment assets and liabilities at March 31, 2009 are as follows:

	Coal mining HK$'000	Property investments HK$'000	Charter flight services HK$'000	Unallocated HK$'000	Total HK$'000
Assets	13,675,699	104,046	267,881	999,643	15,047,269
Liabilities	12,291	—	6,773	1,768,912	1,787,976

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	627,734	14,218,207
Liabilities	21,927	10,295	728	1,090,135	1,123,085

Secondary reporting format — geographical segments

The Group operates in three main geographical areas:

Hong Kong:	Property investments and charter flight services *(Note)*
Mainland China:	Property investments
Mongolia:	Coal mining

Note: The investment properties located in Hong Kong were disposed of during the year.

There are no sales between geographical segments.

	For the year ended March 31,			
	Revenue		Capital expenditure	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Hong Kong	11,081	29,952	91,426	15,565
Mainland China	—	—	116,402	8,962
Mongolia	—	—	741,976	12,896,905
	11,081	29,952	949,804	12,921,432

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For the year ended March 31, 2009

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Secondary reporting format — geographical segments *(Continued)*

	March 31, 2009 HK$'000	March 31, 2008 HK$'000
Segment assets		
Hong Kong	229,041	693,985
Mainland China	163,322	43,167
Mongolia	13,655,263	12,853,321
	14,047,626	13,590,473

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

7. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on borrowings wholly repayable within five years:		
Interest expense:		
— convertible notes (Note 25)	187,234	2,005
— loan note (Note 26)	32,913	11,691
— bank loans (Note 24)	772	9,528
— other borrowings *(Note a)*	—	8,047
Less: Interest expense capitalised *(Note b)*	(49,042)	—
	171,877	31,271

Notes:

a. *The amount in 2008 included 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 that year. The interest expense was charged at 1% or 1.5% over HIBOR. The loans were fully repaid during that year.*

b. *Borrowing costs capitalised during the year were a portion of the interest expense on the zero coupon convertible note and were calculated by applying a capitalisation rate of 14.14% (2008: nil) per annum to expenditure on qualifying assets.*

8. (LOSS) PROFIT BEFORE TAXATION

	2009 HK$'000	2008 HK$'000
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration (Note 10)	**3,135**	4,002
Other staff costs:		
Salaries and other benefits	**43,246**	35,398
Retirement benefits scheme contributions (excluding directors' contributions)	**522**	418
Total staff costs	**46,903**	39,818
Auditor's remuneration	**2,268**	1,464
Operating lease rental in respect of office premises	**12,411**	8,058
Direct operating expenses arising from investment properties that generate rental income	**2,204**	3,121
Depreciation of property, plant and equipment	**24,644**	12,909
Amortisation on software (included in other expenses)	**224**	44
Write off of property, plant and equipment	**836**	13
Net exchange losses (included in other expenses)	**344**	297

9. INCOME TAX (CREDIT) EXPENSE

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

	2009 HK$'000	2008 HK$'000
Current income tax at Hong Kong tax rate of 16.5% (2008: 17.5%)	**6,014**	819
Overprovision for Hong Kong profits tax in prior year	**(107)**	(43)
	5,907	776
Deferred tax (Note 27):		
— Current year	**(68,278)**	34,032
— Attributable to a change in tax rate	**(4,135)**	—
	(72,413)	34,032
Income tax (credit) charge	**(66,506)**	34,808

On June 26, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced the corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. Hong Kong profits tax is calculated at 16.5% (2008: 17.5%) at the estimated assessable profit for the year.

