



MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED MARCH 31, 2008

The directors (the “Directors”) of Mongolia Energy Corporation Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group” or “MEC”) for the year ended March 31, 2008 together with the comparative figures in the previous year as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	3	29,952	39,773
Bank interest income		3,342	4,351
Dividend income from listed equity securities		15	20,442
Direct aviation costs		(1,311)	(12,842)
Staff costs		(39,818)	(23,766)
Depreciation		(12,909)	(8,180)
Other expenses		(63,963)	(20,558)
Fair value gain (loss) on investment properties		190,000	(35,000)
Provision for impairment on amounts due from associates and a related company		–	(4,015)
Gain on fair value changes from held-for-trading investments		20,075	46,096
Reversal of impairment losses on long term receivable		–	11,179
Reversal of impairment losses on amount due from a related company		–	3,037
Gain on disposal of interest in subsidiaries		–	2,703
Gain on disposal of interests in jointly controlled entities		12,402	–
Gain on disposal of interests in associates		5,747	–
Finance costs	4	(31,271)	(16,145)
Share of (loss) profit of associates		(2,365)	67
Share of loss of a jointly controlled entity		(688)	(2)
Profit before taxation		109,208	7,140
Income tax (expense) credit	6	(34,808)	4,709
Profit for the year attributable to the equity holders of the Company		<u>74,400</u>	<u>11,849</u>
Earnings per share	7		
– basic (HK cents)		<u>2.32</u>	<u>0.62</u>
– diluted (HK cents)		<u>2.31</u>	<u>0.61</u>

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2008

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Property, plant and equipment		213,870	139,897
Investment properties		540,000	350,000
Intangible assets		380	–
Exploration and evaluation assets		12,712,228	–
Interests in associates		41,936	9,246
Interests in a jointly controlled entity		–	–
Amount due from a jointly controlled entity		–	48,567
Other assets		1,150	1,150
Prepayments for exploration and evaluation expenditure		103,758	21,661
Deposits for property, plant and equipment		78,233	–
		<u>13,691,555</u>	<u>570,521</u>
Current assets			
Accounts receivable	8	1,743	2,075
Other receivables, prepayments and deposits		16,185	25,273
Held-for-trading investments		54,383	125,098
Amount due from an associate		200,000	–
Cash and cash equivalents		254,341	67,710
		<u>526,652</u>	<u>220,156</u>
Assets classified as held for sale		–	52,402
		<u>526,652</u>	<u>272,558</u>
Current liabilities			
Accounts payable	9	6,308	7,883
Other payables and accruals		38,164	27,950
Amount due to an associate		8,898	–
Short-term bank loans		197,900	126,800
Tax payable		301	671
		<u>251,571</u>	<u>163,304</u>
Net current assets		<u>275,081</u>	109,254
Total assets less current liabilities		<u>13,966,636</u>	<u>679,775</u>
Non-current liabilities			
Convertible notes		114,880	–
Loan note		684,221	–
Deferred income tax liabilities		72,413	38,381
		<u>871,514</u>	<u>38,381</u>
Net assets		<u>13,095,122</u>	<u>641,394</u>
Financed by:			
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital		120,945	52,327
Reserves		12,974,120	589,010
		<u>13,095,065</u>	<u>641,337</u>
Minority interests		57	57
Total equity		<u>13,095,122</u>	<u>641,394</u>

NOTES

1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In current year, the Group has applied the following new standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA which are effective for the Group’s financial year beginning April 1, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods have been prepared. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendments or interpretations which have been issued but are yet to be 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
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 12	Service Concession Arrangements ³
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

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 January 1, 2008

⁴ Effective for annual periods beginning on or after July 1, 2008

HKAS 23 (Revised) eliminated the option available under the previous version of HKAS 23 to recognise all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, HKAS 23 (Revised) requires that they shall be capitalised as part of the cost of that asset. All other borrowing costs should be expensed as incurred. The Group currently expenses all borrowing costs as incurred. As a result of the application of HKAS 23 (Revised), borrowing costs related to the acquisition, construction or production of a qualifying asset will be capitalised. The application of the standard on the current year financial statements will result in the capitalisation of interest of HK\$17,030,000 for the acquisition of the mining and exploration rights.

