Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

MONGOLIA INVESTMENT GROUP LIMITED

蒙古投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 402)

ANNUAL RESULTS
For the year ended 31 March 2012

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Mongolia Investment Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2012 together with the comparative figures for the year ended 31 March 2011 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Revenue	*3*	**935,574**	874,961
Cost of revenue		**(904,228)**	(828,423)
Gross profit		**31,346**	46,538
Other income and gains	*3*	**34,875**	38,511
Administrative expenses		**(90,651)**	(76,595)
Impairment loss of property, plant and equipment		**(40,432)**	(1,776)
Impairment loss of goodwill		**–**	(35,506)
Impairment loss of mining licences		**(1,646,083)**	(353,399)
Operating loss	*5*	**(1,710,945)**	(382,227)
Finance costs	*6*	**(88,145)**	(76,158)
Loss before income tax		**(1,799,090)**	(458,385)
Income tax credit	*7*	**411,044**	87,799
Loss for the year		**(1,388,046)**	(370,586)
Attributable to:			
Owners of the Company		**(1,387,784)**	(369,890)
Non-controlling interests		**(262)**	(696)
		(1,388,046)	(370,586)
Loss per share	*9*	***HK cents***	*HK cents*
– Basic and diluted		**(15.223)**	(6.676)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 *HK$'000*	2011 *HK$'000*
Loss for the year	**(1,388,046)**	(370,586)
Other comprehensive income		
Exchange difference arising from translation of overseas operations	**(137,079)**	243,724
Other comprehensive income for the year	**(137,079)**	243,724
Total comprehensive income for the year	**(1,525,125)**	(126,862)
Attributable to:		
Owners of the Company	**(1,524,970)**	(126,204)
Non-controlling interests	**(155)**	(658)
	(1,525,125)	(126,862)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**78,725**	112,425
Prepaid land lease payments		**351**	630
Goodwill	*11*	**–**	–
Mining licences	*12*	**542,912**	2,377,648
Exploration and evaluation assets	*13*	**28,261**	28,139
Prepayments and deposits		**–**	4,038
Derivative financial asset – Derivative Component of the Convertible Note	*16(b)*	**63,734**	80,342
		713,983	2,603,222
Current assets			
Inventories		**53,339**	58,976
Amounts due from customers of contract works		**227,316**	238,124
Trade and other receivables, prepayments and deposits	*14*	**102,117**	100,466
Tax recoverable		**1,696**	–
Pledged bank deposits		**24,417**	32,501
Cash at banks and in hand		**311,000**	290,666
		719,885	720,733
Current liabilities			
Trade and other payables	*15*	**98,166**	75,529
Tax payable		**9**	117
Borrowings	*16*	**83,031**	138,004
		181,206	213,650
Net current assets		**538,679**	507,083
Total assets less current liabilities		**1,252,662**	3,110,305
Non-current liabilities			
Borrowings	*16*	**763,470**	811,605
Government subsidies		**7,008**	7,740
Deferred tax liabilities		**141,260**	599,976
		911,738	1,419,321
Net assets		**340,924**	1,690,984
EQUITY			
Share capital		**459,899**	356,399
Reserves		**(118,424)**	1,334,981
Equity attributable to owners of the Company		**341,475**	1,691,380
Non-controlling interests		**(551)**	(396)
Total equity		**340,924**	1,690,984

Notes:

1. GENERAL INFORMATION

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

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

On 17 June 2010 (the "**Acquisition Date**"), the Group completed the acquisition of the entire issued share capital of Mongolia Investment Group Limited (formerly known as Well Delight Holdings Limited) ("**Mongolia Investment BVI**") for a consideration of approximately HK$1,937.5 million (the "**Acquisition**"). The consideration was satisfied as to (i) HK$200 million by cash; (ii) HK$350 million by issuing a promissory note in principal amount of HK$350 million (the "**Promissory Note**"); (iii) HK$433.4 million by issuing 1,970 million new shares of the Company at an issue price of HK$0.22 per share (the "**Consideration Shares**") and (iv) HK$954.1 million by issuing a convertible note in principal amount of HK$954.1 million (the "**Convertible Note**"). Mongolia Investment BVI has equity interests in certain Mongolian companies which are principally engaged in mining and exploration activities in Mongolia. Tugrugnuuriin Energy LLC ("**TNE**"), an indirect wholly-owned subsidiary of Mongolia Investment BVI, is principally engaged in mining business (the "**TNE Mine**"). TNE currently holds four mining licences for a coal mine located in Tugrug Valley within the administrative unit of Bayan Soum of Tur Aimag in Mongolia *(note 12)*. Central Asia Mineral Exploration LLC ("**Camex LLC**") and Kores Mongolia LLC ("**Kores**"), indirect wholly-owned subsidiaries of Mongolia Investment BVI, are principally engaged in exploration of mineral resources in Mongolia. Camex LLC and Kores currently hold seven exploration licences for gold, copper and coal deposits in certain area of Mongolia *(note 13)*. Further details about the Acquisition are disclosed in note 17.

The financial statements for the year ended 31 March 2012 were approved for issue by the board of directors on 29 June 2012.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

These financial statements have been prepared under the historical cost convention except for certain derivative financial instruments which are stated at fair values. It should be noted that accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions.

Impact of new and revised HKFRSs which are effective during the year

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures

HKFRS 3 (Revised) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements as the Group did not have any business acquisition in current year.

