MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The directors (the "**Directors**") of Mongolia Energy Corporation Limited (the "**Company**") announce the condensed consolidated results of the Company and its subsidiaries (together collectively referred to as the "**Group**") for the six months ended 30 September 2015 (the "**Financial Period**") together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 September 2015

	Notes	**Six months ended 30 September 2015** *HK$'000* **(unaudited)**	2014 *HK$'000* (unaudited)
Revenue	3	**94,514**	—
Cost of sales		**(92,810)**	—
Gross profit		**1,704**	—
Other income		**3,395**	894
Other gains and losses	4	**12,060**	(7,834)
Other expenses		**—**	(31,585)
Administrative expenses		**(66,320)**	(65,608)
Changes in fair value on derivative component of convertible notes		**374,037**	20,114
Impairment loss on exploration and evaluation assets	10	**—**	(287,999)
Impairment loss on available-for-sale financial asset		**(136)**	(390)
Impairment loss on amounts due from associates		**—**	(4)
Finance costs	5	**(208,176)**	(85,355)
Profit (loss) before taxation	7	**116,564**	(457,767)
Income tax expense	6	**—**	—
Profit (loss) for the period		**116,564**	(457,767)
Profit (loss) for the period attributable to owners of the Company		**116,564**	(457,767)
Earnings (loss) per share attributable to owners of the Company	8		
— basic earnings (loss) per share *(HK cents)*		**6.84**	(27.10)
— diluted loss per share *(HK cents)*		**(1.71)**	(27.10)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the period	**116,564**	(457,767)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
— Exchange differences arising on translation	**61**	8,122
Total comprehensive income (expense) for the period	**116,625**	(449,645)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Notes	**30 September 2015** *HK$'000* **(unaudited)**	31 March 2015 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	9	**875,292**	856,404
Intangible assets	9	**99,895**	102,050
Development in progress	9	**3,613**	3,613
Exploration and evaluation assets	10	**—**	—
Interests in associates		**—**	—
Available-for-sale financial asset		**—**	—
Other asset		**1,150**	1,150
Prepaid lease payment		**1,868**	1,935
		981,818	965,152
Current assets			
Prepaid lease payment		**40**	40
Inventories		**39,431**	23,738
Trade receivables	11	**22,034**	7,982
Other receivables, prepayments and deposits		**32,505**	26,905
Held-for-trading investments		**86,712**	68,289
Amounts due from associates		**—**	—
Cash and cash equivalents		**27,458**	13,083
		208,180	140,037
Current liabilities			
Trade payables	12	**149,739**	106,304
Other payables and accruals		**139,929**	127,985
Advances from a Director		**1,299,525**	1,205,662
Deferred income		**1,371**	1,266
		1,590,564	1,441,217
Net current liabilities		**(1,382,384)**	(1,301,180)
Total assets less current liabilities		**(400,566)**	(336,028)
Non-current liabilities			
Convertible notes	13	**2,681,453**	2,891,847
Deferred income		**11,300**	10,976
		2,692,753	2,902,823
Net liabilities		**(3,093,319)**	(3,238,851)
Financed by:			
Capital and reserves			
Share capital		**34,597**	33,783
Reserves		**(3,127,916)**	(3,272,634)
Equity attributable to owners of the Company		**(3,093,319)**	(3,238,851)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. BASIS OF PREPARATION

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

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Company and its subsidiaries (collectively referred to as the "**Group**"). While recognising that the Group had net liabilities of approximately HK$3,093.3 million and had net current liabilities of approximately HK$1,382.4 million at 30 September 2015, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future as Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder who has significant influence over the Group and the chairman and a Director of the Company, has provided facilities amounting to HK$1,900.0 million with maturity date on 31 March 2017, of which approximately HK$600.4 million was unutilised as at 30 September 2015. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above amendments to existing standards has had no material impact on the results, the financial position and disclosures of the condensed consolidated financial statements of the Group.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015. In addition, the following accounting policy on extinguishing financial liability with equity instruments was newly applied by the Group.

Extinguishing financial liabilities with equity instruments

When the Company issues equity instruments to a creditor to extinguish all or part of a financial liability, the equity instruments so issued are regarded as consideration paid. The Group removes a financial liability from the condensed consolidated statement of financial position when it is extinguished in accordance with HKAS 39.

The Group measures the consideration paid at the fair value of the equity instruments issued. The difference between the carrying amount of the financial liability extinguished and the consideration paid is recognised in profit or loss. The equity instruments are recognized initially and measured at the date the financial liability is extinguished.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the energy and related resources business. Revenue represents revenue arising on the sale of coking coal to external customers.

The Group's operating activities are focusing on the coal mining business. This operating segment has been identified on the basis of information reported to the chief operating decision maker (i.e. the executive Directors) for the purpose of resource allocation and performance assessment.

Segment revenue and result

The following is an analysis of the Group's revenue and result by operating segment:

For the six months ended 30 September 2015

	Coal mining	**Total**
	HK$'000	***HK$'000***
Segment revenue	**94,514**	**94,514**
Segment loss	**(27,536)**	**(27,536)**
Unallocated expenses *(Note)*		**(41,930)**
Other income		**1,874**
Other gains and losses		**18,431**
Changes in fair value on derivative component of convertible notes		**374,037**
Impairment loss on available-for-sale financial asset		**(136)**
Finance costs		**(208,176)**
Profit before taxation		**116,564**

Note:

Unallocated expenses mainly included staff costs for corporate office, office rental and legal and professional fees.

For the six months ended 30 September 2014

	Coal mining	Total
	HK$'000	*HK$'000*
Segment revenue	—	—
Segment loss	(86,173)	(86,173)
Unallocated expenses *(Note)*		(24,361)
Other income		4
Other gains and losses		3,750
Changes in fair value on derivative component of convertible notes		20,114
Impairment loss on exploration and evaluation assets		(285,742)
Impairment loss on amounts due from associate		(4)
Finance costs		(85,355)
Loss before taxation		(457,767)

Note:

Unallocated expenses mainly included staff costs for corporate office, office rental and legal and professional fees.