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

9. INCOME TAX (CREDIT) EXPENSE *(Continued)*

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

	2009 **HK$'000**	2008 HK$'000
(Loss) profit before taxation	**(504,893)**	109,208
Calculated at a tax rate of 16.5% (2008: 17.5%)	**(83,307)**	19,111
Tax effect on income not subject to tax	**(4,009)**	(7,277)
Tax effect on expenses not deductible for tax purposes	**81,422**	12,471
Tax effect on tax loss not recognised	**11,908**	10,546
Reversal of previously recognised temporary differences	**(72,413)**	—
Overprovision in prior year	**(107)**	(43)
Income tax (credit) expense	**(66,506)**	34,808

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each of the directors for the year ended March 31, 2009 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	**—**	**—**	**1,054**	**—**	**—**	**1,054**
Liu Zhuo Wei	**—**	**—**	**—**	**—**	**—**	**—**
Yvette Ong	**—**	**1,707**	**52**	**—**	**12**	**1,771**
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**	**1,106**	**—**	**12**	**3,135**

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

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

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

(b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one (2008: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2008: four) highest paid individuals during the year are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, other allowances and benefits in kind	15,642	12,817
Discretionary bonus	—	—
Contributions to MPF Scheme	24	24
Share based payments	6,032	7,481
	21,698	20,322

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10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Senior executives' emoluments *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2009**	2008
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**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**	1
HK$9,000,001 – HK$9,500,000	**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. (LOSS) EARNINGS PER SHARE

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

	2009	2008
	HK$'000	HK$'000
(Loss) earnings		
(Loss) profit attributable to the equity holders of the Company, as used in the calculation of basic (loss) earnings per share	**(438,387)**	74,400
Interest expense on convertible note	**—**	2,005
(Loss) profit attributable to the equity holders of the Company, as used in the calculation of diluted (loss) earnings per share	**(438,387)**	76,405

11. (LOSS) EARNINGS PER SHARE *(Continued)*

	2009 '000	2008 '000
Number of shares		
Weighted average number of ordinary shares in issue for calculation of basic (loss) earnings per share	6,048,066	3,207,408
Effect of dilutive potential ordinary shares:		
Convertible notes		86,065
Share options	—	20,050
Weighted average number of ordinary shares in issue for diluted (loss) earnings per share	6,048,066	3,313,523

The computation of the 2009 diluted loss per share does not assume the conversion of the Company's outstanding convertible notes and exercise of share options since their exercise/conversion would result in a decrease in loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings at the mining site HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and other equipment HK$'000	Motor vehicles HK$'000	Aircraft and engines HK$'000	Total HK$'000
COST								
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
Exchange adjustments	(5,152)	259	(55)	(17)	(1,312)	(385)	—	(6,662)
Additions	2,687	10,106	771	1,767	7,642	14,773	3,276	41,022
Written off	—	(1,531)	(15)	(251)	(3)	—	—	(1,800)
At March 31, 2009	**54,200**	**20,921**	**5,274**	**5,301**	**11,067**	**26,033**	**146,844**	**269,640**
ACCUMULATED DEPRECIATION								
At April 1, 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
Exchange adjustments	(1,269)	64	(49)	(29)	(187)	(236)	—	(1,706)
Charge for the year	4,968	5,559	1,089	1,267	805	3,778	7,178	24,644
Written off	—	(869)	(9)	(86)	—	—	—	(964)
At March 31, 2009	**5,116**	**6,393**	**3,148**	**1,514**	**761**	**5,405**	**22,847**	**45,184**
CARRYING VALUE								
At March 31, 2009	**49,084**	**14,528**	**2,126**	**3,787**	**10,306**	**20,628**	**123,997**	**224,456**
At March 31, 2008	55,248	10,448	2,456	3,440	4,597	9,782	127,899	213,870

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12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	2009 HK$'000	2008 HK$'000
At beginning of the year	540,000	350,000
Addition	104,046	—
(Decrease) increase in fair value recognised in the consolidated income statement	(16,062)	190,000
Disposal	(523,938)	—
At end of the year	104,046	540,000

During the year, the Group disposed of its investment properties in Hong Kong for a consideration, net of transaction costs, of approximately HK$523,938,000, resulting in a fair value loss of approximately HK$16,062,000. For cash flow purposes, 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.

The Group's investment property acquired during the year was revalued by reference to market evidence of transaction prices for similar properties in the same location and conditions by RHL Appraisal Ltd., an independent qualified valuer at March 31, 2009. RHL Appraisal Ltd. has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The investment property acquired is located in Mainland China and is held under a lease of 57 years.

