MONGOLIA ENERGY CORPORATION

蒙 古 能 源 有 限 公 司

Incorporated in Bermuda with limited liability
Stock Code: 276

Interim Report 2009

ENERGY · RESOURCES · DEVELOPER

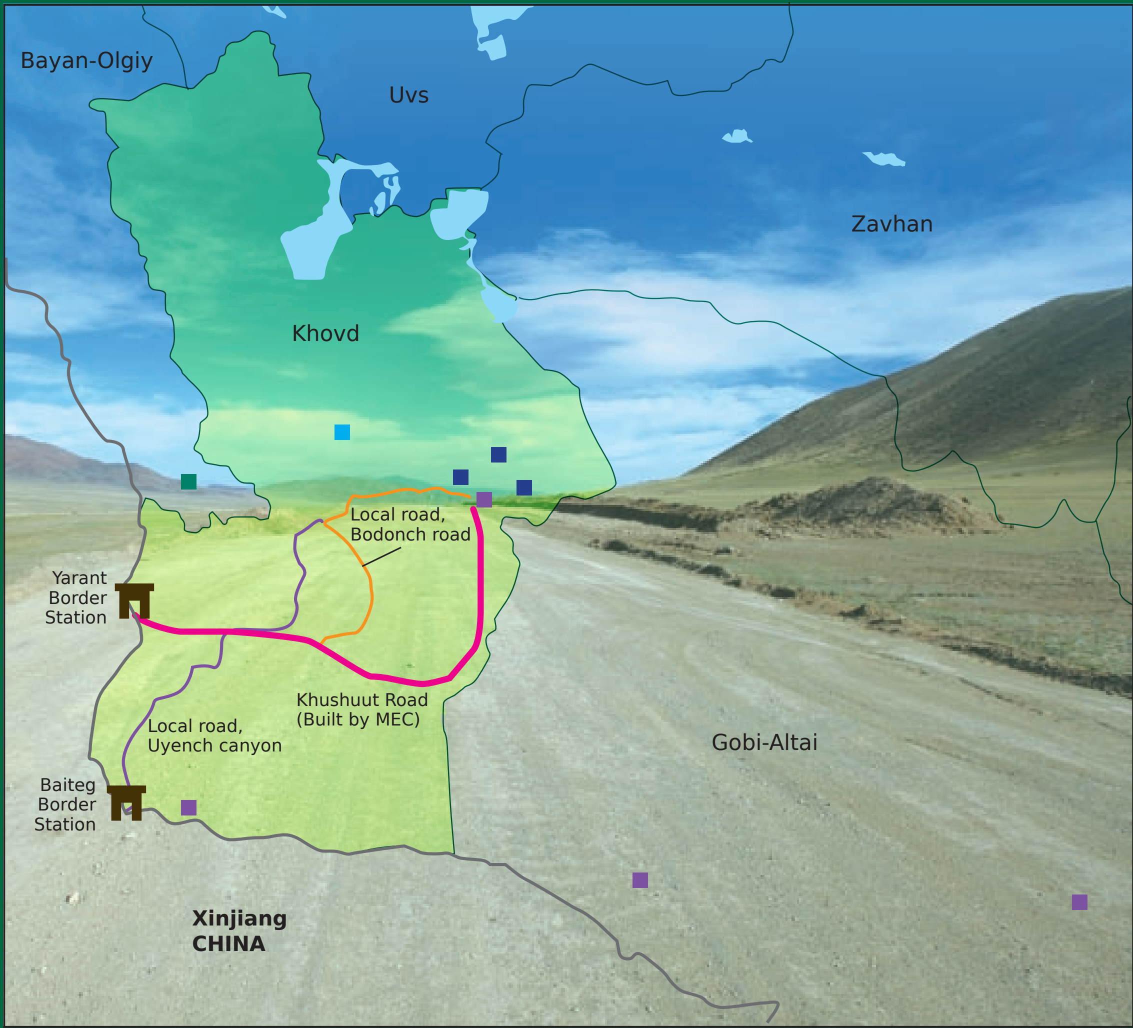
Caution Regarding Forward-Looking Statements

This document 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 document. 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 document.

MEC is an energy and resources developer. We acquire concessions, explore and co-ordinate mine development. We work with leading companies in our endeavours.

Contents

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 various acquisitions of concessions for resources. We have an aggregate concession areas of approximately 330,000 hectares for coal, ferrous and non-ferrous metal resources in western Mongolia at Khushuut, Darvi, Gants Mod, Olon Bulag, Gobi-Altai and Bayan-Olgiy.

Chairman's Statement

Dear Shareholders,

I am pleased to report to you that we, as an energy and resources developer, are well on our way with the development of our initial mining project in western Mongolia. We are also pressing ahead with the development of further prospects in western Mongolia and our other investments.

Our initial project in western Mongolia is located at Khushuut, Khovd Province. This is in relation to 600 hectares of our 330,000 hectares concession areas at western Mongolia. Our exploration has demonstrated approximately 149.2 million tonnes of JORC in-place coal resources, which are predominantly premium coking coal.