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

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
Coal mining	**1,081,478**	1,023,682

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
Fair value gain on held-for-trading investments	**18,423**	3,588
Gain on disposal of property, plant and equipment	**621**	—
Loss on write off of property, plant and equipment	**(23)**	(6,674)
Net exchange loss	**(421)**	(4,748)
Early termination cost for a contractor *(Note)*	**(7,800)**	—
Others	**1,260**	—
	12,060	(7,834)

Note:

The Group issued a notice of termination to the overburden removal contractor on 25 May 2015. Based on the Group's Mongolian legal advice, the Group may be required to pay approximately HK$7.8 million indemnity to the overburden removal contractor if the Group terminates the contract for convenience under the overburden removal services agreement. The amount provided represents the best estimate of the expenditure required under the aforesaid agreement.

5. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Interest on:		
— Advances from a Director	**44,533**	31,531
— Convertible notes after remeasurement	**—**	48,346
— Other financial liability	**—**	5,478
Effective interest expense on convertible notes	**163,643**	—
	208,176	85,355

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% at the estimated assessable profit (if any) for both periods.

Mongolian corporate income tax is calculated at 10% at the estimated assessable profit (if any) for both periods.

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

No provision for Hong Kong and overseas taxation has been made for both periods as the Group has no assessable profit for either period.

7. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging (crediting):

	Six months ended 30 September 2015 HK$'000	2014 HK$'000
Amortisation of intangible assets	**2,155**	15,450
Depreciation of property, plant and equipment	**10,570**	10,559
Less: loss on suspension of production (included in other expenses)	**—**	(18,322)
Less: amortisation and depreciation capitalised in inventories	**(9,183)**	—
	3,542	7,687
Rental income (net of negligible outgoing)	**(894)**	—
Employee benefit expenses, including Directors' emoluments	**40,235**	27,746
Operating lease rentals in respect of land and buildings	**4,435**	4,840

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September 2015 HK$'000	2014 HK$'000
Earnings (loss) for the purpose of basic earnings (loss) per share		
Profit (loss) for the period attributable to owners of the Company	**116,564**	(457,767)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**163,643**	—
Changes in fair value on derivative component of convertible notes	**(374,037)**	—
Loss for the purpose of diluted loss per share	**(93,830)**	(457,767)

	Six months ended 30 September 2015 '000	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,704,451**	1,689,137
Effect of dilutive potential ordinary shares:		
Convertible notes	**3,779,583**	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**5,484,034**	1,689,137

Note:

The computation of diluted loss per share for current period does not assume the exercise of share options since their exercise prices exceed the average share price of the Company during the current period.

The computation of diluted loss per share for the prior period does not assume the exercise of share options or the conversion of the Company's outstanding convertible notes since the exercise prices of the share options exceed the average share price of the Company during the prior period, and the conversion of the convertible notes would result in a decrease in loss per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND DEVELOPMENT IN PROGRESS

Property, Plant and Equipment

During the six months ended 30 September 2015, the Group spent approximately HK$16,817,000 (2014: HK$52,197,000), HK$1,103,000 (2014: HK$37,959,000), HK$2,104,000 (2014: HK$4,719,000), nil (2014: HK$4,131,000) and HK$9,510,000 (2014: Nil) on mining structures, construction in progress, plant, machinery and other equipment, motor vehicles and leasehold improvements respectively.

During the six months ended 30 September 2014, HK$47,317,000 construction in progress was completed and HK$9,320,000 and HK$37,997,000 were reclassified as mining structures and plant, machinery and other equipment respectively.

Intangible Assets

The intangible assets consist of software and exclusive right of use of the paved road.

There are no significant capital expenditures spent in the intangible assets for the six months ended 30 September 2015 (2014: Nil).

Development in Progress

In connection to the exclusive right of use of paved road set out in above intangible assets, another section of the road of approximately 30 km is under construction and therefore remains as a development in progress and included in the cash generating unit with other Khushuut Related Assets (as defined below) for impairment assessment purpose.

There is no addition of development in progress for the six months ended 30 September 2015 (2014: Nil).

Impairment Loss Recognised on Khushuut Related Assets

Subsequent to the financial year ended 31 March 2015, the Group has decided to scale down the overburden removal and other mining works so as to alleviate the operating expenses and cash outflow in response to the unfavourable market conditions and the continuous decline in price of coking coal in the People's Republic of China (the "**PRC**"). Pursuant to this, the Group requested the overburden removal contractor to temporarily suspend its works until 31 December 2015 and proposed the settlement method of its service fees but no mutually acceptable solution was reached. On 25 May 2015, the Group issued a notice of termination to the overburden removal contractor and the termination was effective on 24 July 2015. The Group has reached an agreement with the coal extraction contractor who has agreed to revise the production plan and to lower its service fees as proposed. Notwithstanding the termination of overburden removal work, coal extraction work was not affected and the Group has continued to supply coking coal to the customers during the six months ended 30 September 2015.

At the end of the reporting period, the Group engaged an independent qualified professional valuer (the "**Independent Valuer**"), who is not connected with the Group, to determine the recoverable amount of its property, plant and equipment, intangible assets, development in progress and prepaid lease payment related to the Khushuut mine operations (collectively referred to as "**Khushuut Related Assets**"). For the purposes of impairment testing, the Khushuut Related Assets are treated as a cash generating unit, which represents the Group's coking coal mining operation in Western Mongolia. The recoverable amount of the Khushuut Related Assets has been determined based on a value in use calculation. The Directors instructed the Independent Valuer to use the information and assumptions provided by the mining contractor, including cost structure and production capacity of the Khushuut Related Assets. In pursuant to the impairment review, no further impairment is required during the current interim period.