HKFRS 7 (Amendments) – Disclosure – Transfers of Financial Assets

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's trade receivables represents the Group's maximum exposure to credit risk in respect of these financial assets as at 31 March 2012 and 2011. The prior year financial statements included a positive statement to this effect which is removed in the 2012 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

2. BASIS OF PREPARATION *(Continued)*

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition in relation to the transactions with subsidiaries of the Group's associates and to exclude transactions with an entity which was significantly influenced by a member of the Group's key management personnel. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

3. REVENUE, OTHER INCOME AND GAINS

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

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Contract revenue from maintenance and construction works on civil engineering contracts	**930,283**	874,289
Revenue from water supply services	**693**	556
Water supply related installation fee	**118**	116
Revenue from renovation services	**4,480**	—
	935,574	874,961
Other income and gains		
Bank interest income	**285**	2,067
Exchange gains	**—**	13,358
Fair value change on the Derivative Component of the Convertible Note *(note 16(b))*	**—**	22,821
Gain arising from extension of the Promissory Note *(note 16(a))*	**34,497**	—
Sundry income	**93**	265
	34,875	38,511
Total income	**970,449**	913,472

4. SEGMENT INFORMATION

Segments results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliations to revenue, loss for the year, total assets and total liabilities and other segment information are as follows:

	Waterworks engineering contracting business		Water supply business		Renovation business		Mining and exploration business		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue*	**930,283**	874,289	**811**	672	**4,480**	—	**—**	—	**935,574**	874,961
Reportable segment (loss)/profit	**(2,000)**	12,259	**(1,192)**	(759)	**(1,075)**	—	**(1,736,401)**	(406,735)	**(1,740,668)**	(395,235)
Fair value change on the Derivative Component of the Convertible Note *(note 16(b))*									**(780)**	22,821
Gain arising from extension of the Promissory Note *(note 16(a))*									**34,497**	—
Corporate income and expenses									**(3,994)**	(9,813)
Finance costs									**(88,145)**	(76,158)
Loss before income tax									**(1,799,090)**	(458,385)
Income tax credit									**411,044**	87,799
Loss for the year									**(1,388,046)**	(370,586)
									2012	2011
									HK$'000	*HK$'000*
Reportable segment assets	**519,331**	552,912	**14,552**	14,978	**3,669**	—	**805,553**	2,642,434	**1,343,105**	3,210,324
Derivative financial asset — Derivative Component of the Convertible Note									**63,734**	80,342
Tax recoverable									**1,696**	—
Pledged bank deposits									**24,417**	32,501
Corporate assets									**916**	788
Consolidated total assets									**1,433,868**	3,323,955

4. SEGMENT INFORMATION *(Continued)*

Segments results, segment assets and segment liabilities *(Continued)*

	Waterworks engineering contracting business		Water supply business		Renovation business		Mining and exploration business		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment liabilities	**95,119**	73,621	**71**	32	**609**	—	**9,141**	9,687	**104,940**	83,340
Borrowings excluding finance lease liabilities									**846,488**	949,237
Tax payable									**9**	117
Deferred tax liabilities									**141,260**	599,976
Corporate liabilities									**247**	301
Consolidated total liabilities									**1,092,944**	1,632,971

	Waterworks engineering contracting business		Water supply business		Renovation business		Mining and exploration business		Consolidated	
									2012	2011
									HK$'000	*HK$'000*
Other information										
Interest income	**48**	48	**185**	98	**—**	—	**52**	1,921	**285**	2,067
Impairment of property, plant and equipment	**—**	—	**—**	1,776	**—**	—	**40,432**	—	**40,432**	1,776
Impairment of goodwill	**—**	—	**—**	—	**—**	—	**—**	35,506	**—**	35,506
Impairment of mining licences	**—**	—	**—**	—	**—**	—	**1,646,083**	353,399	**1,646,083**	353,399
Impairment of prepayment	**—**	—	**—**	—	**—**	—	**3,738**	—	**3,738**	—
Additions to specified non-current assets #	**15,344**	8,201	**—**	14	**13**	—	**13,336**	2,527,188	**28,693**	2,535,403
Depreciation of property, plant and equipment	**9,278**	9,868	**946**	420	**—**	—	**2,372**	1,170	**12,596**	11,458
Amortisation of prepaid land lease payments	**—**	—	**6**	6	**—**	—	**235**	273	**241**	279
Equity-settled share-based compensation	**2,519**	2,496	**—**	—	**—**	—	**2,191**	12,215	**4,710**	14,711

* This represents sales from external customers and there were no inter-segment sales between different business segments for the years ended 31 March 2012 and 2011.

Specified non-current assets represents the Group's non-current assets excluding financial instruments.

Geographical information

The Group's operations are located in Hong Kong (place of domicile), Mainland China, Macau and Mongolia. The Group's revenue by geographical location is determined based on locations of customers. The Group's specified non-current assets by geographical locations are determined based on physical location of the assets or location of operation in case of goodwill.

	Hong Kong		Mainland China		Macau		Mongolia		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**930,283**	874,289	**811**	672	**4,480**	—	**—**	—	**935,574**	874,961
Specified non-current assets	**44,730**	40,285	**6,938**	7,534	**13**	—	**598,568**	2,475,061	**650,249**	2,522,880

During the current financial year, HK$915,732,000 or 98% (2011: HK$831,519,000 or 95%) of the Group's revenue depended on a single customer in the waterworks engineering contracting business segment.

5. OPERATING LOSS

	2012	2011
	HK$'000	*HK$'000*
Operating loss is arrived at after charging/(crediting):		
Costs of inventories recognised as expenses		
— Carrying amount of inventories utilised	**144,492**	136,493
— Write-down of inventories	**6,310**	—
	150,802	136,493
Amortisation of prepaid land lease payments	**241**	279
Depreciation of property, plant and equipment		
— owned assets	**12,544**	11,034
— leased assets	**52**	424
	12,596	11,458
Less: Amounts capitalised in property, plant and equipment/exploration and evaluation assets	**(267)**	(241)
Net depreciation of property, plant and equipment	**12,329**	11,217
Staff costs (including directors' emoluments)		
— salaries, allowances and benefits in kind	**130,682**	129,929
— retirement benefits scheme contributions (defined contribution plan)	**4,171**	5,417
— equity-settled share-based compensation	**5,276**	10,508
	140,129	145,854
Operating lease charges		
— land and buildings	**5,176**	3,414
— plant and machinery	**4,391**	5,584
	9,567	8,998
Auditor's remuneration		
— provision for current year	**1,340**	1,119
— under-provision in prior year	**100**	—
	1,440	1,119
Loss on disposal of property, plant and equipment	**1,686**	2,561
Exchange losses, net	**12,200**	—
Impairment of prepayment	**3,738**	—
Fair value loss on the Derivative Component of the Convertible Note	**780**	—

