MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008

The directors (the "Directors") of Mongolia Energy Corporation Limited (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group" or "MEC") for the six months ended September 30, 2008 together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended September 30, 2008

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

	NOTES	Six months ended September 30, **2008** HK$'000 (unaudited)	2007 HK$'000 (unaudited)
(LOSS) EARNINGS PER SHARE	*8*		
From continuing operations and discontinued operation			
— basic (HK cents)		**(3.07)**	0.17
— diluted (HK cents)		**(3.07)**	0.17
From continuing operations			
— basic (HK cents)		**(4.00)**	(0.06)
— diluted (HK cents)		**(4.00)**	(0.06)

CONDENSED CONSOLIDATED BALANCE SHEET

At September 30, 2008

	NOTES	**September 30, 2008 HK$'000 (unaudited)**	March 31, 2008 HK$'000 (audited)
Non-Current Assets			
Property, plant and equipment		**211,301**	213,870
Investment properties		**—**	540,000
Intangible assets		**513**	380
Development in progress		**525,994**	—
Exploration and evaluation assets		**12,855,285**	12,712,228
Interests in associates		**38,518**	41,936
Other assets		**1,150**	1,150
Prepayments for exploration and evaluation expenditure		**71,274**	103,758
Prepayments for property, plant and equipment		**52,466**	23,656
Other long term deposits		**55,984**	54,577
		13,812,485	13,691,555
Current Assets			
Accounts receivable	9	**726**	1,743
Other receivables, prepayments and deposits		**59,266**	16,185
Held for trading investments		**33,069**	54,383
Amount due from associates		**206,236**	200,000
Cash and cash equivalents		**1,518,742**	254,341
		1,818,039	526,652
Current Liabilities			
Accounts payable	10	**3,124**	6,308
Other payables and accruals		**157,986**	38,164
Amount due to an associate		**4,093**	8,898
Short term bank loans		**—**	197,900
Tax payable		**6,692**	301
		171,895	251,571
Net Current Assets		**1,646,144**	275,081
		15,458,629	13,966,636
Non-Current Liabilities			
Convertible notes	11	**1,546,011**	114,880
Loan note		**266,808**	684,221
Deferred income tax liabilities		**96,482**	72,413
		1,909,301	871,514
Net assets		**13,549,328**	13,095,122

	September 30, 2008 HK$'000 (unaudited)	March 31, 2008 HK$'000 (audited)
Financed by:		
Equity		
Capital and reserves attributable to the Company's equity holders		
Share capital	**120,964**	120,945
Reserves	**13,428,307**	12,974,120
	13,549,271	13,095,065
Minority interests	**57**	57
Total Equity	**13,549,328**	13,095,122

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

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

1 Effective for annual periods beginning on or after January 1, 2009
2 Effective for annual periods beginning on or after July 1, 2009
3 Effective for annual periods beginning on or after July 1, 2008
4 Effective for annual periods beginning on or after October 1, 2008
5 Effective for annual periods beginning on or after January 1, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after July 1, 2009.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Primary reporting format — business segments

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

The Group was also involved in property investments. That operation was discontinued on July 15, 2008 (see note 6).

There are no sales or other transactions between business segments.

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

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

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

4. FINANCE COSTS

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

5. INCOME TAX CREDIT

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

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

6. DISCONTINUED OPERATION

During the period, the Group disposed of all its investment properties to an independent third party.

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

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

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

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

7. (LOSS) PROFIT FOR THE PERIOD

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

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

8. (LOSS) EARNINGS PER SHARE

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

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

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

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

From discontinued operation

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

9. ACCOUNTS RECEIVABLE

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

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

10. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

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

11. CONVERTIBLE NOTES

On January 29, 2008, the Company issued a 3% convertible note ("Convertible Note") at a total nominal value of HK$142.5 million. It has a maturity period of three years from the issue date and can be converted into 1 ordinary share of the Company at HK$0.02 each for every HK$0.285 at the holder's option. Interest of 3% per annum will be paid up until the settlement date.