Mining Prohibition Law in Mongolia

On 16 July 2009, the Parliament of Mongolia enacted the Mining Prohibition Law (the "**MPL**") which prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas and areas adjacent to rivers and lakes (the "**Defined Prohibited Areas**"). Pursuant to the MPL, the Mongolian government was supposed to define the boundaries of the relevant prohibited areas by 16 October 2009 but it had not done so by the prescribed time. It also states that any previously granted licences that overlap the Defined Prohibited Areas will be terminated within five months following the enactment of the law.

The MPL further states that affected licence holders shall be compensated but details as to how the compensation is determined have not been specified in the MPL and the Mongolian government has not yet released any further guidance on how to interpret the MPL.

During the six months ended 30 September 2015, The Mineral Resources Authority of Mongolia (the "**MRAM**") confirmed that only one mining concession (licence no. 11888A) (At 31 March 2015: four mining concessions: 2913A, 4322A, 11888A and 15289A) owned by MoEnCo LLC ("**MoEnCo**"), a wholly-owned subsidiary of the Company, has partially overlapped with protected area under the MPL. On 18 February 2015, the Parliament of Mongolia amended the Law on Implementation of the Law on Prohibition of Exploration and Mining in Headwaters of Rivers, Protected Water Basins Zones and Forested Areas, and provided option for the licence holders to continue their operations subject to undertaking a number of obligations in operations and submit a request to MRAM and enter into agreement with the Ministry of Environment, Green Development and Tourism of Mongolia, MRAM and the governor of the relevant province.

As at 30 September 2015, the Group is not currently operating within what it considers to be the overlapping areas. MoEnCo is in the process of preparing an application to make revision to the coordinates of licensed area of 11888A by removing any overlap in the protected area. However, if the application is unsuccessful and the mining concession is revoked due to the MPL, the Group might incur a significant impairment loss on the related assets.

10. EXPLORATION AND EVALUATION ASSETS

	Mining and exploration rights *(Note a)* *HK$'000*	Others *(Note b)* *HK$'000*	Total *HK$'000*
COST			
At 1 April 2014	285,676	—	285,676
Additions	—	140	140
Written off	—	(140)	(140)
Impairment loss recognised in profit or loss	(285,676)	—	(285,676)
At 31 March 2015 and 30 September 2015	—	—	—

Notes:

(a) The balance of mining and exploration rights solely represents an exploration concession of around 2,986 hectares in Western Mongolia for ferrous resources. This iron ore exploration concession has been affected by the MPL. Zvezdametrika LLC ("**Z LLC**"), a wholly-owned subsidiary of the Company which owns the iron ore exploration concession, received a notice from the MRAM during the year ended 31 March 2010 about the potential revocation of its exploration concession under the MPL and Z LLC was requested to submit the estimated compensation for termination of licences with supporting documents. After taking legal advice from the Group's Mongolian legal advisers, the Group decided not to respond to the MRAM's request.

The Group's legal advisers have confirmed that their interpretation of the relevant legislation is that, following determination and removal of any overlap with prohibited areas and making revisions to the coordinates of the licensed area, the mineral licence will remain valid less the overlapping areas. The Group is not currently operating within what it considers to be the overlapping areas. According to the best knowledge of the management, there was no revocation of its licences as at 30 September 2015.

As at 31 March 2015 and 30 September, 2015, only limited exploration works were done on the iron ore concession. During the year ended 31 March 2015, the condition of the iron ore market in China has become considerably more unfavourable due to the significant drop in iron ore prices and the continuing fall in demand. In view of the present market sentiment, the development and production costs are expected to be high which will be unlikely to achieve a positive return for the Group. Further, the exploration and the ongoing development of the iron mine would require additional capital by the Group and increase the Group's financial pressure in addition to the need for its coal mining business. Based on the aforesaid, the management is of the view that it is not in the Group's interest to develop and retain the iron mine and has decided to concentrate the Group's resources on the re-commencement of commercial production of the Khushuut Coal Mine. In view of the then pessimistic business outlook of the iron ore industry and the significant capital investment required to develop the iron ore concession, the management of the Group is of the opinion that it is unlikely to identify a potential purchaser to acquire the iron ore concession in its current condition (also taking into account the uncertainties of the application of the MPL to the concession), before the exploration licence expires in October 2017.

Also, based on the research performed by the management during the year ended 31 March 2015, minimal transactions in the market in Mongolia for iron ore concessions were recorded due to the fact that current market conditions are making investment in smaller iron ore concessions uneconomical (in particular those in more remote regions without established infrastructure). The management has therefore determined that the recoverable amount of this iron ore exploration concession, if any, is likely to be minimal and decided that the entire carrying amount was impaired during the year ended 31 March 2015.

During the six months period ended 30 September 2015, the management considered that the factors mentioned above continued to apply and concluded that the recoverable amount of the iron ore concession remains minimal. Accordingly, no reversal of impairment loss was considered necessary in the current interim period.

(b) Others represent the geological and geophysical costs, drilling and exploration expenses incurred for concessions other than the iron ore exploration concession set out in (a) above.

As at 30 September 2015, the Group confirmed with the Ministry of Environment, Green Development and Tourism of Mongolia that one exploration concession is overlapping with the forest areas or water basin protection zones and therefore might potentially be affected by the MPL (At 31 March 2015: two). As the carrying amounts have been fully impaired, the management considers this would not have a significant financial impact to the Group.

(c) Exploration and mining licences are granted for an initial period of 3 and 30 years respectively. The exploration licences can be extended for three successive periods of 3 years each and mining licences for two successive periods of 20 years each. The Group has written off all costs related to the exploration and mining licences including those mentioned in (b) above in prior periods as the management considers that the respective exploration licences are no longer fruitful. As a result, the corresponding evaluation and exploration assets are written off.