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans and overdraft wholly repayable within five years	**2,164**	2,692
Interest element of finance lease payments	**12**	28
Other loans	**75**	—
	2,251	2,720
Imputed interest expenses on Promissory Note *(note 16(a))*	**33,101**	23,858
Imputed interest expenses on Convertible Note *(note 16(b))*	**52,793**	49,580
Total interest on financial liabilities stated at amortised cost	**88,145**	76,158

7. INCOME TAX CREDIT

	2012	2011
	HK$'000	*HK$'000*
Current tax for the year		
— Hong Kong profits tax	**500**	551
— Over-provision in respect of prior year	**(23)**	—
Write back of deferred tax on impairment of mining licenses	**(411,521)**	(88,350)
Income tax credit	**(411,044)**	(87,799)

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

Enterprise Income Tax ("**EIT**") arising from the Mainland China is calculated according to the relevant laws and regulations in the PRC. The applicable tax rate for the EIT is 25% (2011: 25%).

Subsidiaries incorporated in Mongolia are subject to Mongolian income tax which is calculated at the rate of 10% on the first 3 billion Mongolian Tugrik ("**MNT**") of taxable income and 25% on the amount in excess thereof. No income tax was provided as these Mongolian subsidiaries have not derived any taxable income during the year ended 31 March 2012 (2011: Nil).

8. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 March 2012 (2011: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to the owners of the Company of HK$1,387,784,000 (2011: HK$369,890,000) and the weighted average number of ordinary shares in issue during the year of 9,116,259,000 (2011: 5,540,828,000).

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

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2012, the Group incurred capital expenditure of HK$25,298,000 (2011: HK$54,669,000, including those arising from the acquisition through business combination of HK$13,368,000 (note 17)), which were incurred as to approximately HK$110,000 (2011: HK$16,588,000) in land and buildings, approximately HK$3,624,000 (2011: HK$2,479,000) in furniture, fixtures and equipment, approximately HK$7,683,000 (2011: HK$236,000) in leasehold improvements, approximately HK$5,164,000 (2011: HK$8,193,000) in motor vehicles, approximately HK$3,116,000 (2011: HK$9,416,000) in plant, machinery and tools and approximately HK$5,601,000 (2011: HK$17,757,000) in mine development assets. Property, plant and equipment with net carrying value of HK$1,984,000 (2011: HK$3,082,000) were disposed of during the year, including furniture, fixtures and equipment of HK$210,000 (2011: HK$430,000), leasehold improvements of HK$108,000 (2011: HK$213,000), motor vehicles of HK$1,658,000 (2011: HK$1,577,000) and plant, machinery and tools of HK$8,000 (2011: HK$862,000).

11. GOODWILL

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Opening net carrying amount	**—**	—
Acquisition through business combination *(note 17)*	**—**	33,701
Exchange realignment	**—**	1,805
Impairment	**—**	(35,506)
Closing net carrying amount	**—**	—

Goodwill is allocated to the cash generating unit ("**CGU**") from which it is expected to benefit. Goodwill arising from the Acquisition (note 1) has been allocated to the CGU of TNE Mine within mining and exploration business. The carrying amount of goodwill was fully impaired in the year ended 31 March 2011 as further disclosed in note 12.

12. MINING LICENCES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Opening net carrying amount	**2,377,648**	—
Transfer from exploration and evaluation assets *(note 13)*	**—**	2,259,371
Additions	**274**	50
Impairment	**(1,646,083)**	—
Exchange realignment	**(188,927)**	118,227
Closing net carrying amount	**542,912**	2,377,648

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

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

No amortisation for the mining licences was provided for as the production of the coal mine site has not yet commenced in this financial year (2011: Nil).

The mining licenses of TNE Mine are subject to impairment review immediately before their transfer to "Property, plant and equipment"/"Mining licences" and subsequently whenever there are indications that the mining licences' carrying amount may not be recoverable.

In performing the impairment testing, the Directors of the Company have engaged an independent valuer in determining the recoverable amount of the TNE Mine. Given the current development status of TNE Mine, management has determined the recoverable amount of the TNE Mine using fair value less costs to sell which is derived by using a discounted cash flow ("**DCF**") analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating TNE Mine's fair value. The DCF analysis uses cash flow projection for a period of 14 years up to 2026 (2011: 12 years up to 2023) and the discount rate applied to the cash flow projection is 18.91% (2011: 20.04%). In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the industry capital structure based on the figures of similar publicly traded companies in the stock exchanges of Hong Kong and the PRC with mining projects. For the estimation of selling price and growth rate, the local Mongolian economy, PRC economy and the coal market are taken as reference.

Other key assumptions used in the calculation of fair value less cost to sell of TNE Mine in respective financial year are set out as follows:

For the year ended 31 March 2011

(a) The estimated production volumes were based on the mine plans agreed by the management which took into account development plans for the TNE Mine as part of the long-term planning process. Based on the mine plans, revenue was mainly attributable to local sales in Mongolia in the first three revenue-generating years and to overseas sales, mainly in the PRC, thereafter.

12. MINING LICENCES *(Continued)*

(b) Coal sales prices were determined with reference to the market available information. The average increment in sale prices for the first three revenue-generating years was 12%, which was in line with the comparable market information in Mongolia. The average sale price in the fourth to seventh revenue-generating years was expected to be double of that for the first three revenue-generating years due to sales of higher quality coal to overseas markets. Sales prices since the eighth revenue-generating year were kept constant throughout the remaining forecast periods.

(c) The Group was able to renew and apply for extension for its mining licences.

For the year ended 31 March 2012

(a) In current financial year, further drilling works and laboratory tests had been done to determine coal layer structure and thickness and to test the coal quality. From the laboratory test results, the calorific value of such samples was in the range of 3,100 to 4,300 Kcal/kg. As at the reporting date, since the Group has not been able to excavate coal with expected calorific value, the Group had decided to revise the cash flow forecasts to focus on the coal sales of lower calorific value which has lower expected coal sales price per tonne. Coal sales price is determined with reference to the market information. The increment in coal sale price is on average of 5.6% which is based on Australian export price index over the past 22 years.