With the road infrastructure which we have constructed in place to link Khushuut with the Yarant/Takeshenken border crossing at Xinjiang, PRC, some 310km away, we are at the crossroad for commencing our mining operations at Khushuut. Our target is to build up to a 3 million tonnes raw coal per annum (2 million tonnes saleable) production rate over time.

Our independent technical consultant has provided us with an independent technical report. This confirmed the economic viability of our Khushuut deposit and the order of magnitude for our investments for an up to 8 million tonnes raw coal per annum (5.85 million tonnes saleable) production rate over time under certain conditions.

We are pleased to have selected Leighton LLC, a member of the Leighton Group, the world's largest international contract miner, as our mining contractor to assist us in our targeted initial production rate of 3 million tonnes per annum. Leighton LLC has on the ground experience in Mongolia, and is willing to assist upon the compliance for commencement of mining and the supply capital for our mining equipment. We thus view Leighton LLC as our partner in Mongolia.

Aside from Khushuut, MEC is looking to replicate its business model as an energy and resources developer, over its other prospects and investments. In this connection, we have completed our initial drilling exploration program at our recently acquired iron deposit. A JORC resources statement is expected early next year following review of the exploration results. Based upon these results, we will develop plans for development of the iron ore resources based on our experience from the Khushuut project.

We have also identified, with our geological team and their geological reconnaissance work, a number of coal, copper and gold and copper prospects. These include an interesting prospect for further coal resources at Khushuut. Our current explored resources are to the south of the Khushuut River. There is prospect for further coking coal resources to the north of the Khushuut River based on continuation of the explored coal seams.

We will also continue to work with our business partners in other investment projects including the coal projects in Xinjiang and oil and gas projects in Mongolia to provide drivers for our future growth opportunity.

I remain thankful to the dedication of our staff and the peoples where we do business with and those whom we work with. I will report to you further on our progress under our next Annual Report.

Lo Lin Shing, Simon
Chairman

December 23, 2009

Management Discussion & Analysis

RESULTS ANALYSIS

During the six-month period ended September 30, 2009, we continued to focus on our business as an energy and resources developer. We are developing mining operations over 600 hectares of our 330,000 hectares of concession areas in western Mongolia at Khushuut, Khovd Province. This area includes approximately 149.2 million tonnes of JORC in-place coal resources which are predominantly premium coking coal. Our target is to build up to a 3 million tonnes raw coal per annum (2 million tonnes saleable) production rate over time.

As our initial Khushuut coal mine project is at the mine development stage during the reporting period, there was no revenue contribution made from this business sector. The revenue from the aircraft charter flight services declined slightly period-on-period which is in line with the depressed market sentiment resulting from the financial crisis. Our revenues, as expected, declined 88.2% compared to the same period last year mainly due to the fact that there was no rental income following disposal of our investment properties in Hong Kong in July 2008.

The loss for the six months period ended September 30, 2009 was HK$127.9 million (2008: HK$185.6 million). The loss flowed mainly from the accounting loss relating to the energy and related resources projects of the Group as well as other impairment losses. In fact, HK$90.4 million of the non-cash related loss during the reporting period was accounting treatment from (1) the notional interest expenses on the convertible notes and loan note of HK$52.6 million as disclosed in Note 4 to the condensed consolidated financial statements; (2) the decrease in fair value of an investment property of HK$13.5 million according to a valuation report prepared by an independent qualified valuer as at September 30, 2009; and (3) the decrease in fair value on aircraft of HK$24.3 million according to a valuation report prepared by an independent qualified valuer as at September 30, 2009.

Apart from the accounting losses, there was a fair value gain from Hong Kong listed investments of HK$47.5 million (2008: Loss of HK$19.7 million) resulting from the upswing of Hong Kong stock market performance during the reporting period. The decline in interest income during the reporting period was in line with the utilization of cash reserves in our energy and related resources businesses.

BUSINESS REVIEW

We continued to stay focused, as an energy and resources developer, on the mining development of our initial project in western Mongolia. We are also pressing ahead with the development of further prospects in western Mongolia and our other investments during this reporting period.

As at September 30, 2009, we have spent a total of HK$851.5 million of a contracted RMB866 million road contract (approximately HK$987.2 million) for the construction of the road foundation to link Khushuut with the Yarant/Takeshenken border crossing at Xinjiang, PRC, some 310 km away. The Khushuut Road is substantially complete, leaving some of the minor structures to be finished. We will then decide upon paving of the Khushuut Road depending on the extent of the expected wear and tear of the road.

With the road infrastructure in place, we are at the crossroad for commencing our mining operations at Khushuut. Our target is to build up to a 3 million tonnes raw coal per annum (2 million tonnes saleable) production rate over time.