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 or revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3 SEGMENT INFORMATION

Primary reporting format – business segments

In 2008, the Group has commenced its business in coal mining (under the Group's energy and related resources business) and is organised into three main business segments, namely coal mining, property investments and charter flight services.

There are no sales or other transactions between business segments.

The segment results for the year ended March 31, 2008 are as follows:

	Coal mining HK\$'000	Property investments HK\$'000	Charter flight services HK\$'000	Total HK\$'000
Revenue	<u>–</u>	<u>26,908</u>	<u>3,044</u>	<u>29,952</u>
Segment results	<u>(17,448)</u>	<u>212,117</u>	<u>(15,087)</u>	179,582
Unallocated corporate expenses				(77,631)
Investment income				3,357
Gain on fair value changes from held-for-trading investments				20,075
Gain on disposal of interest in jointly controlled entities				12,402
Gain on disposal of interests in associates				5,747
Finance costs				(31,271)
Share of losses of associates				(2,365)
Share of loss of a jointly controlled entity				(688)
Profit before taxation				<u>109,208</u>
Income tax expense				<u>(34,808)</u>
Profit for the year				<u><u>74,400</u></u>

The segment results for the year ended March 31, 2007 are as follows:

	Property investments <i>HK\$'000</i>	Charter flight services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>23,529</u>	<u>16,244</u>	<u>39,773</u>
Segment results	<u>(17,015)</u>	<u>(14,634)</u>	(31,649)
Unallocated corporate expenses			(28,924)
Investment income			24,793
Gain on fair value changes from held-for-trading investments			46,096
Reversal of impairment losses on long term receivable			11,179
Gain on disposal of interests in subsidiaries			2,703
Reversal of impairment loss of amount due from a related company			3,037
Provision for impairment on amounts due from associates and a related company			(4,015)
Finance costs			(16,145)
Share of profits of associates			67
Share of loss of a jointly controlled entity			(2)
Profit before taxation			7,140
Income tax credit			4,709
Profit for the year			<u>11,849</u>

The segment assets and liabilities at March 31, 2008 are as follows:

	Coal mining <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Charter flight services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets	<u>12,863,450</u>	<u>542,685</u>	<u>184,338</u>	<u>618,836</u>	<u>14,209,309</u>
Liabilities	<u>821,028</u>	<u>10,295</u>	<u>728</u>	<u>282,136</u>	<u>1,114,187</u>

The segment assets and liabilities at March 31, 2007 are as follows:

	Property investments <i>HK\$'000</i>	Charter flight services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets	<u>362,099</u>	<u>198,056</u>	<u>282,924</u>	<u>843,079</u>
Liabilities	<u>6,046</u>	<u>2,834</u>	<u>192,805</u>	<u>201,685</u>

Secondary reporting format – geographical segments

The Group operates in three main geographical areas:

Hong Kong:	Property investments and charter flight services
Mainland China:	Coal mining
Mongolia:	Coal mining

There are no sales between geographical segments.

	For the year ended March 31			
	Revenue		Capital expenditure	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	29,952	39,773	–	–
Mainland China	–	–	8,962	–
Mongolia	–	–	12,778,954	–
	<u>29,952</u>	<u>39,773</u>	<u>12,787,916</u>	<u>–</u>
			March 31	March 31
			2008	2007
			HK\$'000	HK\$'000
Assets				
Hong Kong			693,985	499,026
Mainland China			43,167	61,129
Mongolia			12,853,321	–
			<u>13,590,473</u>	<u>560,155</u>