(b) Cost of production and gross margin are determined with reference to the market comparables. The expected cost of production in the revised cash flow forecasts increases compared to that in last year which in turn reduces the overall profit margin to 36-37% throughout the mining project life.

For the year ended 31 March 2011, the aggregate of the carrying amount of goodwill *(note 11)* allocated to TNE Mine and the carrying amount of the net assets of TNE Mine was HK$1,997 million, which was higher than recoverable amount of TNE Mine of HK$1,697 million, resulting in an impairment loss of HK$300 million. The impairment loss was firstly allocated to write down the carrying amount of the goodwill of HK$35 million and the amount in excess of HK$265 million was allocated to write down the value of the coal mining licences held by TNE before being transferred out of exploration and evaluation assets, which represented the carrying value of the coal mining licences of HK$353 million offsetting with the tax effect of HK$88 million. The impairment loss in last financial year was primarily due to unforeseeable technical causes and the required time for water management program was longer than expected, resulting in the delay in the overall production schedule of the TNE Mine. Coupled with certain subsequent change in market condition, the management resolved to concentrate on local market in the early years of production.

For the year ended 31 March 2012, with the new sampling results that the TNE Mine was unable to excavate coal of higher quality to substantiate sales formulated in last year's cash flow projection, the management further revises its business plan to focus on sales with lower coal quality throughout the cash flow projection. This key factor has resulted in further downward adjustment on the estimated net cash inflows and hence the recoverable amount of the TNE Mine. The carrying amount of the net assets of TNE Mine was HK$1,629 million, which was higher than the recoverable amount of HK$361 million, resulting in an impairment loss of HK$1,268 million. The impairment loss is allocated to write down the carrying amount of the mining licenses and the mine development assets on pro-rate basis which amounted to HK$1,646 million and HK$34 million respectively, offsetting with the tax effect of HK$412 million.

13. EXPLORATION AND EVALUATION ASSETS

	The Group					
	Licences		Others		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Opening net carrying amount	**5,741**	—	**22,398**	—	**28,139**	—
Acquisition through business combination *(note 17)*	**—**	2,406,201	**—**	23,230	**—**	2,429,431
Additions	**625**	757	**2,493**	11,893	**3,118**	12,650
Impairment *(note 12)*	**—**	(353,399)	**—**	—	**—**	(353,399)
Transfer to mining licences/property, plant and equipment	**—**	(2,259,371)	**—**	(15,191)	**—**	(2,274,562)
Exchange realignment	**(556)**	211,553	**(2,440)**	2,466	**(2,996)**	214,019
Closing net carrying amount	**5,810**	5,741	**22,451**	22,398	**28,261**	28,139

(i) Licences as at 31 March 2012 represent the cost of obtaining/acquiring exploration licences to certain area in Mongolia with gold, copper and coal deposit. The exploration licences which are held by Camex LLC and Kores comprise of the followings:

- Four exploration licences in respect of gold and copper deposits located in certain areas of Gobi-Altai and Zavkhan, Mongolia covering approximately 44,016 hectares and 15,517 hectares respectively; and

- Three exploration licences in respect of a coal mine located in DundGobi, Mongolia covering an area of 14,087 hectares in aggregate.

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

(ii) Others mainly comprise geological and geophysical costs, costs incurred for drilling, trenching and excavation works, costs incurred for sampling and laboratory works, costs incurred for evaluation such as environment assessment and feasibility study, as well as depreciation and labour costs directly attributable to the exploration activities.

(iii) The amounts of exploration and evaluation assets as at 31 March 2012 represent active exploration projects. Based on the assessment of the Directors, there are no indications of impairment regarding the respective projects.

14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**53,597**	14,772
Retention receivables	**15,378**	31,851
Prepaid land lease payments	**210**	234
Prepayments and deposits	**22,689**	19,775
Other receivables	**10,243**	33,834
	102,117	100,466

14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

Notes:

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

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**53,597**	14,769
Over 1 year	**—**	3
	53,597	14,772

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

15. TRADE AND OTHER PAYABLES

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

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Trade payables aged		
Within 3 months	**61,273**	53,980
4 to 6 months	**2,333**	4,532
7 to 9 months	**75**	908
10 to 12 months	**119**	78
Over 1 year	**2,206**	1,740
	66,006	61,238
Retention payables	**16,037**	3,911
Other payables and accruals	**16,123**	10,380
	98,166	75,529

16. BORROWINGS

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Current liabilities		
Bank loans and overdraft, secured	**83,018**	137,645
Finance lease liabilities	**13**	359
	83,031	138,004
Non-current liabilities		
Finance lease liabilities	**—**	13
Promissory Note *(note (a))*	**308,076**	309,472
Convertible Note — liability component *(note (b))*	**455,394**	502,120
	763,470	811,605
Total borrowings	**846,501**	949,609

(a) As disclosed in note 1, as part of the consideration for the Acquisition, the Company issued a Promissory Note in principal amount of HK$350,000,000. The Promissory Note is unsecured, non-interest bearing and will mature in two years from the date of issue of the Promissory Note on 17 June 2012. On 28 March 2012 (the "**Extension Date**"), the Promissory Note was extended to 17 June 2013. Subsequently on 19 June 2012, the holder of the Promissory Note indicated that it might be further extended to 17 September 2013.

	2012	2011
	HK$'000	*HK$'000*
Opening net carrying amount/Fair value on initial recognition *(note (i))*	**309,472**	285,614
Gain arising from extension *(note (ii))*	**(34,497)**	—
Imputed interest expenses *(note (iii))*	**33,101**	23,858
Closing net carrying amount	**308,076**	309,472

16. BORROWINGS *(Continued)*

(a) *(Continued)*

Notes:

(i) The fair value of the Promissory Note on the Acquisition Date and Extension Date were HK$285,614,000 and HK$307,810,000 respectively, which were determined based on the valuation using discounted cash flows method carried out by Asset Appraisal Limited ("**Asset Appraisal**"), an independent professional valuer.