11. TRADE RECEIVABLES

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	30 September 2015 *HK$'000*	31 March 2015 *HK$'000*
1 to 30 days	**17,988**	7,982
31 to 60 days	**2,059**	—
61 to 90 days	**1,987**	—
	22,034	7,982

12. TRADE PAYABLES

The aged analysis of trade payables presented based on invoice date at the end of reporting period is as follows:

	30 September 2015 *HK$'000*	31 March 2015 *HK$'000*
0 to 30 days	**19,552**	35,459
31 to 60 days	**6,204**	5,620
61 to 90 days	**4,697**	360
Over 90 days	**119,286**	64,865
	149,739	106,304

13. CONVERTIBLE NOTES

The movement of the debt and derivative components of convertible notes for the period/year is set out below:

	Debt component		**Derivative component**		**Total**	
	30 September 2015 *HK$'000*	31 March 2015 *HK$'000*	**30 September 2015** *HK$'000*	31 March 2015 *HK$'000*	**30 September 2015** *HK$'000*	31 March 2015 *HK$'000*
At beginning of the period/year	**1,710,523**	2,400,116	**1,181,324**	54,419	**2,891,847**	2,454,535
Issuance of convertible notes	—	1,604,051	—	1,862,964	—	3,467,015
Interest charge	**163,643**	107,509	—	—	**163,643**	107,509
Transaction costs on issuance of convertible notes	—	(1,153)	—	—	—	(1,153)
Changes in fair value on derivative component	—	—	**(374,037)**	(736,059)	**(374,037)**	(736,059)
Redemption	—	(2,400,000)	—	—	—	(2,400,000)
At end of the period/year	**1,874,166**	1,710,523	**807,287**	1,181,324	**2,681,453**	2,891,847

2014 Convertible Notes with maturity date 21 November 2019

On 21 November 2014, the Company issued convertible notes with principal amounts of HK$2,424,822,000, HK$542,315,000 and HK$499,878,000 to Chow Tai Fook Nominee Limited ("**CTF**"), Golden Infinity Co., Ltd. ("**Golden Infinity**") and the holders of the 3.5% convertible note with aggregate principal amount of HK$466.8 million respectively (collectively referred to as the "**2014 Convertible Notes**") to retire the outstanding principal amount and accrued interest of convertible notes previously issued to these noteholders.

14. CONTINGENT LIABILITIES

During the year ended 31 March 2013, the Company and MoEnCo have disputed about the scope of services provided by the former sole mining contractor and disagreed on the amount charged and the quality of services provided under the former mining contract and accordingly, refused to settle the contractor fees as claimed by the former sole mining contractor.

The former sole mining contractor issued two writ of summons on 14 February 2013 and 30 May 2013 claiming for the total sum of approximately HK$93.7 million. In May 2015, the former sole mining contractor applied to the High Court of Hong Kong to amend its statements of claim under the two writs by amending, among others, (i) the currency of the claims from Mongolian Tugrik ("**MNT**") to United States Dollars; and (ii) the amount of the claim to include the alleged contractor's fees up to October 2014. According to amended statement of claims, two writ of summons make the total claims at approximately HK$198.9 million, of which approximately HK$50.0 million (31 March 2015: HK$50.0 million) has been provided for in the condensed consolidated financial statements as at 30 September 2015. Based on the opinion provided by legal counsel of the Company, the Directors consider that the payment of the remaining balance is not probable. During the six months ended 30 September 2015 and up to the date of this report, apart from the former sole mining contractor's intention to proceed, there was no development.

15. EVENT AFTER THE REPORTING PERIOD

As mentioned in Note 9 to the condensed consolidated financial statements, the Group terminated the service contract with overburden removal contractor for the Khushuut mine site in accordance with the terms of the relevant mining agreement, and the termination was effective on 24 July 2015. The Group and the overburden removal contractor have been in negotiation on the outstanding amount of the service fees, termination payment payable and the method of payment with a view to achieving an amicable settlement between the parties.

Subsequent to 30 September 2015, the overburden removal contractor lodged a legal claim in a Mongolian court against the Group for MNT15.9 billion (approximately HK$61.9 million) being the outstanding contract service fees and termination payment payable under the relevant mining agreement. Out of the total claim of approximately HK$61.9 million, HK$61.2 million has been provided for in the condensed consolidated financial statements. The Group will seek legal advice on how to proceed with the case.

INTERIM DIVIDEND

The Directors do not recommend payment of an interim dividend for the Financial Period (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Our principal project is the Khushuut Coking Coal Project in Western Mongolia.

During the Financial Period, we continued our tightening measures and careful planning in our operation and production in response to the stringent market conditions. Approximately 487,000 tonnes of run-of mine ("**ROM**") coal was produced and approximately 153,000 tonnes of coal was sold to our customers during this period.

Profit recorded for the Financial Period was merely attributable to the recognition of non-cash gain on fair value changes on derivative component of convertible notes amounted to HK$374.0 million (2014: HK$20.1 million).

We had issued 40,703,360 new shares to our contractors for full settlement of the outstanding service fees amounted to approximately HK$16.1 million during the Financial Period.

RESULTS ANALYSIS

Revenue

During the Financial Period, the continued slowdown in fixed asset investment and weaken demand for steel in the PRC resulting in rising steel inventories. Accordingly, the demand for coking coal was dampened and the prices remained subdued.

The Group sold approximately 146,400 tonnes of clean coking coal to our end user in Xinjiang, People's Republic of China ("**China**" or the "**PRC**") and approximately 6,600 tonnes of thermal coal to customers in Mongolia. The total revenue was HK$94.5 million (2014: Nil). The average selling price net of sales tax of clean coking coal was HK$638.7 per tonne and thermal coal was HK$156.2 per tonne.

Cost of Sales

The costs of sales for the Financial Period were HK$92.8 million (2014: Nil). They were divided into cash costs of HK$83.2 million and non-cash costs of HK$9.6 million. In response to the unfavorable market conditions in the PRC, the overburden removal works were ceased since 1 May 2015.

Other income

During the Financial Period, the Group's subsidiary in the PRC received subsidies of HK$1.1 million (2014: Nil) from the Xinjiang governmental authority for the construction of our coal washing plant. The Group also received reimbursement of HK$1.9 million (2014: Nil) in relation to sharing of administrative services in Hong Kong.