14. INTANGIBLE ASSETS

	Software
	HK$'000
COST	
At April 1, 2007	—
Additions	424
At March 31, 2008	424
Exchange adjustments	(92)
Additions	701
Written off	(4)
At March 31, 2009	1,029
ACCUMULATED AMORTISATION	
At April 1, 2007	—
Charge for the year	44
At March 31, 2008	44
Exchange adjustments	(46)
Charge for the year	224
Written off	(2)
At March 31, 2009	220
CARRYING VALUE	
At March 31, 2009	809
At March 31, 2008	380

The above intangible assets have finite useful lives. These intangible assets are amortised on a straight-line basis over 3 years.

15. DEVELOPMENT IN PROGRESS

During the year, 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, regarding the right of use a road 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 cost from the Group's mine areas in Khushuut, western Mongolia to the Yarant border crossing with Xinjiang, 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 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 certain weight restrictions whereupon the Group may direct users including commercial users. 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 the PRC and the road was under construction at March 31, 2009. The expected completion date of the road foundation is in the latter half of 2009.

16. EXPLORATION AND EVALUATION ASSETS

	Mining and Exploration Rights (Note d) HK$'000	**Others** (Note c) HK$'000	**Total** HK$'000
COST			
At April 1, 2007	—	—	—
Acquisitions (Note a)	12,560,873	—	12,560,873
Additions	—	151,355	151,355
At March 31, 2008	12,560,873	151,355	12,712,228
Acquisition (Note b)	—	—	—
Additions	—	99,046	99,046
Exchange adjustments	(48,687)	(3,867)	(52,554)
At March 31, 2009	12,512,186	246,534	12,758,720

Notes:

(a) 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 consideration was satisfied by: (1) 1,125,000,000 new shares of the Company (2) HK$142.5 million convertible note with 3% per annum coupon rate with a 3-year maturity and (3) HK$787.5 million loan note with a 5% per annum coupon rate with a 3-year maturity. The total consideration of the above amounted to HK$12,560,873,000. Details of convertible note, loan note and share issue are set out in Notes 25, 26 and 28. The acquisition was completed on January 29, 2008 when all precedent conditions set out in the Initial Agreement have been satisfied. Upon 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 32,000 hectares of a coal mine in Khovd Province in Mongolia (the "2007 Acquisition"). The agreement was concluded with Shine Ocean International Limited ("SOIL"), a company which is beneficially owned by Mr. Liu. The exploration rights were initially acquired for a consideration of US$1.

16. EXPLORATION AND EVALUATION ASSETS *(Continued)*

Notes: (Continued)

(b) On May 5, 2008, the Group entered into an agreement to acquire the mining and exploration rights for 263,008 hectares in western Mongolia for coal, ferrous and non-ferrous metals resources (the "2008 Acquisition"). The agreement was concluded with SOIL. The rights were initially acquired for a consideration of US$1.

In addition, for both the 2007 Acquisition and the 2008 Acquisition, 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 prices for the relevant ferrous metals of the qualities and types 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 prices for the relevant non-ferrous metals of the qualities and types by way of loan note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment.

The exploration of the acquired areas for the 2007 Acquisition and the 2008 Acquisition is at the sole and absolute discretion of the Group and no minimum conditions for the exploration has been set by SOIL.

As the fees payable for the resources cannot be determined until completion of exploration, accordingly, only US$1 each for the 2007 Acquisition and the 2008 Acquisitions, was recorded in exploration and evaluation assets. The fee payable will be recognised when a reliable measurement of the resources can be obtained.

(c) Others represent the geological and geophysical costs, drilling and exploration expenses and labour costs directly attributable to exploration activities.

(d) Exploration and mining licenses are granted for an initial period of 3 and 30 years respectively. The Group may apply for an extension of the exploration licenses for two successive periods of 3 years each and mining licenses for two successive periods of 20 years each.

17. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES

	2009 **HK$'000**	2008 HK$'000
Cost of associates		
— unlisted shares, at cost	**129,454**	44,234
Share of results	**(5,993)**	(2,298)
Impairment losses	**(55,783)**	—
	67,678	41,936
Amounts due from associates	**206,258**	200,000
Impairment losses	**(983)**	—
	205,275	200,000
Analysis for reporting purposes:		
Non current	**200,000**	200,000
Current	**5,275**	—
	205,275	200,000

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For the year ended March 31, 2009

17. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2009 HK$'000	2008 HK$'000
Total assets	735,118	300,908
Total liabilities	525,068	203,391
	210,050	97,517
Group's share of net assets of associates	67,678	41,936
Revenue	41,010	43,697
Loss for the year	8,586	5,447
Group's share of result of associates for the year	(3,170)	(2,365)

Details of the associates at March 31, 2009 and 2008 are as follows:

Name	Place of establishment/ incorporation	Particulars of issued/registered share capital	2009 & 2008 Interest held	Principal activities
亞聯公務機有限公司	PRC	100,000,000 shares of RMB1.00 each	43%[2]	Provision of charter flight services and aircraft management
Upper Easy Enterprises Limited[*]	British Virgin Islands	5 shares of US$1.00 each	20%	Investment holding
eGuanxi (Cayman) Limited	Cayman Islands	6,667,000 shares of US$1.00 each	25%	Dormant
Xinjiang Kai Yu Yuan Mining Corporation Limited[1*]	PRC	RMB300,000,000	25%[2]	Exploration and development of coal resources, iron and copper
MoOiCo LLC ("MoOiCo")[1*]	Mongolia	US$10,000	20%[2]	Oil exploration
Profit Rise International Private Limited[1*]	Singapore	100 shares of S$1.00 each	20%	Investment holding

17. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM (TO) ASSOCIATES *(Continued)*

Name	Place of establishment/ incorporation	Particulars of issued/registered share capital	2009 & 2008 Interest held	Principal activities
BAA Jet Management Limited #	Hong Kong	1,000 shares of HK$1.00 each	40.1%[2]	Provision of charter flight services
Moral Known Investments Limited #	British Virgin Islands	3 shares of US$1.00 each	33.3%[2]	Property development & investment
Crown Frame Properties Limited (formerly known as Crestbright Properties Ltd.) #	British Virgin Islands	100 shares of US$1.00 each	30%[2]	Property development & investment
Crestbright Investments Ltd. #	British Virgin Islands	100 shares of US$1.00 each	34%[2]	Provision of environmental services

[1] *Associates acquired during the current year.*

[2] *Interest indirectly held.*

Associate disposed of during the financial year ended 2008.

* *Mr. Liu, a substantial shareholder of the Company, owns the remaining shares in these associates.*

Included in the cost of investment in associates is a premium of HK$55,928,000 (2008: Nil) for the acquisition of Xinjiang Kai Yu Yuan Mining Corporation Limited ("Xinjiang Kai Yu Yuan"). Xinjiang Kai Yu Yuan has entered into agreements with (1) Xinjiang Coalfield and Geology Bureau and its Team 156 and (2) China National Administration Coal Geology 129 Exploration Team (collectively referred as the "Geological Bureaus") to establish two joint ventures for the further exploration of 2 billion tonnes of coal resources. According to the agreement, the Geological Bureaus is to contribute the exploration licensed areas containing the demonstrated 2 billion tonnes of coal resources to the joint ventures. The premium is attributable to exploration costs incurred by Xinjiang Kai Yu Yuan before the acquisition. As at 31 March 2009, the Group conducted impairment assessment on its interest in Xinjiang Kai Yu Yuan. As the exploration licensed areas had not been transferred by the Geological Bureaus, this resulted in the impairment of HK$55,783,000 being recognised in the same year the associate was acquired.

17. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM (TO) ASSOCIATES *(Continued)*

There is no capital commitment contracted but not provided for in respect of further capital investment in an associate as at March 31, 2009 (2008: Nil).