In terms of the consummation of long terms supply agreement(s) as set out under the CEO's Annual Review contained in our 2009 Annual Report, in September, 2009, a potential customer visited the site of our Khushuut coking coal mine via the Khushuut Road. The visit led to around 200 tonnes of bulk samples of coal being transported from the Khushuut site to the potential customer through the Yarant/Takeshenken border into Xinjiang, PRC. The local customs at Xinjiang made special arrangement for this historical first delivery of coal from Mongolia to Xinjiang through this border. The potential customer tested the samples and was satisfied. We are in negotiations on the supply terms. Depending on our production schedule, we will finalize the terms over time prior to the commencement of our mining operations.

Management Discussion & Analysis

In July 2009, we acquired 2,986 hectares of concession in Bayan-Olgiy in western Mongolia for iron resources. Shortly after the acquisition, we commenced exploration over the concession area and our drilling work has now been completed. A JORC resources statement is expected early next year following review of the exploration results. Based upon these results, we will establish plans to develop the iron ore resources based on our experience from the Khushuut project.

SUBSEQUENT BUSINESS DEVELOPMENT

Subsequent to our reporting period, our independent technical consultant, John T. Boyd Company, has provided us with an independent technical report. This confirmed the economic viability of our Khushuut deposit and the order of magnitude for our investments for an up to 8 million tonnes raw coal per annum (5.85 million tonnes saleable) production rate over time under certain conditions.

Also, we are pleased to have selected Leighton LLC, a member of the Leighton Group, the world's largest international contract miner, as our mining contractor to assist us in our targeted initial production rate of 3 million tonnes per annum over time. Leighton LLC has on the ground experience in Mongolia, and is willing to assist upon the compliance for commencement of mining and the supply capital for our mining equipment. We thus view Leighton LLC as our partner in Mongolia. Leighton LLC is now on site for the mine preparation work. With final approvals for commencement of mining operations, we plan to finalize a long term appointment of Leighton LLC.

We contracted to dispose of Glory Key Investments Limited ("Glory Key") in December 2009 for about HK$96 million. Glory Key is the owner of a Gulfstream G200 aircraft and through which we provide our private jet charter services. The disposal is subject to independent shareholders' approval.

FINANCIAL REVIEW

1. Liquidity and financial resources

The Group's funding was derived from internal resources. The Group will consider fund raising should the appropriate opportunity present itself to the Group.

The borrowings of the Group as at September 30, 2009 comprised loan note and convertible notes amounted to HK$1,863.8 million (March 31, 2009: HK$1,757.6 million). The increase was due to the accrual of interest for the period at effective interest rates in the range of 10.43% p.a. to 14.14% p.a. As at September 30, 2009, all borrowings fall in the 1 to 2 year maturity profile.

As at September 30, 2009, the cash and bank balances were HK$291.9 million (March 31, 2009: HK$660.9 million). The decline in cash and bank balances was mainly due to the usage of funding in the construction of the road from the Group's mine areas in Khushuut, western Mongolia to the Yarant/Takeshenken border crossing with Xinjiang, PRC and the payment of cash consideration for the acquisition of an exploration concession with ferrous resources in western Mongolia.

The liquidity ratio as at September 30, 2009 was 7.4 (March 31, 2009: 24.0).

2. Investment in listed securities

As at September 30, 2009, the Group's held-for-trading investments comprised equity securities listed in Hong Kong with fair value of HK$76.3 million (March 31, 2009: HK$28.7 million).

3. Charge on Group's assets

As at September 30, 2009, there were no charges on the Group's assets (March 31, 2009: Nil).

4. Gearing Ratio

As at September 30, 2009, the gearing ratio of the Group was 0.12 (March 31, 2009: 0.12) which was calculated based on the Group's total borrowings to total assets.

5. Foreign exchange

The Group mainly operates in Hong Kong, Mainland China and Mongolia. The Group's assets and liabilities are mainly dominated in Hong Kong dollar, United States dollar, Renminbi and Mongolia Tugrik. The Group does not have a foreign currency hedging policy. However, management will monitor foreign exposure and will consider hedging significant currency exposure should the needs arise.

6. Contingent liabilities

As at September 30, 2009, the Group did not have significant contingent liabilities (March 31, 2009: Nil).

Management Discussion & Analysis

OUTLOOK

We continue to work upon commercial production of the Khushuut coking coal mine project. The Khushuut Road is now in place for commencement of mining operations. We have also selected Leighton LLC as our mining contractor. We are in negotiations for the long term supply coal contract with a major Xinjiang steel/coke producer.

Aside from Khushuut, MEC is looking to replicate its business model as an energy and resources developer, over its other prospects and investments. In this connection, we have completed an exploration drilling program of our recently acquired iron deposit. A JORC resources statement is expected early next year. Based upon these results, we will develop our plans based on our experience from the Khushuut project.

We have also identified, with our geological team and their geological reconnaissance work, a number of coal, copper and gold and copper prospects. These include an interesting prospect for further coal resources at Khushuut. Our current explored resources are to the south of the Khushuut river. There is prospect for further coking coal resources to the north of the Khushuut River based on continuation of the explored coal seams.

We will also continue to work with our business partners in other investment projects including the coal projects in Xinjiang, PRC and oil and gas projects in Mongolia to provide drivers for our future growth opportunity.