(ii) The carrying value of the Promissory Note as at the Extension Date was HK$342,307,000. The difference between the carrying value and fair value as at the Extension Date which amounted to HK$34,497,000 which was recognised in Other Income and Gains as gain arising from extension of the Promissory Note *(note 3)*.

(iii) The Promissory Note is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 10.70% per annum after the Acquisition Date and 11.12% after the Extension Date. Imputed interest of approximately HK$33,101,000 (2011: HK$23,858,000) *(note 6)* was recognised in the profit or loss in the current year.

(b) As disclosed in note 1, as part of the consideration for the Acquisition, the Company issued a zero coupon Convertible Note in principal amount of HK$954,100,000 which will mature in five years from the date of issue of the Convertible Note on 17 June 2015.

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

The Convertible Note was stated at fair value on the Acquisition Date which amounted to HK$948,237,000. The fair value was determined based on the valuation carried out by Asset Appraisal. The Convertible Note contains three components — liability component, equity component (presented as "**Convertible note equity reserve**") and the derivative component arising from the Extension Option (the "**Derivative Component**").

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

16. BORROWINGS *(Continued)*

(b) *(Continued)*

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

	Liability component		**Equity component**		**Derivative Component**	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Carrying amounts						
At beginning of the year	**502,120**	—	**434,124**	—	**(80,342)**	—
Fair value on initial recognition	**—**	519,945	**—**	494,565	**—**	(66,273)
Imputed interest expenses *(note (i))*	**52,793**	49,580	**—**	—	**—**	—
Conversion of Convertible Note *(note (ii))*	**(99,519)**	(67,405)	**(85,529)**	(60,441)	**15,828**	8,752
Change in fair value recognised in profit or loss *(note 3 & note (iii))*	**—**	—	**—**	—	**780**	(22,821)
At end of the year	**455,394**	502,120	**348,595**	434,124	**(63,734)**	(80,342)

Notes:

(i) The liability component is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 12.91% per annum. Imputed interest expense of approximately HK$52,793,000 (2011: HK$49,580,000) *(note 6)* was recognised in profit or loss in the current year.

(ii) During the year, 750,000,000 (2011: 530,000,000) Conversion Shares were issued upon conversion of the Convertible Note in total amount of HK$165,000,000 (2011: HK$116,600,000). At the time of conversion, the proportional amounts of the convertible note equity reserve, the Derivative Component and the carrying value of the liability component were transferred to share capital and share premium as proceeds for the shares issued.

(iii) The Derivative Component is measured at fair value with changes in fair value recognised in profit or loss. The Derivative Component is carried as derivative financial asset in the consolidated statement of financial position until extinguished on conversion or redemption.

The fair value of the Derivative Component of the Convertible Note was calculated using binomial valuation model with the major inputs as follows:

	31 March 2012	31 March 2011
Stock price	**0.043**	0.082
Exercise price	**0.220**	0.220
Volatility	**48.22%**	56.36%
Risk free rate	**0.349%**	1.670%

As the binomial valuation model requires the input of highly subjective assumptions, change in subjective input assumptions can materially affect the fair value estimate. Further details of the principal terms and conditions regarding the issue of the Convertible Note have been set out in the circular of the Company dated 12 May 2010.

(iv) The fair value of the liability component of the Convertible Note at 31 March 2012 amounted to HK$449,095,000 (2011: HK$521,460,000). The fair value is calculated using cash flows discounted at a rate based on an equivalent market interest rate for the similar non-convertible note, which is 13.4% (2011: 11.9%).

17. BUSINESS COMBINATION

As mentioned in note 1, the Group completed the Acquisition on 17 June 2010, the fair values of the identifiable assets and liabilities of Mongolia Investment BVI as at the Acquisition Date and the corresponding carrying amounts immediately prior to the Acquisition are as follows:

	Fair values	**Carrying amounts**
	HK$'000	*HK$'000*
Property, plant and equipment	13,368	13,368
Prepaid land lease payments	675	675
Exploration and evaluation assets	2,429,431	1,481,414
Other prepayments and deposits	3,511	3,511
Trade and other receivables	4,104	4,104
Cash and cash equivalents	2,785	2,785
Trade and other payables	(7,363)	(7,363)
Amounts due to related parties	(13)	(13)
Bank borrowings	(5,581)	(5,581)
Government subsidies	(6,730)	(6,730)
Deferred tax liabilities	(600,637)	(363,633)
Net assets acquired	1,833,550	1,122,537
Goodwill *(note 11)*	33,701	
Total cost of the Acquisition *(note (a))*	1,867,251	
Purchase consideration settled in cash	200,000	
Less: cash and cash equivalents in subsidiaries acquired	(2,785)	
Net cash outflows	197,215	

Notes:

(a) The fair value of the consideration at the Acquisition Date comprised:

	HK$'000
Cash	200,000
Consideration Shares	433,400
Promissory Note *(note 16(a))*	285,614
Convertible Note *(note 16(b))*	948,237
	1,867,251

17. BUSINESS COMBINATION *(Continued)*

(b) The goodwill was attributable to the exploration and mining business in Mongolia and such Acquisition enables the Group to diversify its existing business portfolio and broaden its source of income arising from natural resources business in Mongolia.

(c) The fair value and the gross amount of trade and other receivables amounted to HK$4,104,000. None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(d) Apart from the above, included in the acquisition agreement were some terms and conditions relating to contingent consideration (the "**Contingent Consideration**"). Under such terms and conditions, the Company was required to issue a compensation note (the "**Compensation Note**") to one of the vendors in case of the fair value of the seven exploration licences *(note 13)* held by Camex LLC and Kores or the fair value of Camex LLC and its subsidiaries (excluding TNE which is holding four mining licences *(note 12)*) (the "**Fair Value**") as shown in the valuation report to be submitted in eight months after the completion of the Acquisition (the "**Second Valuation Report**") was not less than HK$1,550 million. The principal amount of the Compensation Note shall be:

(i) the Fair Value, if such Fair Value as shown in the Second Valuation Report was equal to or more than HK$1,550 million but less than HK$3,100 million; or

(ii) HK$3,100 million, if the Fair Value as shown in the Second Valuation Report was equal to or more than HK$3,100 million.