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

4 FINANCE COSTS

	2008	2007
	HK\$'000	HK\$'000
Interest on borrowings wholly repayable within five years:		
– bank loans	9,528	6,771
– convertible notes	2,005	9,374
– loan note	11,691	–
– other borrowings (<i>Note</i>)	8,047	–
	<u>31,271</u>	<u>16,145</u>

Note: The amount includes an interest paid to Mr. Lo Lin Shing, Simon (“Mr. Lo”), the executive director of the Company, of HK\$3,004,000 for short term loans advanced to the Company during the year. The interest expense was charged at 1% or 1.5% over the Hong Kong Interbank Offer Rate. The loans were fully repaid during the year.

5 PROFIT BEFORE TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' remuneration	4,002	3,334
Other staff costs	35,398	20,298
Retirement benefits scheme contributions (excluding directors' contributions)	418	134
Total staff costs	<u>39,818</u>	<u>23,766</u>
Auditor's remuneration	1,464	867
Operating lease rental in respect of office premises	8,058	1,332
Direct operating expenses arising from investment properties that generate rental income	3,121	5,292
Direct operating expenses arising from investment properties that did not generate rental income	187	126
Depreciation of property, plant and equipment	12,909	8,180
Amortisation on software	44	–
Written off of property, plant and equipment	13	183
Net exchange losses (included in other expenses)	<u>297</u>	<u>–</u>

6 INCOME TAX EXPENSE (CREDIT)

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	819	616
– (Over) under provision for Hong Kong profits tax in prior year	(43)	15
Deferred income tax	<u>34,032</u>	<u>(5,340)</u>
	<u>34,808</u>	<u>(4,709)</u>

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on profit attributable to the equity holders of the Company adjusted for interest expense on convertible notes. The weighted average number of ordinary shares in issue during the year, as used in the calculation of basic earnings per share, adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Earnings		
Profit attributable to the equity holders of the Company, as used in the calculation of basic earnings per share	74,400	11,849
Interest expense on convertible notes	2,005	–
	<hr/>	<hr/>
Profit attributable to the equity holders of the Company, as used in the calculation of diluted earnings per share	76,405	11,849
	<hr/> <hr/>	<hr/> <hr/>
	Number of shares	
	2008	2007
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	3,207,408	1,924,389
Effect of dilutive potential ordinary shares:		
Convertible notes	86,065	–
Share options	20,050	9,894
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue for diluted earnings per share	3,313,523	1,934,823
	<hr/> <hr/>	<hr/> <hr/>

The computation of 2007 diluted earnings per share did not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share.

8 ACCOUNTS RECEIVABLE

The Group's credit terms on its trade customers mainly range from 30 to 90 days. The ageing analysis of accounts receivable of the Group is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current to 30 days	346	618
31 to 60 days	410	174
61 to 90 days	118	442
Over 90 days	869	841
	<hr/>	<hr/>
	1,743	2,075
	<hr/> <hr/>	<hr/> <hr/>

9 ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current to 30 days	3,094	1,848
31 to 60 days	621	720
61 to 90 days	666	374
Over 90 days	1,927	4,941
	<hr/>	<hr/>
	6,308	7,883
	<hr/> <hr/>	<hr/> <hr/>

10 SUBSEQUENT EVENTS

The subscription of HK\$2 billion zero coupon convertible note by Chow Tai Fook Nominee Limited was completed on April 30, 2008. The net proceeds of the convertible note is intended to assist the Group in the funding of the construction of coking facilities for the production at 2 to 3 million tonnes of coke per annum. MEC has the discretion to apply the net proceeds of the convertible note for the development of other energy and resources projects.

Subsequent to March 31, 2008, the shareholders of the Company have approved, through an ordinary resolution passed at a special general meeting, the disposal of all investment properties held by the Group (the "Property Disposal") at a consideration of HK\$540 million. The Property Disposal was subject to fulfillment of certain conditions which were met on July 15, 2008 and the Property Disposal was completed.