We have recently contracted to dispose of our Gulfstream G200 aircraft which is currently our only source of revenue under our private jet charter services until we commence commercial production of our Khushuut coking coal mine or other sources of revenue which may arise over time. Upon the delivery of the new Falcon 900EX aircraft next year, we will review the business strategy again in relation to our aircraft charter business.

Corporate Governance and Other Information

INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend for the six months ended September 30, 2009 (2008: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at September 30, 2009, the interests or short positions of the Directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(a) Long positions in the shares

Name of director	Capacity	Number of shares	Percentage of shareholding
Mr. Lo Lin Shing, Simon	Beneficial owner/Interest of a controlled corporation/ Interest of spouse	1,200,739,301 *(Note)*	19.675%
Ms. Yvette Ong	Beneficial owner	1,090,000	0.018%
Mr. To Hin Tsun, Gerald	Beneficial owner	5,400,000	0.088%
Mr. Tsui Hing Chuen, William	Beneficial owner	500,000	0.008%
Mr. Lau Wai Piu	Beneficial owner	201,200	0.003%

Note: Among the 1,200,739,301 shares, 4,960,000 shares represent interest of Mr. Lo 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.

(b) Long positions in the underlying shares

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

Save as disclosed in the section headed "Share Option Scheme", as at September 30, 2009, none of the directors, chief executives and their respective associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS UNDER THE SFO

The register of interests in shares and short positions maintained under section 336 of the SFO showed that as at September 30, 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 in the shares and/or underlying shares

Name	Capacity	Long position in shares/ underlying shares	Approximate percentage of the Company's total issued share capital
Mr. Liu Cheng Lin ("Mr. Liu")	Beneficial owner/Interest of a controlled corporation	1,625,000,000 *(Note 1)*	26.627%
Puraway Holdings Limited ("Puraway")	Corporate	1,525,000,000 *(Note 1)*	24.898%
Ms. Ku Ming Mei, Rouisa	Beneficial Owner/Interest of spouse	1,201,429,301 *(Note 2)*	19.687%
Golden Infinity Co., Ltd.	Corporate	1,194,029,301	19.565%
Dr. Cheng Kar Shun	Interest of a controlled corporation/Interest of spouse	394,670,000 *(Note 3)*	6.467%
Ms. Ip Mei Hing	Interest of a controlled corporation/Interest of spouse	394,670,000 *(Note 3)*	6.467%
Dragon Noble Group Limited ("Dragon")	Corporate	325,570,000	5.335%
Dato' Dr. Cheng Yu Tung	Beneficial Owner/Interest of a controlled corporation	498,972,602 *(Note 4)*	8.176%
Chow Tai Fook Nominee Limited ("CTF")	Corporate	493,972,602 *(Note 4)*	8.094%

Notes:

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

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

3. Dr. Cheng Kar Shun is interested in the entire issued share capital of Dragon. By virtue of the SFO, he is deemed to be interested in 325,570,000 shares held by Dragon and 69,100,000 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 CTF. By virtue of the SFO, he is deemed to be interested in 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.

Save as disclosed above and those disclosed under "Directors' interest and short positions", the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at September 30, 2009.

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.

Corporate Governance and Other Information

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

Name or category of participant	Date of grant	Exercise price	Exercise period	Vesting period	Number of shares subject to options				
					As at April 1, 2009	Granted during the period	Cancelled/ Lapsed during the period	Exercised during the period	As at September 30, 2009
Directors									
Mr. Lo Lin Shing, Simon	26-03-2008	7.2840	26-03-2008 to 25-03-2010	N/A	690,000	–	–	–	690,000
Employees and others in aggregate (including a director of certain subsidiaries)	01-03-2005	0.1695	01-03-2005 to 28-02-2012	01-03-2005 to 31-08-2005	670	–	–	–	670
	15-02-2006	0.1636	15-02-2006 to 16-04-2009	N/A	200	–	200	–	–
	23-04-2007	4.6200	23-04-2007 to 01-04-2009	N/A	1,150,000	–	1,150,000	–	–
	26-03-2008	7.2840	26-03-2008 to 25-03-2010	N/A	2,000,000	–	2,000,000	–	–
	18-08-2008	6.1420	18-08-2008 to 17-08-2010	N/A	250,000	–	–	–	250,000
	02-02-2009	2.1340	02-02-2009 to 01-02-2012	N/A	3,000,000	–	–	–	3,000,000
	06-02-2009	2.2200	06-02-2009 to 05-02-2011	N/A	3,000,000	–	–	–	3,000,000
	01-04-2009	2.3580	01-04-2009 to 31-03-2011	N/A	–	500,000 *(Note 1)*	–	–	500,000
	13-08-2009	2.8900	13-08-2009 to 12-08-2011	N/A	–	2,000,000 *(Note 2)*	–	–	2,000,000
					10,090,870	**2,500,000**	**3,150,200**	**–**	**9,440,670**

Notes:

1. On April 1, 2009, 500,000 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$2.3580. The closing price of the Company's share on March 31, 2009, (the trading day immediately before the grant of the share options) was HK$2.2400.