The amounts due from associates included an advance of HK$200,000,000 granted to Upper Easy Enterprises Limited, of which Mr. Liu is a substantial shareholder of the Company, owns the remaining interest. The advance was made for the purpose of securing a mineral resource project and therefore classified as non-current asset. The expected timing for completion is extended to on or before October 31, 2009. The remaining balances of HK$5,275,000 represent shareholder loans to MoOiCo which is engaged in an oil exploration project in Mongolia. That amount is unsecured, interest free and repayable on demand.

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

18. PREPAYMENTS FOR EXPLORATION AND EVALUATION EXPENDITURE

	2009 HK$'000	2008 HK$'000
Road improvement and drilling equipment transport	25,284	25,284
Exploration drilling	28,766	29,936
Road design and environmental assessment	—	48,538
	54,050	103,758

19. DEPOSITS FOR PROPERTY, PLANT AND EQUIPMENT AND OTHER LONG-TERM DEPOSITS

	2009 HK$'000	2008 HK$'000
Aircraft	103,714	15,565
Electricity supply at mine site in Mongolia	48,898	48,899
Others	17,915	13,769
	170,527	78,233

20. HELD-FOR-TRADING INVESTMENTS

	2009 HK$'000	2008 HK$'000
Equity securities of companies listed in Hong Kong	28,742	54,383

21. 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:

	2009 HK$'000	2008 HK$'000
Current to 30 days	—	346
31 to 60 days	—	410
61 to 90 days	—	118
Over 90 days	—	869
	—	1,743

Included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of HK$987,000 in 2008 which are past due at the reporting date for which the Group has not provided for an impairment loss. The Group did not hold any collateral over these balances. The balances were fully settled during the year.

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

	2009 HK$'000	2008 HK$'000
61 to 90 days	—	118
Over 90 days	—	869
	—	987

In 2008, no provision has been made for receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable.

22. CASH AND CASH EQUIVALENTS

	2009 HK$'000	2008 HK$'000
Bank balances and cash	20,285	12,663
Time deposits	640,604	241,678
	660,889	254,341

The weighted average effective interest rate on short-term bank deposits was 0.52% (2008: 2.07%) per annum. The maturity days of the short-term time deposits ranged from one week to one month (2008: one week). Cash at bank earns interest at rates based on daily bank deposit rates.

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23. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	2009 HK$'000	2008 HK$'000
Current to 30 days	**226**	3,094
31 to 60 days	**82**	621
61 to 90 days	**—**	666
Over 90 days	**741**	1,927
	1,049	6,308

24. SHORT-TERM BANK LOANS

At March 31, 2008, the bank loans bore interest at 0.65% over HIBOR and were secured by the Group's investment properties in Hong Kong. The weighted average effective interest rate for 2008 was 5.04% per annum. Mr. Lo had also provided a personal guarantee to the bank to the extent of all outstanding interests in connection with the bank loans. These loans were fully settled during the year.

25. 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. The 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 at any time between the issue date and the maturity date subject to the anti-dilutive adjustments. 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 convertible note at the holder's option subject to the anti-dilutive adjustments. 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.

Both convertible notes contain two components, liability and equity elements. The equity element is presented in equity as part of the "capital reserve". The effective interest rate of the liability component for the Convertible Note and Zero Coupon Convertible Note is 11.23% per annum and 14.14% per annum respectively.

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

	2009 HK$'000	2008 HK$'000
At beginning of the year	**114,880**	—
Initial recognition	**1,345,052**	112,875
Interest expense (Note 7)	**187,234**	2,005
At end of the year	**1,647,166**	114,880

25. CONVERTIBLE NOTES *(Continued)*

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

	Convertible Note
Share price	HK$7.33
Expected volatility	66%
Risk-free rate	1.68%
Expected dividend yield	0%

26. LOAN NOTE

Under the terms of the loan note, the loan note with principal amount of HK$787,500,000 is unsecured, interest bearing at 5% per annum and has a 3-year maturity period but can be repaid before maturity at the discretion of the Company at its principal amount and accrued interest up to the redemption date. The loan note was issued as part of the consideration to acquire mining and exploration rights, as detailed in note 16(a), and was fair valued at initial recognition with an effective interest rate of 10.43% per annum.