The Group has awarded two road works contracts on July 7, 2008 worth RMB866,085,861. These contracts relate to foundation construction of the Khushuut Road from the Group's coal mine areas in Khushuut, western Mongolia to the border crossing with Xinjiang, PRC. The contract sum will be financed by internal resources.

FINAL DIVIDEND

No interim dividend was declared (2007: Nil) during the year. The directors do not recommend payment of a final dividend for the year ended March 31, 2008 (2007: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, September 4, 2008 and the notice of 2008 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Energy and related resources business

During the financial year ended on March 31, 2008, the Group was actively focused on building its energy and related resources business in a professional and realistic manner:

- The Group completed two acquisitions of some 66,000 hectares of mining and exploration concessions in western Mongolia for coal, ferrous and non-ferrous metals resources.
- The Group explored some 600 hectares of the 66,000 hectares mine areas at a location called "Khushuut" in Khovd Province, western Mongolia and demonstrated approximately 460 million tonnes of coal resources with 181 million tonnes of coking coal resources. Within these resources and following further analytical work, 136 million tonnes of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC") in-place resources was demonstrated. The exploration work and analytical work continues with the aim to demonstrate further coal resources.
- The Group is finalizing its mine plans for the Khushuut mine areas for the commencement of an initial 3 million tonnes per annum mining operation concentrating on coking coal. This is scheduled to commence by the second quarter of 2009. The Group's business plan is initially to supply coking coal to Xinjiang, PRC, which is in short local supply and being imported from other areas of the PRC. The mining operations are anticipated to expand over time with further exploration.

- The Group is commencing the upgrading, with related building works, of the foundation for the “Khushuut Road”. This is a 340 km road from the Khushuut mine areas to Xinjiang, PRC. The foundation works will allow 60 metric tonnes trucks to run at a speed of up to 60 km per hour and lower the overall productions costs for the commencement of mining operations and beyond.
- The Group, aside from exploration for coal at Khushuut, has commenced geological reconnaissances for coal, ferrous and non-ferrous metals resources exploration in other prospective areas.
- The Group has expanded into oil and gas opportunities by acquiring 20% benefits of 487,509 hectares for oil and gas exploratory concessions in western Mongolia. The Group has commenced co-operation with CNPC Daqing Petroleum on the feasibility study of the project.
- The Group has expanded into opportunities in Xinjiang, PRC by entering a conditional acquisition of a 20% benefit in a multi-metals project located in Ruoqiang County, Xinjiang, PRC with explored tungsten and tin resources. This transaction is being finalised.

The Group’s projects

As set out above, the Group has, during the financial year ended on March 31, 2008, acquired title to some 66,000 hectares of concession areas in western Mongolia for coal, ferrous and non-ferrous metals resources. In fact, as at the date hereof, these areas have expanded fivefold to some 330,000 hectares for coal, ferrous and non-ferrous metals resources.

In addition, the Group, as at the date hereof, is pursuing a 20% benefit under three projects namely (1) the oil and gas exploratory project, which has been acquired by the Group and which is at a feasibility study stage by CNPC Daging Petroleum as referred above (2) the multi-metals project in Xinjiang, PRC with explored tungsten and tin resources which has not yet completed as referred above and (3) two joint ventures with two PRC geological bureaus relating to two billion tonnes of coal resources in Kemusuite area, Fuyun County, Xinjiang, PRC, which is at an advanced stage of discussions.

Financing the Group’s mining operations

The Group issued to Chow Tai Fook Nominee Limited a HK\$2 billion zero coupon convertible note due April 2011 to finance the Group’s mining operations, including for the construction of coking facilities, which is at the general construction planning stage. The Group also disposed of its real estate investment for HK\$540 million, as set out below.

The Group’s real estate investment and disposal

Apart from the energy and resources business, the Group’s investment property at the ground floor and basement of the Bank of America Tower contributed a stable rental income to the Group during the financial year. The Group announced the disposal of the property in April 2008 for HK\$540 million. This disposal was completed in July 2008.