2. On August 13, 2009, 2,000,000 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$2.8680. The closing price of the Company's share on August 12, 2009, (the trading day immediately before the grant of the share options) was HK$2.8400.

The fair value of share options granted during the period determined using the Trinomial Valuation Model were as follows:

	Date of grant of share option	
	April 1, 2009	**August 13, 2009**
Option value at grant date	HK$490,245	HK$2,543,300
Significant inputs into the valuation model:		
Exercise price at grant date	HK$2.358	HK$2.890
Share price at grant date	HK$2.240	HK$2.890
Expected volatility (note)	119.13%	116.85%
Risk-free interest rate	0.73%	0.50%
Expected life of options	2 years	2 years
Expected dividend yield	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 date 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 recognized the total expenses of HK$3,033,000 for the period ended September 30, 2009 (2008: HK$541,000) in relation to the share options granted by the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended September 30, 2009.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

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 six months period ended September 30, 2009, the Company has complied with 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 Code, non-executive directors should be appointed for a specific term.

   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 did not attend the 2009 AGM due to other business engagement. An Executive Director had chaired the 2009 AGM and answered questions from shareholders. A member of the Audit and Remuneration Committee was also available to answer questions at the 2009 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. 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 are restricted to deal in the securities and derivatives of the Company until such results have been published.

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 are restricted to deal in the securities and derivatives of the Company until such results have been published. 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.

Upon specific enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Code throughout the six months period ended September 30, 2009.

HUMAN RESOURCES

As at September 30, 2009, the Group employed 280 full employees (March 31, 2009: 255) in Hong Kong, Mainland China 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 reviews on periodic basis. Apart from retirement schemes, year-ended bonuses and share options are awarded to the employees according to the assessment of individual performance and industry practice. Appropriate trainings are also offered for staff training and development.

Corporate Governance and Other Information

AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited interim accounts of the Group for the six months ended September 30, 2009.

During the period, the Board comprises the following members:

Executive Directors

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

Non-executive Director

Mr. To Hin Tsun, Gerald

Independent Non-executive Directors

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

Report on Review of Interim Financial Information

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 40, which comprise the condensed consolidated statement of financial position of Mongolia Energy Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

Report on Review of Interim Financial Information

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

December 23, 2009

Condensed Consolidated Income Statement

For the six months ended September 30, 2009

	Notes	Six months ended September 30, 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Revenue	3	**1,239**	10,497
Bank interest income		**1,409**	10,894
Other income		**–**	1,873
Staff costs		**(28,168)**	(25,979)
Depreciation		**(15,923)**	(11,422)
Other expenses		**(43,413)**	(35,800)
Finance costs	4	**(52,649)**	(100,993)
Loss on early redemption of loan note	5	**–**	(73,581)
Loss on disposal of investment properties		**–**	(16,062)
Fair value loss on investment property		**(13,533)**	–
Impairment loss on aircraft	9	**(24,333)**	–
Fair value gains (losses) from held-for-trading investments		**47,588**	(19,712)
Share of losses of associates		**(165)**	(2,898)
Loss before taxation		**(127,948)**	(263,183)
Income tax credit	6	**–**	77,572
Loss for the period	7	**(127,948)**	(185,611)
LOSS PER SHARE	8		
– basic (HK cents)		**2.11**	3.07
– diluted (HK cents)		**2.11**	3.07

Condensed Consolidated Statement of Comprehensive Income

For the six months ended September 30, 2009

	Six months ended September 30,	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the period	**(127,948)**	(185,611)
Other comprehensive income (expense) for the period		
Exchange difference arising on translation of foreign operations	**1,299**	(15,848)
Total comprehensive expense for the period attributable to the owners of the Company	**(126,649)**	(201,459)

Condensed Consolidated Statement of Financial Position

At September 30, 2009

	Notes	September 30, 2009 HK$'000 (unaudited)	March 31, 2009 HK$'000 (audited)
Non-Current Assets			
Property, plant and equipment	9	**193,628**	224,456
Investment property		**90,513**	104,046
Intangible assets		**868**	809
Development in progress		**954,030**	738,941
Exploration and evaluation assets	10	**13,073,237**	12,758,720
Interests in associates		**68,316**	67,678
Other assets		**1,150**	1,150
Prepayments for exploration and evaluation expenditure		**54,050**	54,050
Deposits for property, plant and equipment and other long-term deposits		**171,055**	170,527
Amount due from an associate		**200,000**	200,000
		14,806,847	14,320,377
Current Assets			
Accounts receivable	11	**375**	–
Other receivables, prepayments and deposits		**44,561**	31,986
Held-for-trading investments		**76,330**	28,742
Amounts due from associates		**5,253**	5,275
Cash and cash equivalents		**291,941**	660,889
		418,460	726,892
Current Liabilities			
Accounts payable	12	**579**	1,049
Other payables and accruals		**49,424**	18,482
Amount due to an associate		**1,323**	5,510
Tax payable		**5,301**	5,301
		56,627	30,342
Net Current Assets		**361,833**	696,550
		15,168,680	15,016,927