Other gains and losses

During the Financial Period, the Company issued 40,703,360 new shares at a weighted average deemed value of HK$0.36 per share in full and complete settlement of HK$16.1 million of its outstanding payables owed to several trade creditors of the Group. A resulting gain in aggregate of HK$1.3 million was recognized upon such trade debts settlement.

Changes in fair value on derivative component of convertible notes

In pursuance of the Company's accounting policies, the conversion option components of the convertible notes of the Company issued on 21 November 2014 were measured at fair values with changes recognized in the consolidated statement of profit or loss. At the end of the Financial Period, an independent valuer was engaged by the Company using binomial valuation model to determine the fair value of the derivative components of the convertible notes. A resulting gain on changes in fair values of HK$374.0 million was recognized in the Financial Period (2014: HK$20.1 million).

Finance Costs

The effective interest rate of the debt components of the convertible notes issued in November 2014 was 19.96% (2014: 3% to 5%). This accounted for the sharp increase in finance costs when compared to last corresponding period.

MARKET REVIEW

The principal market for our coal products is China.

The volatility of the financial and currency markets has continued to weaken the global economy. As a result of the economic slowdown and gloomy investment environment, the coal market performance in general was weak in China during the Financial Period. The oversupply of steel in China in relation to demand remains and continues to drive the price of coking coal down.

Our coking coal products are primarily used for making steel. The steel market performance in China in turn affects our production and planning. According to the recent forecast of the World Steel Association, global steel demand will decrease by 1.7% to 1,513 million tonnes in 2015 following growth of 0.7% in 2014. The main reason is due to the economic slowdown in China. China's steel demand is expected to decrease by 3.5% in 2015 and 2.0% in 2016, following its demand peak in 2013. The World Steel Association forecasts that world steel demand will show growth of 0.7% and reach 1,523 million tonnes in 2016 due to the growth of emerging markets. As seen from this information, the coking coal price will still be subject to pressure in short term.

According to data from the National Bureau of Statistics of the PRC in October 2015, China's coal mining and washing industry posted a profit slump of 64.4% year on year to RMB28.72 billion for the first nine months this year. During the same period, the realized revenue was RMB1.85 trillion, dropping 14.4% year on year. Total profit of the entire mining industry declined by 55.5% year on year to RMB208.23 billion from January to September 2015.

According to the General Administration of Customs of the PRC, China's coal imports in general, including thermal and coking coal, fell 16.02% year on year to 17.77 million tonnes in September this year. This is the 15th consecutive year-on-year drop. From January to September, China imported a total of 156.36 million tonnes of coal, down 29.83% comparing to last year. These illustrate a weak demand of coal in general domestically, either thermal coal for power production or coking coal for the steel sector.

Meanwhile, China exported 730,000 tonnes of coal in September, soaring 65.91% on year and up 37.74% on month. This signifies a weak internal market in China and many coking coal producers turned to maintain their liquidity.

In relation to coking coal, China's coking coal imports fell 12% year on year and down 4.5% from August to 3.96 million tonnes in September this year. From January to September, China imported a total of 36.4 million tonnes of coking coal, falling 17.9% year on year. Top supplier was Australia which exported a total of 19.59 million tonnes of coking coal to China during the same period, down 6.1% year on year. Mongolia remained as the second largest exporter of coking coal to China.

Such data reveals a rather weak domestic coking coal demand. Coking coal producers in general are suffering losses under the current market conditions. As a strategic response, numerous producers announced their production cuts to reduce their loss and preserve their liquidity and values in the ground in response to this low tide. We, as many other firms of the sector, will continue to deploy an austerity policy in an effort to preserve liquidity to maintain our operations under the current outlook.

BUSINESS REVIEW

Coal Sales

During the Financial Period, we sold approximately 146,400 tonnes of clean coking coal (after washing) to our customers in Xinjiang, PRC (2014: Nil).

Apart from the clean coking coal, we supplied approximately 6,600 tonnes of thermal coal to the local community in Mongolia during the Financial Period.

Coal Production

During the Financial Period, approximately 521,000 bank cubic meters (BCM) of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works. Pursuant to our austerity measures, the progress of overburden removal was suspended in May and the contractual services for overburden removal were effectively terminated in July 2015 in accordance with the terms of the relevant mining agreement. Despite the stopping of the overburden removal works, coal extraction and shipping of coal were continued during the Financial Period.

Production of ROM coal and thermal coal were approximately 351,000 tonnes and 136,000 tonnes respectively.

Apart from the field work contractors, we hired external coal trucking companies with heavy-duty trucks to provide coal transportation services for our coal export. Approximately 264,000 tonnes of processed raw coking coal were shipped from Mongolia to Xinjiang, China during the Financial Period.

Coal Processing Infrastructures

Coal quality control is an important step in the course of our production. To achieve this, we have built a dry coal processing plant ("**DPP**") in the Khushuut Coal Mine and a coal washing plant in Xinjiang.

During the Financial Period, an approximate 329,000 tonnes of ROM coal were processed by the DPP, producing an approximate 261,000 tonnes of raw coking coal. The average recovery rate was 79%. The raw coking coal would then stand for export to Xinjiang for further washing before delivery to our customer.

Khushuut Road

Continuous heavy rain lasted for two weeks in June in Khushuut and Xinjiang. Due to flooding around the mine site and the Khushuut Road, daily production had been temporarily interrupted and shipping schedules were also delayed. In order to prevent any traffic accident, our safety officers were on patrol duty to identify potential accident locations and warned our transportation team to pay heed to the risky spots on the Khsuhuut Road. In July, we organized a team to conduct road repair works, install road warning signs and set road blocks along the damaged road. The road repair works were completed in October 2015.

We have hired a road cleaning services contractor recently to clear winter snow so as to ensure safety and smooth running of the Khushuut Road.

Customers and Sales

Due to the economic slowdown and our prudent production policy, we did not actively market for new customers during the Financial Period.

Although we have not looked for new customers, we proactively liaised with our existing customer regarding our production and export in the coming year.