As at March 31, 2008, the Directors were of the opinion that the Company did not intend to early repay the loan note. However, after taking into account the Group's projected cash needs subsequent to the issuance of the Zero Coupon Convertible Note and low interest yield from fixed deposit, the Company early redeemed part of the loan note with a principal amount of HK$687,500,000 for better cash flow management and incurred an early redemption loss of HK$100,371,000 during the year ended March 31, 2009. As at March 31, 2009, the Directors did not intend to repay the remaining part of the loan note within the next fiscal year and therefore the loan note has been classified as a non-current liability. Interest on the loan note is payable on the maturity date or upon repayment, whichever is earlier.

27. 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
At April 1, 2007	38,381
Charged to the income statement (Note 9)	34,032
At March 31, 2008 and April 1, 2008	72,413
Credited to the income statement (Note 9)	(72,413)
At March 31, 2009	**—**

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At March 31, 2009, estimated tax losses of the Group not utilised were amounted to HK$142,247,000 (2008: HK$70,077,000). 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 and whether the amount of tax loss is agreed by relevant tax authority. Except for tax losses of HK$76,800,000 (2008: HK$6,200,000) expiring within 2 years, the remaining balances have no expiry date.

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28. SHARE CAPITAL

Authorised and issued share capital

	2009 HK$'000	2008 HK$'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, 2007		2,616,362,363	52,327
Issue of shares			
— Acquisition of assets	(i)	1,125,000,000	22,500
— Subscription of new shares	(i)	1,180,000,000	23,600
— Placing of new shares	(i)	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 upon exercise of share options	(ii)	958,000	19
At March 31, 2009		**6,048,220,363**	**120,964**

Notes:

(i) 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 of exploration and evaluation assets 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 were issued to Golden Infinity Ltd. at HK$0.285 each; (ii) 200,000,000 shares were issued to Chow Tai Fook Nominee Limited at HK$0.24 each and (iii) 200,000,000 shares were 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.

(ii) During the year, share options to subscribe for 958,000 (2008: 25,900,000) shares were exercised, of which HK$19,000 (2008: HK$518,000) was credited to share capital and the balance of HK$5,987,000 (2008: HK$31,445,000) was credited to the share premium account.

29. 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 Group 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:

	2009		2008	
	Weighted average exercise price per share HK$	Number of share options	Weighted average exercise price per share HK$	Number of share options
Exercisable at beginning of the year	6.1049	4,799,270	0.6900	25,763,444
Granted	2.4102	6,375,000	5.9373	5,440,000
Exercised	4.5828	(958,000)	0.7128	(25,900,000)
Lapsed/cancelled	6.142	(125,400)	4.5832	(504,174)
Exercisable at end of the year	3.9147	10,090,870	6.1049	4,799,270

Options exercised during the year ended March 31, 2009 resulted in 958,000 ordinary shares (2008: 25,900,000) being issued at the weighted average exercise price of HK$4.5828 (2008: HK$0.7128) each. The related weighted average share price at the time of exercise was HK$13.418 (2008: HK$8.269) per share.

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

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

			Number of shares subject to options	
Date of grant	**Exercise price** HK$	**Exercise period**	2009	2008
1-3-2005	0.1695 (note)	1-3-2005 to 28-2-2012	670	4,670
15-2-2006	0.1636	15-2-2006 to 16-4-2009	200	4,600
23-4-2007	4.62	23-4-2007 to 1-4-2009	1,150,000	2,100,000
26-3-2008	7.284	26-3-2008 to 25-3-2011	2,690,000	2,690,000
18-8-2008	6.142	18-8-2008 to 17-8-2010	250,000	—
2-2-2009	2.134	2-2-2009 to 1-2-2012	3,000,000	—
6-2-2009	2.22	6-2-2009 to 5-2-2011	3,000,000	—
			10,090,870	4,799,270

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.