Condensed Consolidated Statement of Financial Position

At September 30, 2009

	Notes	September 30, 2009 HK$'000 (unaudited)	March 31, 2009 HK$'000 (audited)
Non-Current Liabilities			
Convertible notes	13	1,748,877	1,647,166
Loan note		114,934	110,468
		1,863,811	1,757,634
Net assets		13,304,869	13,259,293
Financed by:			
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	14	122,056	120,964
Reserves		13,182,756	13,138,272
		13,304,812	13,259,236
Minority interests		57	57
Total Equity		13,304,869	13,259,293

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30, 2009

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Exchange translation HK$'000	Retained profits (accumulated losses) HK$'000	Minority interests HK$'000	Total HK$'000
At April 1, 2008 (audited)	120,945	9,132,405	199,594	3,529,218	8,225	(1,035)	105,713	57	13,095,122
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(15,848)	–	–	(15,848)
Loss for the period	–	–	–	–	–	–	(185,611)	–	(185,611)
Total comprehensive expense for the period	–	–	–	–	–	(15,848)	(185,611)	–	(201,459)
Equity settled share-based payments	–	–	–	–	541	–	–	–	541
Convertible note equity component	–	–	–	654,948	–	–	–	–	654,948
Issue of shares									
– Exercise of share options	19	5,987	–	–	(1,616)	–	–	–	4,390
At September 30, 2008 (restated) (unaudited)	120,964	9,138,392	199,594	4,184,166	7,150	(16,883)	(79,898)	57	13,553,542
At April 1, 2009 (audited)	**120,964**	**9,138,392**	**199,594**	**4,184,166**	**13,181**	**(64,387)**	**(332,674)**	**57**	**13,259,293**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**1,299**	**–**	**–**	**1,299**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(127,948)**	**–**	**(127,948)**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**1,299**	**(127,948)**	**–**	**(126,649)**
Equity settled share-based payments	**–**	**–**	**–**	**–**	**3,033**	**–**	**–**	**–**	**3,033**
Issue of shares									
– Acquisition of exploration right (note 10b)	**1,092**	**168,100**	**–**	**–**	**–**	**–**	**–**	**–**	**169,192**
At September 30, 2009 (unaudited)	**122,056**	**9,306,492**	**199,594**	**4,184,166**	**16,214**	**(63,088)**	**(460,622)**	**57**	**13,304,869**

Condensed Consolidated Statement of Cash Flows

For the six months ended September 30, 2009

	Six months ended September 30, 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Net cash used in operating activities	**(88,311)**	(90,733)
Net cash (used in) generated from investing activities		
Proceeds from disposal of investment properties	**–**	515,735
Acquisition of an exploration right, net of cash and bank balances acquired	**(77,485)**	–
Development in progress additions	**(161,561)**	(392,914)
Other investing cash flows	**(38,703)**	(59,528)
	(277,749)	63,293
Net cash (used in) generated from financing activities		
Repayment of borrowings	**–**	(197,900)
Repayment of loan note	**–**	(504,000)
Proceeds received from issue of zero coupon convertible note	**–**	2,000,000
Other financing cash flows	**(4,187)**	(6,259)
	(4,187)	1,291,841
Net (decrease) increase in cash and cash equivalents	**(370,247)**	1,264,401
Cash and cash equivalents at beginning of the period	**660,889**	254,341
Effect on foreign exchange rate changes	**1,299**	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	**291,941**	1,518,742

Notes to the Condensed Consolidated Financial Statements

For the six months ended September 30, 2009

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments which are measured at fair values. The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA. Except for described below, the adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 3).

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition dates are on or after April 1, 2010. HKAS 27 (Revised 2008) may have other effect on the accounting treatment for changes in the Group's ownership interest in a subsidiary.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

3. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” with effect from April 1, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the board of directors of the Company, in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. As a result, following the adoption of HKFRS 8, the Group’s reportable segments has changed.

In prior years, segment information reported externally was analysed on three operating divisions (i.e. coal mining, charter flight services and property investments). However, information reported to the Group’s board of directors for the purposes of resource allocation and assessment of performance focuses just on the coal mining and charter flight services segment. Therefore the property investments segment is excluded from the reportable segments for the purposes of HKFRS 8.