Private jet charter services

The Group's Gulfstream G200 private jet is used to provide private jet charter services. The Group believed that with the economic growth in China, demands for private jet charter services should continue to increase. Thus, the Group acquired a new Falcon 900EX model aircraft during the financial year for a consideration of HK\$295.6 million. This new Falcon aircraft is anticipated to be delivered by late 2009.

Financial Review

1. Results Analysis

Total revenue decreased by 24.6% to HK\$30.0 million (2007: HK\$39.8 million). However, the Group's profit before taxation increased by 1438.0% to HK\$109.2 million (2007: HK\$7.1 million).

The Group's turnover from the real estate segment rose 14.4% to HK\$26.9 million which was in line with the strong demand for retail and office space in Hong Kong during the financial year. The Group's turnover from the private jet charter services dropped 81.5% to HK\$3.0 million (2007: HK\$16.2 million). This was in line with the need to use of the Group's sole private jet for business trips relating to the Group's energy and related resources business. This was considered appropriate and in the best interest of the Group in terms of flexibility and access. The Group is acquiring a further aircraft to increase capacity in relation to this business as set out above.

The main contribution to the Group's profit before taxation was a valuation gain of HK\$190 million from the real estate investment of the Group. The valuation gain of the Group's real estate investment was performed by an independent professional valuation company on an open market basis. The valuation gain has been realised (after the end of the financial year) following disposal of the Group's investment property at the ground floor and the basement of Bank of America Tower for HK\$540 million, as referred above.

2. Liquidity and capital 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 March 31, 2008 amounted to HK\$742.7 million (2007: HK\$59.1 million). The sharp increase in net borrowings was due to the issue of loan and convertible notes of face value of HK\$930 million in January 2008 as part of the consideration to acquire certain coal mine concessions in western Mongolia which was announced in February 2007. This was thus transaction driven. The maturity date of the loan and convertible notes are January 29, 2011, with interest rates of 5% and 3% per annum respectively.

Aside from the loan and convertible notes, the Group had a secured bank loan of approximately HK\$197.9 million backed by the mortgage over the Group's real estate investment. This was subject to the usual annual review by the bank. Accordingly, due to such commercial arrangement, the secured bank loan was classified as a current liability in the financial statements. The secured bank loan, denominated in Hong Kong dollar and bore interest at 0.65% over the Hong Kong Interbank Offer Rate. This secured bank loan was fully repaid subsequent to the balance sheet date.

As at March 31, 2008, the cash and bank balances were HK\$254.3 million (2007: HK\$67.7 million). The liquidity ratio as at March 31, 2008 was 2.1 (2007: 1.7).

3. Investment in listed equity securities

As at March 31, 2008, the MEC portfolio comprised mainly equity securities of companies listed in Hong Kong with fair value of HK\$54.4 million (2007: HK\$125.1 million). Investment in listed securities reported a fair value gain of HK\$20.1 million (2007: Fair value gain of HK\$46.1 million).

4. Material changes to the Group structure

During the financial year, the Group made further capital investment of HK\$35.4 million in 亞聯公務機有限公司 (Asia United Business Aviation Company Limited) (“AUBA”), a PRC sino-foreign joint venture company engaged in the provision of charter flight services and aircraft management. As at March 31, 2008, the Group’s effective interest in AUBA was 43%.

In September 2007, the Group disposed of the entire issued share capital in Beaubourg Holdings Inc. (“Beaubourg”) for a total consideration of HK\$134.7 million. The sole asset of Beaubourg was 50% effective interest in a jointly controlled entity, namely Everbest Business Limited, which owned a Gulfstream G450. A gain of HK\$12.4 million was reported from this disposal transaction. In place, the Group is acquiring 100% of a new Falcon 900 EX as set out above.