Licence Matters

We have adopted prudent expenditure policies in our operations and developments.

Currently, we have maintained eight mining licences, of which seven are for our Khushuut operations, and one exploration licence for ferrous resources in Bayan-Ulgii. Please refer to our recent annual report for details.

Legal and Political Aspects

The government of Mongolia continues its policies of supporting domestic production, promoting export, and providing better investment environment to attract potential investment.

In the 2015 session so far, a number of legislation affecting the economic, social and legal sectors were passed by the Parliament of Mongolia.

The Mongolian government suspended the issue of new exploration licences for four years over environmental issues. The resolution for lifting the moratorium was passed in 2014 and the Mineral Resources Authority of Mongolia (the "**MRAM**") announced the granting of new exploration licences which may cover up to 31 million hectares of land in total (19.9% of the entire national territory) in January 2015. By the end of the Financial Period, over 500 new exploration licences had been issued following the resumption of granting of licences.

On the domestic side, under the Law on Supporting Production, the government will subsidize the commercial interest on loans for technological updates and capital investment for export producers, as well as providing financial arrangements with an aim to stimulate their export output in generating domestic value. However, these supporting measures do not extend to foreign-invested companies and the companies having investment agreements with the government. The mineral sector is also excluded from this law.

The Law on Procurement of Goods has included a provision prohibiting the selection of foreign suppliers if the domestic goods could meet relevant quality and standards. In addition, the customs duty will be increased up to 20% on over 300 imported goods which could be produced domestically in Mongolia. This is to boost and protect the domestic developments.

The Law on Value-added Tax ("**VAT**") was revised in July 2015. Under the revised law, apart from some types of exempted goods, work and services, the existing VAT rate of 10% remains the same on all types of goods, works and services imported to Mongolia. The revenue threshold for VAT payer registration has also increased from MNT10 million to MNT50 million.

An amendment to the Corporate Income Tax Law was approved in June 2015 for the purpose of removing uncertainties over deductible expenses concerning mining royalties and depreciation, and amortization expenses concerning long term fixed assets. In particular, the mining royalties reported shall be treated as deductible expense from taxable income, and calculation on the fixed assets under construction shall be commenced when the assets are commissioned to use.

The current policies on the energy and mineral sectors are to ensure uninterrupted and reliable supply of energy domestically and to become an energy exporting country. A number of power plants will be built and various power transmission lines connecting towns and cities will be envisaged.

It is anticipated that government of Mongolia will continue its existing policy to bring about changes in the laws for promoting its economic developments throughout the 2015 session.

The Law of Mongolia on the Prohibition of Minerals Exploration and Mining in Headwater Areas, Protected Zones for Water Reserves and Forest Lands (the "**MPL**") was enacted in 2009 which prohibits mineral exploration and mining in areas such as rivers and lakes, forest and its adjacent areas over environmental protection issues.

For implementation purpose, the government of Mongolia issued Resolution 194 (Annex 2) in June 2012 which the coordinates (boundaries) of the watershed areas within the entire country were approved and accordingly, MoEnCo had four mining licences (2913A, 4322A, 11888A and 15289A) partially included into the protected areas under the MPL.

Changes had been made in early 2015. The government announced that the affected licence holders may continue their mining operations subject to undertaking a number of obligations in respect of protection and restoration of the environment. If a licence holder wishes to operate on the affected areas, it should have submitted request to the MRAM before 15 June 2015, and also entered into agreements with the Ministry of Environment, Green Development and Tourism of Mongolia, the MRAM and the governor of the relevant province. The licence holder would be required to deposit funds equal to the costs of environmental protection and restoration for the project.

In addition, a mining licence with partially overlapping area with the protected zone granted before adoption of the MPL shall be allowed to limit the restricted area by 200 meters from the river. Further, Resolution 194 and its Annexes had been changed for several times and Annex 2 was invalidated on 7 July 2015.

As a result of the above changes announced by the Mongolian government, MoEnCo submitted its intention of continuous use of the affected licences previously identified to the MRAM in due time before 15 June 2015.

As all of our affected licences were initially granted before the adoption of the MPL, the MRAM officially informed MoEnCo that only 11888A has an area partially overlapped with the protected zone and the MRAM is going to change its coordinates accordingly by reducing 200 meters from the river only. Apart from this, all other licences of MoEnCo are clear from the effects of the MPL.

According to our estimation, cutting back of the area of 200 meters from the river banks would not affect our major coal resources and operations of the Khushuut Coal Mine.

Legal Proceedings with Contractors

With Leighton

Two writs of summons were taken out by Leighton in 2013 claiming the Company for MNT12.2 billion (approximately HK$57.3 million) and MNT7.7 billion (approximately HK$36.4 million) respectively.

In May 2015, Leighton applied to Court to amend its statements of claim under the two writs by amending, among others,

(i) the currency of the claims from Mongolian Tugrik to United States Dollar; and (ii) the amount of the claim to include the alleged contractor's fees up to October 2014.

Leighton magnified its claim amount by adding the invoice amount from January 2013 up to October 2014, alleging that the relevant mining agreement was in suspension and was only terminated in October 2014 as a result of MoEnCo's repudiation by engaging a replacement contractor to carry out the mining works.

According to its amended statement of claims,

(i) the amount of the first writ claimed has changed from MNT12.2 billion (approximately HK$57.3 million) to US$9.04 million (approximately HK$70.1 million); and

(ii) the amount of the second writ claimed has changed from MNT7.7 billion (approximately HK$36.4 million) to US$16.6 million (approximately HK$128.8 million)

According to the advice from our legal adviser, the contract with Leighton was terminated on or before the mine was handed over to us in 2012 and we will do our best to defend such claims.

We filed our amended defences to Leighton's claims on 2 September 2015 and Leighton filed its replies on 22 October 2015. We will continue to pursue the case to protect our best interests.