In prior period, the Group disposed of its all investment properties located in Hong Kong and then property investments segment was classified as discontinued operation in 2008 interim report. The Group acquired an investment property located in the Mainland China in January 2009. The property investment segment was reclassified as continued operation in 2009 annual report and this interim report.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

The segment revenue and results for the period ended September 30, 2009 are as follows:

	For the six months ended September 30, 2009		
	Coal mining HK$'000	Charter flight services HK$'000	Total HK$'000
Segment revenue	–	1,239	1,239
Segment loss	(29,040)	(31,979)	(61,019)
Unallocated corporate expenses			(49,579)
Bank interest income			1,409
Fair value gain from held-for-trading investments			47,588
Fair value loss on investment property			(13,533)
Finance costs			(52,649)
Share of losses of associates			(165)
Loss before taxation			(127,948)
Income tax credit			–
Loss for the period			(127,948)

Notes to the Condensed Consolidated Financial Statements
For the six months ended September 30, 2009

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

The segment revenue and results for the period ended September 30, 2008 are as follows:

	For the six months ended September 30, 2008		
	Coal mining HK$'000	Charter flight services HK$'000	Total HK$'000
Segment revenue	–	1,569	1,569
Segment loss	(21,768)	(8,570)	(30,338)
Unallocated corporate expenses			(41,294)
Other revenue – property income, gross			8,928
Bank interest income			10,894
Other income			1,873
Loss on early redemption of loan note			(73,581)
Fair value loss from held-for-trading investments			(19,712)
Loss on disposal of investment properties			(16,062)
Finance costs			(100,993)
Share of loss of an associate			(2,898)
Loss before taxation			(263,183)
Income tax credit			77,572
Loss for the period			(185,611)

Reconciliation of segment revenue to consolidated revenue

	HK$'000
Segment revenue	1,569
Other revenue – property income, gross	8,928
Total revenue	10,497

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's assets by operating segments:

	September 30, 2009 HK$'000	March 31, 2009 HK$'000
Coal mining	**14,166,763**	13,675,699
Charter flight services	**241,651**	267,881
	14,408,414	13,943,580

4. FINANCE COSTS

	Six months ended September 30, 2009 HK$'000	2008 HK$'000
Interest on borrowings wholly repayable within five years:		
Interest expense:		
– convertible notes	**101,711**	86,079
– loan note	**4,466**	23,656
– bank loans	**–**	772
Less: Interest expense capitalised to Development in progress	**(53,528)**	(9,514)
	52,649	100,993

5. LOSS ON EARLY REDEMPTION OF LOAN NOTE

During the prior interim period, a loss of approximately HK$73,581,000 was incurred resulted from the early redemption of part of the loan note with a principal amount of HK$504,000,000. The Company did not early redeem any loan note during the current interim period.

Under the terms of the loan note, the loan note is unsecured, interest bearing at 5% per annum and has a 3 year maturity period but can be repaid before 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 in 2007 and was fair valued at initial recognition with an effective interest rate of 10.43% per annum.

6. INCOME TAX CREDIT

The amount of taxation credited to the consolidated income statement represents:

	Six months ended September 30,	
	2009	2008
	HK$'000	HK$'000
Current income tax at Hong Kong tax rate 16.5%	**–**	(6,427)
Deferred income tax credit	**–**	83,999
Income tax credit	**–**	77,572

7. LOSS FOR THE PERIOD

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

	Six months ended September 30, 2009 HK$'000	2008 HK$'000
Crediting		
Gross rental income and management fee from investment properties	–	8,928
Charging		
Operating lease rentals in respect of land and buildings	8,275	5,335
Direct outgoings in respect of investment properties	–	1,701
Amortisation of intangible assets	229	77

8. LOSS PER SHARE

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

	Six months ended September 30, 2009 HK$'000	2008 HK$'000
Loss attributable to the owners of the Company, as used in the calculation of basic and diluted loss per share	(127,948)	(185,611)

8. LOSS PER SHARE *(Continued)*

	Six months ended September 30, 2009 '000	2008 '000
Number of shares		
Weighted average number of ordinary shares in issue for calculation of basic and diluted loss per share	**6,067,904**	6,047,913

The computation of 2009 and 2008 diluted loss per share does not assume the conversion of the Company's outstanding convertible notes and/or exercise of share options since their exercise would result in a decrease in loss per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$5,218,000 on leasehold improvements of new office premises and HK$3,294,000 on motor vehicles. The Group disposed of motor vehicles with net book value of HK$488,000 for a consideration of approximately HK$449,000, resulting in losses on disposals of approximately HK$39,000. To assess any potential for impairment of the aircraft, the aircraft was revalued using the market value by Jones Lang LaSalle Sallmanns Limited, an independent qualified valuer at September 30, 2009. As a result, the aircraft was revalued to HK$96,000,000, which represents its recoverable amount, and an impairment loss of HK$24,333,000 was incurred during the period.

10. EXPLORATION AND EVALUATION ASSETS

	Mining and Exploration Rights HK$'000	Others HK$'000	Total HK$'000
At April 1, 2008	12,560,873	151,355	12,712,228
Other additions *(Note a)*	–	99,046	99,046
Exchange adjustments	(48,687)	(3,867)	(52,554)
At March 31, 2009	**12,512,186**	**246,534**	**12,758,720**
Acquisition of an exploration right *(Note b)*	**285,676**	**–**	**285,676**
Other additions *(Note a)*	**–**	**28,841**	**28,841**
At September 30, 2009	**12,797,862**	**275,375**	**13,073,237**

Notes:

(a) Other additions represent the geological and geophysical costs, drilling and exploration expenses and labour costs directly attributable to exploration activities.