On April 30, 2008, the Company issued a zero coupon convertible note ("Zero Coupon Convertible Note") at a total nominal value of HK$2 billion. It has a maturity period of three years from the issue date and can be converted into 1 ordinary share of the Company at HK$0.02 each for every HK$7.3 at the holder's option. The Zero Coupon Convertible Note entitles the holder to convert it into ordinary shares of the Company at any time between the date of issue of the note and its maturity date on April 30, 2011 and if it has not been converted, it will be redeemed on April 30, 2011 at par.

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

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

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

12. SUBSEQUENT EVENT

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

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results Analysis

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

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

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

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

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

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

2 *For completeness, please refer to note 11 to the condensed consolidated financial statements for details of the convertible notes. The coupon payments on the convertible notes (if any) are payable only at the maturity date or upon repayment whichever is the earlier.*

Business Review

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

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

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

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

Outlook

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

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

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

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

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

Financial Resources

1. *Liquidity and financial resources*

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

   The net borrowings of the Group (total borrowings net of bank and cash balances) as at September 30, 2008 amounted to HK$294.1 million (March 31, 2008: HK$742.7 million) and the net asset value per share was HK$2.24 (March 31, 2008: HK$2.17).

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

   During the Period, Chow Tai Fook Nominee Limited subscribed HK$2 billion zero coupon convertible note with maturity period of three years from the issue date and can be converted into 1 ordinary share of the Company at HK$0.02 each for HK$7.3 at the holder's option. The net proceeds of the convertible note is intended to assist the Group in the development of energy and resources projects including but not limited to the construction of coking facilities.

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

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

2. *Investment in listed securities*

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

3. *Charge on Group's assets*

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

4. *Gearing Ratio*

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

5. *Foreign exchange*

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

6. *Contingent liabilities*

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

Employees

As at September 30, 2008, the Group employed 159 full-time employees in Hong Kong, Mongolia and Mainland China. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on periodic basis. Apart from retirement schemes, year-end bonuses and share options are awarded to the employees according to the assessment of individual performance and industry practice. Appropriate training programs are also offered for staff training and development.

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

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

CORPORATE GOVERNANCE

The board of directors of the Company (the "Board") recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles of the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board also believes a deliberate policy of corporate governance can facilitate a company in rapid growth under a healthy governance structure and strengthen the confidence of shareholders and investors.

For the period ended September 30, 2008, the Company has complied with the CG Code except for deviations from the code provision A.4.1, A.4.2 and E.1.2 of the CG Code as summarised below:

i. Under the code provision A.4.1 and A.4.2 of the Code, (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

ii. The code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting ("AGM") of the Company.

The chairman did not attend the 2008 AGM due to other business engagement. An executive director had chaired the 2008 AGM and answered questions from shareholders. The chairman of the Audit and Remuneration Committee was also available to answer questions at the 2008 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The Model Code is sent to each director of the Company on his/her initial appointment. One month before the date of the Board meetings to approve the Group's half-year and annual results, the Company will sent a reminder to all the directors that they cannot deal in the securities and derivatives of the Company until after such results have been published, and that all their dealings must be conducted in accordance with the Model Code. Under the Model Code, directors of the Company are required to notify the chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company, and in the case of the chairman himself, he must notify the designated director and receive a dated written acknowledgement before any dealing.

Upon specific enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in Model Code throughout the period ended September 30, 2008.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive directors of the Company, has reviewed the unaudited interim accounts of the Group for the six months ended September 30, 2008 in conjunction with Deloitte Touche Tohmatsu ("Deloitte"), the Company's independent auditor. Such review does not constitute an audit on the basis of review conducted by Deloitte. The unmodified review report issued by Deloitte will be set out in the interim report of the Company.

By order of the Board
Lo Lin Shing, Simon
Chairman

Hong Kong, December 19, 2008

As at the date hereof, the Board comprises seven directors, of which Mr. Lo Lin Shing, Simon, Mr. Liu Zhuo Wei and Ms. Yvette Ong are executive directors, Mr. To Hin Tsun, Gerald is a non-executive director and Mr. Peter Pun OBE. JP., Mr. Tsui Hing Chuen, William JP. and Mr. Lau Wai Piu are independent non-executive directors.