29. SHARE-BASED PAYMENT COMPENSATION *(Continued)*

Equity-settled share option scheme *(Continued)*

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

	Date of grant of share option				
	April 23, 2007	March 26, 2008	August 18, 2008	February 2, 2009	**February 6, 2009**
Option value (at grant date)	HK$4,452,000	HK$4,987,000	HK$540,218	HK$2,994,609	**HK$3,037,170**
Significant inputs into the valuation model:					
Exercise price at grant date	HK$4.62	HK$7.28	HK$6.142	HK$2.134	**HK$2.22**
Share price at grant date	HK$4.62	HK$7.22	HK$3.5	HK$2.09	**HK$2.22**
Expected volatility (note)	62.28%	62.01%	136.02%	137.58%	**132.78%**
Risk-free interest rate	3.92%	1.155%	2.119%	1.053%	**0.526%**
Expected life of options	1.94 years	2 years	2 years	3 years	**2 years**
Expected dividend yield	0%	0%	0%	0%	**0%**

Note: The expected volatility is measured at the standard deviation of the 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 expected life used in the model has been estimated, based on management's best estimate, for the effects of non transferability, exercise restrictions and behaviour considerations.

The Group recognised the total expense of HK$6,572,000 for the year ended March 31, 2009 (2008: HK$9,439,000) in relation to share options granted by the Company.

30. FINANCIAL GUARANTEES

	2009 HK$'000	2008 HK$'000
Guarantees in respect of credit facilities granted to an associate	**—**	3,340

The extent of such facilities utilized by the associate at March 31, 2008 was approximately HK$725,000. As at March 31, 2008 no amount has been recognised in the consolidated balance sheet as a liability. The guarantee was revoked during the year ended March 31, 2009.

31. 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, 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2009 HK$'000	2008 HK$'000
Not later than one year	15,853	9,821
Later than one year and not later than five years	12,926	9,318
	28,779	19,139

(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:

	2009 HK$'000	2008 HK$'000
Not later than one year	—	23,907
Later than one year and not later than five years	—	29,735
	—	53,642

The investment properties in Hong Kong were disposed on July 15, 2008 as set out in Note 13.

(c) Capital commitment

At March 31, 2009, the Group had capital commitments contracted for but not provided for amounted to approximately HK$671,209,000 (2008: HK$459,385,000). These commitments are for the following projects:

	2009 HK$'000	2008 HK$'000
Acquisition at an aircraft (Note 19)	192,153	280,900
Road construction (Note 15)	289,629	—
Road improvement and drilling equipment transport (Note 18)	51,415	46,865
Exploration drilling (Note 18)	52,296	47,668
Mine design	41,921	23,528
Other exploration related commitments	43,795	60,424
	671,209	459,385

32. BALANCE SHEET OF THE COMPANY

Balance sheet

	2009 HK$'000	2008 HK$'000
Total assets	**15,212,577**	13,797,617
Total liabilities	**(2,008,624)**	(893,093)
Net assets	**13,203,953**	12,904,524
Financed by:		
Equity		
Capital and reserves attributable to the Company's equity holders		
Share capital	**120,964**	120,945
Reserves	**13,082,989**	12,783,579
	13,203,953	12,904,524

Reserves

	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Capital reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at April 1, 2007	345,814	199,594	—	12,289	(121,850)	435,847
Profit for the year	—	—	—	—	35,987	35,987
Recognition of equity-settled share based payments	—	—	—	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 and April 1, 2008	9,132,405	199,594	3,529,218	8,225	(85,863)	12,783,579
Loss for the year	—	—	—	—	(366,481)	(366,481)
Recognition of equity-settled share based payments	—	—	—	6,572	—	6,572
Convertible note — equity component	—	—	654,948	—	—	654,948
Issue of shares upon exercise of share options	5,987	—	—	(1,616)	—	4,371
Balance at March 31, 2009	9,138,392	199,594	4,184,166	13,181	(452,344)	13,082,989

Note: 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.