(b) On July 10, 2009, the Group entered into an acquisition agreement with Lenton Capital Management Limited for the acquisition of the entire interest in Millennium Hong Kong Group Limited and its Mongolian subsidiary (collectively referred as the "Millennium Group"). The Mongolian subsidiary owns an exploration concession of around 2,986 hectares in western Mongolia for ferrous resources. The consideration was satisfied by: (1) US$10,000,000 (approximately HK$77,540,000) in cash; (2) 54,577,465 new shares of the Company at an issue price of HK$3.1 at July 27, 2009; and (3) the remaining consideration of US$5,000,000 (approximately HK$39,000,000) in cash which to be payable conditional to the issuance of a mining licence of the concession area. The total consideration for the above amounted to HK$285,730,000 and the acquisition was completed on July 27, 2009. The acquisition was not considered as business combination due to the business activity of the Millennium Group is solely investment holding which does not meet the definition of a business according to HKFRS 3 "Business Combination". In this circumstance, the acquisition is treated as assets acquisition and the Group identified and recognized the individual identifiable assets and liabilities being acquired and allocated the cost of the group of assets and liabilities to the individual identifiable assets and liabilities on the basis of their fair values at the date of completion. Such acquisition does not give rise to goodwill. In this regard, the amount represents the total consideration less fair value of cash and bank balances of Millennium Group being acquired at the completion date.

11. ACCOUNTS RECEIVABLE

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

	September 30, 2009 HK$'000	March 31, 2009 HK$'000
Current to 30 days	**–**	–
31 to 60 days	**375**	–
	375	–

12. ACCOUNTS PAYABLE

The ageing analysis of accounts payable by invoice date is as follows:

	September 30, 2009 HK$'000	March 31, 2009 HK$'000
Current to 30 days	**575**	226
31 to 60 days	**–**	82
61 to 90 days	**–**	–
Over 90 days	**4**	741
	579	1,049

13. 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 adjustment. 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, a liability and an equity element. The equity element is presented in equity as part of the "capital reserve". The effective interest rates of the liability component for the Convertible Note and Zero Coupon Convertible Note are 11.23% and 14.14% per annum respectively.

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

	September 30, 2009 HK$'000	March 31, 2009 HK$'000
At beginning of the period	**1,647,166**	114,880
Initial recognition	**–**	1,345,052
Interest expense	**101,711**	187,234
At end of the period	**1,748,877**	1,647,166

14. SHARE CAPITAL

Authorised and issued share capital

	September 30, 2009 HK$'000	March 31, 2009 HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.02 each	**300,000**	300,000

	Number of ordinary shares at HK$0.02 each	Amount HK$'000
Issued and fully paid:		
At April 1, 2008	6,047,262,363	120,945
Issue of shares		
– Exercise of share options	958,000	19
At March 31, 2009 and April 1, 2009	**6,048,220,363**	**120,964**
Issue of shares		
– Acquisition of an exploration right	**54,577,465**	**1,092**
At September 30, 2009	**6,102,797,828**	**122,056**

15. CAPITAL COMMITMENTS

As at September 30, 2009, the Group had capital commitments contracted for but not provided for amounted to approximately HK$512,901,000 (March 31, 2009: HK$671,209,000). These commitments are for the following projects:

	September 30, 2009	March 31, 2009
	HK$'000	HK$'000
Acquisition of an aircraft	**192,688**	192,153
Road construction	**129,305**	289,629
Road improvement and drilling equipment transport	**51,415**	51,415
Exploration drilling	**52,296**	52,296
Mine design	**24,170**	41,921
Other exploration related commitments	**58,121**	43,795
Motor vehicles	**4,906**	–
	512,901	671,209

16. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

(a) Charter flight services income

	Six months ended September 30,	
	2009	2008
	HK$'000	HK$'000
Associate	**810**	–

16. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Charter flight services expense

	Six months ended September 30, 2009 HK$'000	2008 HK$'000
Associate	**7,209**	8,981

(c) Key management compensation

	Six months ended September 30, 2009 HK$'000	2008 HK$'000
Basic salaries, other allowances and benefits in kind	**8,600**	5,993
Share based payments	**2,543**	–
Contributions to pension schemes	**18**	12
	11,161	6,005

17. SUBSEQUENT EVENT

On December 9, 2009, the Company entered into a sale and purchase agreement with New World Mobile Holdings Limited ("NWM") to dispose of its entire interest in Glory Key Investments Limited ("Glory Key"), an indirect wholly owned subsidiary of the Company, at a consideration of HK$96 million. Mr Lo Lin Shing, Simon, the Director of the Company, is also a director and controlling shareholder of NWM. The consideration is to be satisfied by (i) cash of HK$50 million and (ii) a loan note issued by NWM of HK$46 million at 4% interest per annum. The principal asset of Glory Key is a Gulfstream G200 aircraft. The disposal has not been completed as at the date when these interim financial statements were approved for issue by the directors.