No payment shall be made if the Fair Value as shown in the Second Valuation Report was less than HK$1,550 million.

Pursuant to the acquisition agreement, the Company and the vendors shall use their respective best endeavours to obtain or procure the Second Valuation Report and the Second Valuation Report should be produced in form and substance satisfactory to the Company.

As the necessary work required in coming up with the Second Valuation Report could not be completed in time and the Second Valuation Report could not be issued within eight months after the Acquisition Date, no Compensation Note was issued to the vendors in accordance with the terms of the acquisition agreement.

18. CONTINGENT LIABILITIES AND LITIGATIONS

(a) In prior financial years, the Group received from an ex-subcontractor two claims in respect of two completed projects. During last financial year, a writ of summons was served to a subsidiary of the Company as defendant in respect of those two claims seeking the recovery of a sum of approximately HK$9.5 million in aggregate. The Group made a counterclaim against the ex-subcontractor for overpayment of approximately HK$8.6 million. The claims are under legal proceedings. As at 31 March 2012 and up to the date of these financial statements, the legal proceedings are still in progress. There is no material progress in respect of the claims subsequent to the reporting period. Based on the advice from the legal advisers of the Group, the Directors believe that the Group has a good case not only to defend but also to counterclaim the overpaid amount. Accordingly, the Directors consider that the claims from the ex-subcontractor will unlikely result in any material financial impact on the Group.

18. CONTINGENT LIABILITIES AND LITIGATIONS *(Continued)*

(b) In prior financial years, a writ of summons and statement of claim were served to a subsidiary of the Company as defendant in respect of the claim seeking the recovery of a sum of approximately HK$5.9 million in aggregate from an ex-subcontractor. The Group made a statement of defence and counterclaim against the ex-subcontractor for a sum of approximately HK$0.5 million, and no further action was taken by the plaintiff afterwards. During the year, the intended administrator of the estate of the deceased plaintiff proposed to resolve the claims by way of the mediation, and the mediation is scheduled to be held in July 2012. As at 31 March 2012 and up to the date of these financial statements, there is no material progress in respect of the claims. Based on the advice from the legal advisers of the Group, the Directors believe that the Group has a good defence against the plaintiff. Accordingly, the Directors consider that the claims from the ex-subcontractor will unlikely result in any material financial impact on the Group.

(c) On 23 March 2011, two of the Company's Directors and others (the "**Plaintiffs**") commenced legal proceedings to claim against the Company and other directors for various relief including an injunction preventing the Company from proceeding with the proposed placing of shares pursuant to the resolution passed by the Board on 21 March 2011. The Plaintiffs have not claimed against the Company for damages and the liabilities of the Company are limited to costs at this stage. The Plaintiffs have made an application for an interlocutory injunction. However, up to the date of these financial statements, the Plaintiffs have not fixed a hearing date for the application of interlocutory injunction. Based on the advice of the Senior Counsel retained by the Company, the Plaintiffs' application for injunction has little hope of success. As a matter of fact, the placing of shares has been subsequently completed on 13 April 2011.

(d) Apart from the above, as at 31 March 2012, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding as at the date of these financial statements. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the Directors, sufficient insurance coverage are maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have a material adverse impact on the financial position of the Group.

19. COMMITMENTS

(a) Operating lease commitments

The Group

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

	2012	2011
	HK$'000	*HK$'000*
Within one year	**8,930**	3,121
In the second to fifth years inclusive	**6,613**	3,902
	15,543	7,023

The Group leases certain properties under operating leases. The leases run for an initial period of two to three years (2011: two to three years), with an option to renew the leases and renegotiate the terms at the expiry date. The leases do not include any contingent rentals.

19. **COMMITMENTS** *(Continued)*

(b) Capital commitments

The Group

	2012	2011
	HK$'000	*HK$'000*
Purchase of property, plant and equipment *(note)*	**27,314**	29,343
Acquisition of technical know-how	**2,703**	2,703
Other commitment related to exploration and evaluation activities	**1,628**	2,307
	31,645	34,353

Note:

Pursuant to the tender submitted to the relevant government authority of Mongolia dated 18 August 2006 which was accepted by the government authority on 11 October 2006, TNE has to establish a processing plant for the production of smokeless fuel product at an estimated investment cost of MNT5,835 million (equivalent to approximately HK$34.5 million). In connection to this, TNE received subsidies from the government amounted to MNT1,186 million (equivalent to approximately HK$7million) in aggregate up to 31 December 2008. The tender refers to a number of performance targets including the commencement of operation and production of the processing plant in March 2008, the production of a specified quantity of smokeless fuel per year and the capital injection of MNT5,835 million (equivalent to approximately HK$34.5 million) by March 2008. However, the performance targets are not yet achieved up to the date of these financial statements.

Based on (i) a contract accomplishment notice dated 8 October 2008 which was signed by TNE and the government authority confirming that the subsidies granted to TNE have been used for the construction of the processing plant and that the government has agreed to provide additional funding for the project; (ii) management has been actively communicating with the government authority regarding revising the existing investment plan as well as seeking for additional subsidies; and (iii) the legal advisors of the Group, having considered the tender, the contract accomplishment notice and the circumstance arising, opine that it is very unlikely for the government to hold TNE responsible for the performance targets, the Directors have assessed that the fact that the performance targets as set forth in the tender are not yet achieved do not result in the significant financial impact to the Group. The outstanding commitment with reference to the existing investment plan amounted to approximately MNT4,495 million (equivalent to approximately HK$26.6 million) as at 31 March 2012 is disclosed herein. The entire amount of the government subsidies received were accounted for as non-current liabilities until TNE and the government authority have come into a conclusion on the revised investment plan and the additional subsidies for the processing plant.