With a Xinjiang Contractor

MoEnCo used to have a Chinese contractor (SJ) in Xinjiang, PRC, to provide coal washing and blending services for MoEnCo in the form of co-operation for three years. The contract was signed by MoEnCo and SJ in June 2012 and the purpose was to improve the coking coal delivered to and sat in Xinjiang by blending our coal with SJ's. The blended products would then subsequently be washed for sale in Xinjiang.

SJ terminated the co-operation and lodged an arbitration application against MoEnCo and the Company for a claim of approximately RMB32 million (approximately HK$40 million), being refund of the payment it made in advance on behalf of MoEnCo (mainly tax, levy, and other costs incurred in the PRC) and loss of profit, and interest, etc. for breach of contract.

The payment made in advance in the amount of approximately RMB11 million (approximately HK$13.7 million) had been provided for in our consolidated financial statements.

MoEnCo and the Company objected to the claims by SJ. The arbitration was initially heard in November in 2014 and it was further heard in January 2015. The result of the arbitration is expected to be handed down by the end of 2015.

With the Overburden Removal Contractor

As stated above, our mining operations have been affected by the unfavourable market conditions and the continuous decline in price of coking coal in the PRC. Pursuant to our austerity measures, we terminated the service contract with Monnis Mining Equipment LLC ("**Monnis**"), our overburden removal contractor for the Khushuut Coal Mine in accordance with the terms of the relevant mining agreement, and the termination was effective on 24 July 2015. MoEnCo and Monnis were in negotiation on the outstanding amount of the service fees, termination payment payable and the method of payment with a view to achieving an amicable settlement between the parties. The latest proposal of settlement was presented to Monnis by the end of September 2015 but it was unaccepted by Monnis. The outstanding payment in the amount of approximately HK$61.2 million has been provided for in our condensed consolidated financial statements.

MoEnCo received a legal claim after the Financial Period lodged in the Mongolian court by Monnis for approximately MNT15.9 billion (approximately HK$61.9 million) being the outstanding contract service fees and termination payment payable under the relevant mining agreement. We will seek legal advice on how to proceed with the case. In the meantime, we will also discuss with the claimant to see if a mutually acceptable solution could be reached for settlement between the parties.

OTHERS

Tenancy Agreement

We entered into an office tenancy agreement on 27 April 2015 for our principal place of business in Hong Kong. It is for a term of two years commencing from 8 May 2015 and expiring on 7 May 2017 with an option to renew for one year.

The Landlord is an investment holding company wholly and beneficially owned by Mr. Lo, the Chairman and Executive Director of the Company. As Mr. Lo is a connected person of the Company, the tenancy agreement constituted a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. In this connection, an announcement required by the Listing Rules was published on 27 April 2015.

Subscription of Shares

During the Financial Period, we entered into several share subscription agreements for the allotment and issue of new shares with our contractors as follows:

(a) On 8 June 2015, the Company and MoEnCo entered into a subscription agreement with our coal extraction contractor for the allotment and issue of a total of 11,055,179 new ordinary shares of the Company at the subscription price of HK$0.54 per share. The aggregate subscription amount in the sum of HK$5,969,796.66 was used to repay and settle the service fees for March and April 2015 due and owing by MoEnCo to the contractor under the relevant mining agreement. Completion of the subscription took place on 17 June 2015 in accordance with the terms of the subscription agreement;

(b) On 27 July 2015, the Company and MoEnCo entered into three subscription agreements with our contractors separately for the allotment and issue of a total of 29,648,181 new ordinary shares of the Company at the subscription price of HK$0.34 per share. The aggregate subscription amount in the sum of HK$10,080,382.00 was used to repay and settle the service fees of the contractors under their respective services contracts all relating to the Khushuut Road. Completion of the subscriptions took place on 7 August 2015 in accordance with the terms of the subscription agreements; and

(c) On 15 September 2015, the Company and MoEnCo entered into a subscription agreement with our coal extraction contractor for the allotment and issue of a total of 14,449,760 new ordinary shares of the Company at the subscription price of HK$0.25 per share. The aggregate subscription amount in the sum of HK$3,612,440.00 was used to repay and settle the service fees from May to July 2015 due and owing by MoEnCo to the contractor under the relevant mining agreement. Completion of the subscription took place on 5 October 2015 in accordance with the terms of the subscription agreement.

Adjustment to the conversion price on the 2014 Convertible Notes

As a result of the issue of new shares under several subscription agreements, and pursuant to the terms and conditions of the 2014 Convertible Notes, the initial conversion price of the 2014 Convertible Notes had been adjusted from HK$0.92 to HK$0.91, and then to HK$0.90 per conversion share. As of today, no conversion has been exercised by any of the respective holders of the 2014 Convertible Notes. Save for the above adjustments, all other terms and conditions of the respective 2014 Convertible Notes remain unchanged.

FINANCIAL REVIEW

1. Liquidity and Financial Resources

During the Financial Period, the Group's capital expenditure and working capital were mainly funded by short term loans granted by Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), chairman of the Company (the "**Chairman**").

The borrowings of the Group as at 30 September 2015 comprised convertible notes and advances from Mr. Lo in aggregate amounting to HK$3,981.0 million (31 March 2015: HK$4,097.5 million). The convertible notes are classified as non-current liabilities and will be matured on 21 November 2019. The advances from Mr. Lo are current liabilities.

As at 30 September 2015, the cash and bank balances were HK$27.5 million (31 March 2015: HK$13.1 million) and the liquidity ratio was 0.13 (31 March 2015: 0.10).

The Group had net current liabilities of approximately HK$1,382.4 million (31 March 2015: HK$1,301.2 million) as at 30 September 2015. Mr. Lo commits to offer his financial support to the Group during and after the Financial Period. Accordingly, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future.

2. **Investment in Listed Securities**

   The increase in carrying value of the investment is listed securities was arising from the fair value gain of HK$18.4 million (2014: HK$3.6 million).

3. **Charge on Group's Assets**

   There was no charge on the Group's assets as at 30 September 2015 (31 March 2015: Nil).

4. **Gearing Ratio**

   As at 30 September 2015, the gearing ratio of the Group was 3.4 (31 March 2015: 3.7) which was calculated based on the Group's total borrowings to total assets.