5. Charges on Group’s asset

Investment properties with an aggregate carrying value of HK\$540.0 million (2007: HK\$350.0 million) have been pledged to a bank to secure banking facilities granted to the Group. The banking facilities have been fully repaid subsequent to the balance sheet date. There are currently no charges on the Group’s assets.

6. Gearing Ratio

At March 31, 2008, the gearing ratio of the Group was 0.07 (2007: 0.15) which was calculated based on the Group’s total borrowings to total assets.

7. 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 Mongolia Tugrik. The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

8. Contingent liabilities

As at March 31, 2008, the Group did not have significant contingent liabilities (2007: Nil).

Co-Operations/Intents

The Group is at this stage focused upon the co-operations/intents under (1) the memorandum of co-operation of December 12, 2007 between the Group and CNPC Daqing Petroleum which relates to the feasibility study for the Group in relation to the oil and gas concession in western Mongolia and support for the Group's potential bids for further oil and gas concessions in western Mongolia and (2) the co-operation agreement between the Group and 中冶焦耐工程技術有限公司 (ACRE Coking & Refractory Engineering Consulting Corporation, MCC) ("MCC ACRE") of March 25, 2008 relating to the general construction planning of the Group's mining activities.

The Group anticipates that it will eventually consider the other co-operations/intents entered by the Group relating to coal sales¹ and transport² upon and following the commencement of mining operations respectively. The Group will also pursue detailed feasibility of railway construction³ at a time when its mine plans are such that it makes commercial sense to pursue such railway construction. Further, as and when the Group's projects develop over time the Group will consider further large scale opportunities⁴ and leveraging⁵ that may become available.

In case there are any further agreements that are entered pursuant to any co-operations/intents appropriate announcements will be made in accordance with the applicable regulatory requirements.

1 Please see announced coal distributions intents on April 2 and 10, 2007.

2 Please see announced intent on September 24, 2007 with China Ocean Shipping (Group) Company.

3 Please see announced agreement on December 7, 2007 with China Railway No. 1 Engineering Group Company Limited.

4 Please see announced co-operation framework agreement on October 26, 2007 with China QingAn International Trading Group Corporation.

5 Please see announced intent on October 30, 2007 with AVIC I International Leasing Co Ltd.

Outlook

The primary focus of the Group in the coming year will be working towards commercial coal production and continuing to look for energy and related resources projects in Xinjiang and western Mongolia. It is the strategy of the Group to co-operate and bring together notable parties in the development of the Group's business. After the disposal of the investment properties in the Bank of America Tower in July 2008 and prior to the commencement of the commercial coal production, it is likely that there will be a decrease in turnover in the coming financial period. However, the Group is in a solid cash position and will continue to achieve values for its shareholders by working towards its goal of developing MEC into a leading company in the energy and related resources sector with global brand recognition.

HUMAN RESOURCES

As at March 31, 2008, the Group employed a total of 193 employees in Hong Kong, Mongolia, Beijing and Xinjiang, PRC. 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

During the financial year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 thus 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 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 year ended March 31, 2008, the Company has complied with the code provisions of 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 the 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 2007 AGM due to other business engagement. An executive director had chaired the 2007 AGM and answered questions from shareholders. The chairman of the Audit and Remuneration Committee was also available to answer questions at the 2007 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 send 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 year ended March 31, 2008.

AUDIT COMMITTEE

The audit committee currently consists of three independent non-executive directors.

Composition of Audit Committee Members

Mr. Lau Wai Piu (*chairman of Audit Committee*)

Mr. Peter Pun

Mr. Tsui Hing Chuen, William

The audit committee has reviewed together with the management the consolidated financial statements for the year ended March 31, 2008 of the Group.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.mongolia-energy.com). The annual report of the Company for the year ended March 31, 2008 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, 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 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.

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

Hong Kong, July 23, 2008

(For further reference, please refer to the Group's announcements at www.mongolia-energy.com, which the above should be read subject to. Please also refer to the Group's corporate presentation for further information, which can also be found at the Group's website.)