20. GUARANTEES

As at the end of the reporting period, the Company issued the following significant financial guarantees:

	2012	2011
	HK$'000	*HK$'000*
Guarantees in respect of:		
Credit facilities granted by banks to certain subsidiaries	**85,983**	137,645
Performance bonds issued by banks to a subsidiary's customer	**–**	10,000
Finance lease arrangements entered into by certain subsidiaries	**13**	372
	85,996	148,017

The Company, together with certain of its subsidiaries, issued cross guarantees to bankers as part of the security for credit facilities granted to the subsidiaries.

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is immaterial and accordingly, they are not accounted for in these financial statements.

21. EVENTS AFTER THE END OF THE REPORTING DATE

A subsidiary of the Company (the "**Purchaser**") and the Company entered into a conditional sale and purchase agreement on 26 May 2012 (as amended and supplemented by a supplemental agreement dated 1 June 2012) (together the "**SPA**") with the vendors (the "**Vendors**") and various management shareholders pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase all the issued shares of Sinbo Investment Limited at the aggregate consideration of HK$1,500 million (subject to adjustment) (the "**Consideration**"). Subject to adjustment as aforesaid, the Consideration will be settled by (1) cash of approximately HK$88 million; (2) by allotment and issue of 818,548,000 new ordinary shares of the Company at HK$0.25 per share (upon the proposed share consolidation of every 5 existing ordinary shares with a par value of HK$0.05 each in the issued and unissued share capital of the Company into one new consolidated ordinary share with a par value of HK$0.25 each in the issued and unissued share capital of the Company becoming effective); and (3) the issue of the convertible notes with an aggregate principal value of approximately HK$1,207 million.

It is one of the conditions precedent to completion of the above acquisition that Sinbo Investment Limited, through its indirect wholly owned subsidiary Beijing Peace Map Information and Technology Limited, a wholly foreign owned enterprise incorporated in the PRC, shall have contractual arrangements (the "**Structural Agreements**") with Peace Map Co., Limited ("**Peace Map**"), a company incorporated in the PRC, and/or its shareholders so that following completion of the above acquisition, the Group will, pursuant to the Structural Agreements, effectively control the business and affairs of Peace Map and its existing subsidiaries (collectively as "**Peace Map Group**"), which are principally engaged in the business of aerial photography, aviation, and aerospace remote sensing image data processing, provision of geographic information system software and solutions, and from which all the economic benefits and risks arising from the business of the Peace Map Group will be transferred to the Group.

Because the above acquisition has not yet been completed up to the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition contemplated by the SPA to take place on the completion date. Certain details of the acquisition have been set out in the Company's announcements dated 12 December 2011 and 20 June 2012 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group continued to generate considerable revenue from its waterworks business, while devoting efforts to further develop its mining business in Mongolia. In late 2011, the Group also announced the signing of a memorandum of understanding regarding the proposed acquisition of an entity engaging in aerial photography, aviation and aerospace remote sensing image data processing, and provision of geographic information system software and solutions, with an aim of further diversifying the Group's business into areas with long term growth potential. The related formal conditional acquisition agreement was entered into in May 2012 and is subject to shareholders' approval.

Following the acquisition of Tugrugnuuriin Energy LLC ("**TNE**"), which holds four mining licenses for a coal mine in Tugrug Valley (the "**TNE Mine**"), located approximately 170 km southeast of Ulaanbaatar, Mongolia, in 2010, the Group has been working very hard on its mining operation. However, due to unforeseeable technical causes in dewatering processing and severe competition in marketing coal of lower caloric value, our overall production schedule has been further delayed. The management has engaged independent mining experts to review and advise on a more feasible mining plan, which can drive a profitable business when commercial production commences.

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2012, the Group recorded revenue of HK$935.6 million, representing a slight increase of 6.9% over last year (2011: HK$875.0 million). The growth was mainly due to revenue derived from two waterworks maintenance projects that started in September 2009, and two major water mains replacement and rehabilitation projects that commenced in early 2009.

Gross profit decreased by 32.6% to HK$31.3 million (2011: HK$46.5 million), owing to rising labour costs and subcontracting charges. Loss attributable to shareholders totalled HK$1,387.8 million (2011: loss attributable to shareholders was HK$369.9 million). This was due to an impairment loss of HK$1,268.1 million on the revaluation of the mining right at the TNE Mine. Other losses include (i) imputed interest expenses of HK$85.9 million on promissory note and convertible note issued as part of consideration for the acquisition of Mongolia Investment Group Limited, a company incorporated in the British Virgin Island and an indirect wholly-owned subsidiary of the Company, on 17 June 2010 (the " **Acquisition**"), and (ii) fair value loss on the derivative component of the convertible note amounted to HK$0.8 million. The impairment loss, imputed interest expenses and fair value loss were all non-cash items and have no impact on the Group's cash position. Basic loss per share was HK15.223 cents (2011: Basic loss per share was HK6.676 cents).

Liquidity & Financial Resources

As at 31 March 2012, cash at banks and in hand and pledged bank deposits reached HK$335.4 million (as at 31 March 2011: HK$323.2 million). Total borrowings, including promissory note and convertible note issued in 2010, as at the end of the review year were HK$846.5 million (as at 31 March 2011: HK$949.6 million). The Group's current ratio, being the ratio of current assets to current liabilities, was 4.0 times (as of 31 March 2011: 3.4 times), and its gearing ratio, in terms of total borrowings net of cash at banks and in hand and pledged bank deposits to total equity, stood at 149.9% (31 March 2011: 37.0%).

Foreign Exchange Risk Management

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

Human Resources

As at 31 March 2012, the Group had approximately 720 employees (for the year ended 31 March 2011: 790 employees) with nearly 100% holding permanent positions. Total staff costs, including Director's emoluments for the year under review amounted to HK$140.1 million (for the year ended 31 March 2011: HK$145.9 million).

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

BUSINESS REVIEW

Mining Business in Mongolia

The management believes economic growth in Mongolia will sustain as the country remains one of the fastest growing economies in the world. Resources and mining has always been a major contributor to Mongolia's economic growth, thus it is believed the Mongolian government will continue to foster the development of the mining industry. The Group will continue to dedicate efforts to develop its mining business in the country.