5. **Foreign Exchange**

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

6. **Contingent liabilities**

   The details of the Group's material contingent liabilities as at 30 September 2015 are disclosed at Note 14 to the condensed consolidated financial statements.

OUTLOOK

The recent data released by the National Bureau of Statistics of the PRC this year up to the third quarter so far demonstrate a disappointed global economic performance. The third quarter's growth of gross domestic product (GDP) of China did not spark much surprise. It recorded a 6.9% growth year on year, which was the worst quarterly performance since 2009. Fixed-asset investment, a key economic driver, continued to lose momentum, expanding just 10.3% year on year from January to September, marking the slowest growth since 2000.

The coal market in China remains weak in general and is yet to show signs of recovery. Numerous coking coal producers are suffering losses under the current market conditions. The coking coal price continues to remain subdued in the tide of oversupply.

As revealed in our results, we sold approximately 146,400 tonnes of coking coal during the Financial Period, but at an unsatisfactory price under the oppressive market conditions. Taking into account such downside factors including the imbalance of demand and supply of coal, the continuing fall of the coking coal price and the unsatisfactory economic performance, our prime strategy is to exercise tight controls on expenditures of our operations for preserving cash resources.

Since the termination of overburden removal contractual services, we continued our operations including coal extraction, on-site processing and export in a prudent scale in response to the current market conditions. We will continue to process our coking coal from the existing stockpiles for our customer in Xinjiang, China. There are at present approximately 80,000 tonnes of coking coal exported from Khushunt and stockpiled in Xinjiang which will be sufficient for supplying to our customer until January next year.

In the meantime, we are negotiating for the coal supply contract next year with our customer. We have stopped the excavation process for preventing unnecessary accumulation of stock. Production of coal for export next year will depend on a conclusion of the coal supply contract with a satisfactory price between us and our customer. If we are unable to secure a satisfactory coal supply contract, we will take measures to prevent cash outflows which may include but not limited to a substantial reduction of our workforce. On the domestic side, we will continue production of domestic coal for the local market in Mongolia.

Though we are under the unfavorable market conditions, we will do our best to preserve the core value of the Company and will seize any business opportunities that may arise for maximizing the value and our shareholders' return.

HUMAN RESOURCES

As at 30 September 2015, the Group employed 579 full-time employees in Hong Kong, Mongolia and the PRC. Remuneration policies of the Group are reviewed and approved by the management on a periodic basis to ensure fair rewards and compensation for our employees. Remuneration packages are structured to be comparable to the market while bonuses and other merit payments are correlated to the performances of the Group and the employees. The Group also offers appropriate training programs for staff training and development.

PURCHASE, SALE OR REDEMPTION OR 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 Financial Period.

CORPORATE GOVERNANCE

The Board recognizes the importance of maintaining a high standard of corporate governance practice to protect and enhance the benefits of the shareholders. The Board and the management of the Company have collective responsibilities to maintain the interest of the shareholders and the sustainable development of the Group. The Board also believes that good corporate governance practices can facilitate rapid growth of a company under a healthy governance structure and strengthen the confidence of the shareholders and investors.

During the Financial Period, the Company had applied the principles of and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), save for the following deviations:

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

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

ii. Code provisions A.5.1 to A.5.4 of the CG Code require a nomination committee to be set up, chaired by the chairman of the board or an independent non-executive director to review the structure, size and composition of the board at least annually to complement the issuer's corporate strategy.

    The Company has not set up a nomination committee as required. The Board considers that it should be the responsibility of the full Board to collectively review, deliberate on and approve the structure, size and composition of the Board and appointment of the Directors. The Board has already set out the criteria for selection of a Director under its internal policy. According to the Bye-laws of the Company, any newly appointed Directors are required to offer themselves for re-election at the next general meeting. In addition, the shareholders' right to nominate a director candidate and participation in the re-election of Director by way of poll voting at the annual general meetings ("**AGM**") can further ensure a right candidate to be selected to serve the Board.

iii. Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the AGM.

    The Chairman was unable to attend the 2015 AGM due to other business engagement. An executive Director took the chair of the 2015 AGM and answered questions raised by the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Chairman of the Audit and Remuneration Committees of the Company was also present to answer shareholders' questions at the 2015 AGM. Other than the AGM, the shareholders may communicate with the Company through the contact methods listed on the Company's website.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTION

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

The Company has also established written guidelines on terms no less exacting than the Model Code (the "**Employees' Guidelines**") for securities transactions by relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company.

To date, no incident of non-compliance by the Directors and the relevant employees was noted by the Company for the six months ended 30 September 2015.

To enhance corporate governance transparency, the Code and the Employees' Guidelines have been published on the Company's website at www.mongolia-energy.com.

During the period of sixty 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 the Directors and the relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published.

During the period of thirty 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 the Directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published.

The Company Secretary and the Legal and Compliance Department will send reminders prior to the commencement of such period to all the Directors and the relevant employees respectively.

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

Having made specific enquiries with all the Directors by the Company, it is confirmed that all the Directors had complied with the required standards as set out in the Model Code and the Code regarding directors' securities transactions during the Financial Period.

AUDIT COMMITTEE

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

The Audit Committee of the Company had reviewed the financial statements of the Company for the six months ended 30 September 2015. Deloitte Touche Tohmatsu ("**Deloitte**") as the Company's auditor had reviewed the unaudited interim results of the Group for the Financial Period under 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.

By Order of the Board
Mongolia Energy Corporation Limited
Tang Chi Kei
Company Secretary

Hong Kong, 27 November 2015

As at the date of this announcement, the Board comprises six Directors, including Mr. Lo Lin Shing, Simon and Ms. Yvette Ong as executive Directors, Mr. To Hin Tsun, Gerald as non-executive Director, and Mr. Peter Pun OBE, JP, Mr. Tsui Hing Chuen, William JP, and Mr. Lau Wai Piu as independent non-executive Directors.