33. 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) Flight services to

	2009 HK$'000	2008 HK$'000
Associates	672	908

(b) Services rendered by

	2009 HK$'000	2008 HK$'000
Associates	19,397	20,384

(c) Loan to associates

	2009 HK$'000	2008 HK$'000
Granted during the year	6,258	200,000

(d) Key management compensation

	2009 HK$'000	2008 HK$'000
Basic salaries, other allowances and benefits in kind	16,627	14,287
Share based payments	6,032	4,597
Contributions to MPF scheme	36	24
	22,695	18,908

In addition to the amounts disclosed above, 690,000 share options with an exercise price of HK$7.284 were granted to Mr. Lo during the year ended March 31, 2008.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at March 31, 2009 and March 31, 2008:

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 Limited	British Virgin Islands	1 share of US$1.00	100%	Investment holding
Mongolia Energy Corporation (Greater China) Ltd	Hong Kong	2 shares of HK$1.00 each	100%	Management services
Mongolia Energy Corporation Services Limited	Hong Kong	2 shares of HK$1.00 each	100%	Provision of secretarial and nominee services
MoEnCo LLC	Mongolia	1,010,000 shares of US$1.00 each	100%	Minerals exploration and mining activities

* *Subsidiaries directly held by the Company*

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.

None of the subsidiaries had issued any debt securities at the end of the year.

35. RETIREMENT BENEFIT SCHEME

The MPF Scheme is available to all employees aged 18 to 65 and with at least 59 days of service under employment in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The maximum relevant income for contribution purpose is HK$20,000 per month. The employees are entitled to the full benefit of the Group's contributions and accrued returns irrespective of their length of service with the Group but the benefits are required by law to be presented until the retirement age of 65.

36. SUBSEQUENT EVENT

The Company entered into an agreement and supplemental agreement on July 10, 2009 with Lenton Capital Management Limited, an independent third party, to acquire 100% equity interest of Millennium Hong Kong Group Limited ("Millennium") at a total consideration of US$35,000,000 (equivalent to approximately HK$272,300,000). The consideration is to be payable by way of (i) US$15,000,000 (equivalent to approximately HK$116,700,000) cash, of which US$5,000,000 (equivalent to approximately HK$38,900,000) to be payable based upon obtaining the mining licence; and (ii) US$20,000,000 by way of issue of 54,577,465 new ordinary shares of the Company of HK$0.02 each in the capital of the Company at an issue price of HK$2.840 per share. Millennium holds an exploration concession with ferrous resources of around 2,986 hectares in Bayan-Olgiy Aimag in western Mongolia through a wholly-owned Mongolia subsidiary. The acquisition has not been completed as at the date when these consolidated financial statements are approved for issue by the directors.

Summary of Results, Assets and Liabilities

	Results of the Group for the year ended March 31				
	2005 HK$'000 (Restated)	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Turnover	18,776	24,052	39,773	29,952	**11,081**
Profit(loss) attributable to Shareholders	9,100	(1,383)	11,849	74,400	**(438,387)**
Earnings(loss) per share (HK cents) (Note 1)					
— Basic	3.11	(0.25)	0.62	2.32	**(7.25)**
— Diluted	3.11	(0.02)	0.61	2.31	**(7.25)**

	Assets and liabilities of the Group at March 31				
	2005 HK$'000 (Restated)	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Total assets	477,794	818,114	843,079	14,218,207	**15,047,269**
Less: Total liabilities	(251,548)	(390,988)	(201,685)	(1,123,085)	**(1,787,976)**
Total net assets	226,246	427,126	641,394	13,095,122	**13,259,293**

Notes:

(1) As a result of the rights issue in the year 2006, figures for the years 2005 has 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.

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

COMPANY SECRETARY

Mr. Tang Chi Kei

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 Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
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

40th & 41st Floors
New World Tower I
16-18 Queen’s Road Central
Hong Kong
Telephone: (852) 2138 8000
Facsimile: (852) 2138 8111

WEBSITE ADDRESS

http://www.mongolia-energy.com

Mongolia Energy Corporation Limited

40th Floor, New World Tower 1,
16-18 Queen’s Road Central, Hong Kong

Tel : (852) 2138 8000
Fax : (852) 2138 8111
Website: www.mongolia-energy.com