The Group's TNE Mine holds four coal mining licences that cover a 1,114 hectares of mine site. It also holds three exploration licences in respect of coal deposits in DundGobi (14,087 hectares), two exploration licences in respect of gold and copper deposits in Gobi-Altai (44,016 hectares), and two exploration licences in respect of gold and copper in Zavkhan (15,517 hectares), all located in Mongolia. The Group will seek to convert these exploration licenses into mining licenses should there be abundance of resources discovered.

Mining activities continued during the review year, total output of coal from the TNE Mine was about 1,094 tonnes, which was significantly lower than expected. This was due mainly to the fact that the calorific value range of the coal products was not high enough for a profitable contribution, while mining production costs in Mongolia had greatly escalated in relation to the actual production. The management sees the immediate need to adjust the mining plan to reduce overall production costs to improve profitability and competitiveness. Hence, independent mining experts were engaged to review and advise ways to achieve cost reduction and improve production.

As a result of the unsatisfactory progress in production of the coal mine operated by Tugrugnuuriin Energy LLC, a further impairment loss net of deferred taxation amounting to HK$1,268.1 million (2011: HK$ 300.6 million) on the valuation of the mining rights of the TNE Mine is recognised to the consolidated result.

Despite the delay in commencement of production, the Group achieved stable progress on the TNE Mine preparatory work development. Our 2012 mine plan and 2012 environmental protection plan were approved by the Mongolian authorities during the year. In addition, several mining feasibility studies have been carried out, and the Group has already obtained a mine operation permit for its TNE Mine.

The construction of a compacted haul road has been completed during the year. This road connects the mine to the loading point at Maanit railway station, which is approximately 60 km from the mine site and the main railway station from which the Group's coal products will be transported. The Group also conducted an environmental impact assessment at Maanit railway station to better address the possible impact on environmental, social and economic aspects.

The Group continued exploration works at other regions for the seven exploration licenses. Exploration work including technical assessment and geophysical works continued. Annual exploration reports were submitted and approved by the relevant Control Agency. All the annual license payments were also settled during the year.

Waterworks Business in Hong Kong

During the review year, waterworks business recorded revenue of approximately HK$930.3 million (2011: HK$874.3 million). Revenue from waterworks maintenance projects increased by 10.7% to approximately HK$583.6 million, representing 62.7% of total revenue. Those from water mains replacement and rehabilitation projects remained steady at around HK$298.9 million, making up 32.1% of total revenue. As for landslip prevention projects, HK$43.1 million in revenue was recorded, equivalent to 4.6% of total revenue.

Waterworks Maintenance Contracts

A main source of revenue during the review year was derived from two waterworks maintenance projects that started in September 2009, specifically:

1. Term Contract for Waterworks District E — New Territories East (contract number: 1/WSD/09(E));

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

Water Mains Replacement and Rehabilitation Projects

Two major water mains replacement and rehabilitation projects of the Group have been underway since the 2010 financial year:

1. Replacement and rehabilitation of water mains in East Kowloon (contract number: 7/WSD/08) — estimated completion in May 2013.

2. The second contract concerns replacement and rehabilitation of water mains on Hong Kong Island South and outlying islands (contract number: 18/WSD/08) — Estimated completion in September 2013.

PROSPECTS

Looking ahead, the Group will continue to consolidate resources and develop its various businesses. Although both the exciting mining business and, subject to shareholders' approval and acquisition completion, the aerial photography solutions business are at relatively initial stages, the management believes both sectors possess vast and long term growth opportunities.

Ongoing efforts will be placed at commercialising the TNE Mine. The management will continue to closely monitor operation flow and begin to work on securing off-take agreements with customers once the time is right. With the outlook of the commodities market remaining optimistic, the Group will also continue with exploration activities within the licensed areas.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 March 2012 (2011: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 30 July 2012 to Friday, 3 August 2012, both days inclusive, during which period no transfer of shares of the Company (the "**Shares**") will be registered. In order to qualify for attending the forthcoming annual general meeting, all transfers of the Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the transfer office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 27 July 2012.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the applicable code provisions set out in the Code of Corporate Governance Practices set out in appendix 14 to the Listing Rules for the year ended 31 March 2012.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. TAM Tsz Kan, Mr. CHAN, Sai Kit Kevin and Mr. LIAO Cheung Tin, Stephen. Mr. TAM Tsz Kan, who possesses professional accounting qualifications and relevant accounting experience, is the Chairman of the Audit Committee.

Under its terms of reference, the main role and functions of the Audit Committee are to review the Group's financial information, to supervise the Group's financial reporting and internal control systems, and to maintain relationship with the auditors of the Company. The Board has, through the Audit Committee, conducted regular reviews on the effectiveness of the internal control system of the Group during the year ended 31 March 2012 as well as connected transactions, the interim results for the six months ended 30 September 2011 and last year's annual results for the year ended 31 March 2011, and has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, financial reporting matters and risk management systems of the Group.

The Group's final results for the year ended 31 March 2012 have been reviewed by the members of the Audit Committee before submission to the Board for approval.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND REPORT

This announcement is available for viewing on the designated website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.migmgl.com. The annual report of the Company for the year ended 31 March 2012 will be despatched to shareholders of the Company and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff for their diligence and dedication over the past year. Along the line, we will continue to consolidate our existing operations while ramping up development of new business ventures, with an aim of enhancing shareholders' value in the long run.

For and on behalf of the Board
Mongolia Investment Group Limited
LEUNG, Chung Tak Barry
Executive Director

Hong Kong, 29 June 2012

As at the date of this announcement, the executive Directors are Messrs. YUEN Chow Ming (Chairman), YUEN Wai Keung (Deputy Chairman and Chief Executive Officer), SO Yiu Cheung (Deputy Chairman), CHEUNG Chi Man, Dennis, LIM Siong, Dennis, ENEBISH Burenkhuu and LEUNG, Chung Tak Barry and the independent non-executive Directors are Messrs. CHAN, Sai Kit Kevin, LIAO Cheung Tin, Stephen and TAM Tsz Kan.