MONGOLIA INVESTMENT GROUP LIMITED

蒙古投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 402)

ANNUAL RESULTS
For the year ended 31 March 2013

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Mongolia Investment Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2013 together with the comparative figures for the year ended 31 March 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Revenue	*3*	**856,701**	935,574
Cost of revenue		**(823,325)**	(904,228)
Gross profit		**33,376**	31,346
Other income and gains	*3*	**1,940**	34,875
Administrative expenses		**(99,424)**	(90,651)
Impairment loss of property, plant and equipment		**(2,805)**	(40,432)
Impairment loss of mining licences		**(152,919)**	(1,646,083)
Impairment loss of exploration and evaluation assets		**(24,617)**	–
Operating loss	*5*	**(244,449)**	(1,710,945)
Finance costs	*6*	**(95,879)**	(88,145)
Loss before income tax		**(340,328)**	(1,799,090)
Income tax credit	*7*	**40,334**	411,044
Loss for the year		**(299,994)**	(1,388,046)
Attributable to:			
Owners of the Company		**(299,812)**	(1,387,784)
Non-controlling interests		**(182)**	(262)
		(299,994)	(1,388,046)
		HK cents	*HK cents (Restated)*
Loss per share	*9*		
– Basic and diluted		**(16.298)**	(76.116)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013 *HK$'000*	2012 *HK$'000*
Loss for the year	**(299,994)**	(1,388,046)
Other comprehensive income		
Exchange difference arising from translation of overseas operations	**(12,565)**	(137,079)
Other comprehensive income for the year	**(12,565)**	(137,079)
Total comprehensive income for the year	**(312,559)**	(1,525,125)
Attributable to:		
Owners of the Company	**(312,404)**	(1,524,970)
Non-controlling interests	**(155)**	(155)
	(312,559)	(1,525,125)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**68,704**	78,725
Prepaid land lease payments		**167**	351
Goodwill	11	**–**	–
Mining licences	12	**364,269**	542,912
Exploration and evaluation assets	13	**3,834**	28,261
Prepayments and deposits		**–**	–
Financial asset at fair value through profit or loss		**4,940**	–
Derivative financial asset – Derivative Component of the Convertible Note	16(d)	**57,755**	63,734
		499,669	713,983
Current assets			
Inventories		**94,167**	53,339
Amounts due from customers of contract works		**126,612**	227,316
Trade and other receivables, prepayments and deposits	14	**185,838**	102,117
Tax recoverable		**783**	1,696
Pledged bank deposits		**20,057**	24,417
Cash at banks and in hand		**291,454**	311,000
		718,911	719,885
Current liabilities			
Trade and other payables	15	**123,125**	98,166
Tax payable		**392**	9
Borrowings	16	**447,676**	83,031
		571,193	181,206
Net current assets		**147,718**	538,679
Total assets less current liabilities		**647,387**	1,252,662
Non-current liabilities			
Borrowings	16	**514,179**	763,470
Government subsidies		**6,631**	7,008
Deferred tax liabilities		**93,960**	141,260
		614,770	911,738
Net assets		**32,617**	340,924
EQUITY			
Share capital		**459,899**	459,899
Reserves		**(426,576)**	(118,424)
Equity attributable to owners of the Company		**33,323**	341,475
Non-controlling interests		**(706)**	(551)
Total equity		**32,617**	340,924

Notes:

1. GENERAL INFORMATION

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

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

The financial statements for the year ended 31 March 2013 were approved for issue by the Board on 3 July 2013.

2. BASIS OF PREPARATION

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

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

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

In the current year, the Group has applied for the first time the following amendments to standards and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2012:

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which the reporting entity remains exposed. And such information is relevant in assessing the amount, timing and uncertainty of the entity's future cash flows. The adoption of the amendment has had no significant impact on the Group's financial statements.

3. REVENUE, OTHER INCOME AND GAINS

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

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Contract revenue from maintenance and construction works on civil engineering contracts	**804,217**	926,136
Agency income from subcontractor	**25,477**	4,147
Revenue from water supply services	**654**	693
Water supply related installation fee	**46**	118
Revenue from renovation services	**26,307**	4,480
	856,701	935,574
Other income and gains		
Bank interest income	**628**	285
Other interest income	**532**	–
Gain arising from extension of Promissory Note *(note 16(c))*	–	34,497
Write-back of trade and other payables	**347**	–
Sundry income	**433**	93
	1,940	34,875
Total income	**858,641**	970,449

4. SEGMENT INFORMATION

Segments results, segment assets and segment liabilities

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

	Waterworks engineering contracting business		Water supply business		Renovation business		Mining and exploration business		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue*	**829,694**	930,283	**700**	811	**26,307**	4,480	**–**	–	**856,701**	935,574
Reportable segment (loss)/profit	**(7,564)**	(2,000)	**188**	(1,192)	**(2,357)**	(1,075)	**(214,417)**	(1,736,401)	**(224,150)**	(1,740,668)
Fair value change on the Derivative Component of the Convertible Note *(note 16(d))*									**(5,979)**	(780)
Gain arising from extension of Promissory Note *(note 16(c))*									**–**	34,497
Corporate income and expenses									**(14,320)**	(3,994)
Finance costs									**(95,879)**	(88,145)
Loss before income tax									**(340,328)**	(1,799,090)
Income tax credit									**40,334**	411,044
Loss for the year									**(299,994)**	(1,388,046)

									2013	2012
									HK$'000	*HK$'000*
Reportable segment assets	**544,752**	519,331	**14,456**	14,552	**14,803**	3,669	**469,291**	805,553	**1,043,302**	1,343,105
Derivative financial assets – Derivative Component of the Convertible Note									**57,755**	63,734
Financial assets at fair value through profit and loss									**4,940**	–
Tax recoverable									**783**	1,696
Pledged bank deposits									**20,057**	24,417
Corporate assets									**91,743**	916
Consolidated total assets									**1,218,580**	1,433,868

4. SEGMENT INFORMATION *(Continued)*

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

	Waterworks engineering contracting business		Water supply business		Renovation business		Mining and exploration business		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment liabilities	**111,575**	95,119	**35**	71	**1,763**	609	**15,701**	9,141	**129,074**	104,940
Borrowings excluding finance lease liabilities									**961,855**	846,488
Tax payable									**392**	9
Deferred tax liabilities									**93,960**	141,260
Corporate liabilities									**682**	247
Consolidated total liabilities									**1,185,963**	1,092,944

									2013	2012
									HK$'000	*HK$'000*
Other information										
Bank interest income	**106**	48	**293**	185	**–**	–	**229**	52	**628**	285
Impairment of property, plant and equipment	**–**	–	**–**	–	**–**	–	**2,805**	40,432	**2,805**	40,432
Impairment of mining licences	**–**	–	**–**	–	**–**	–	**152,919**	1,646,083	**152,919**	1,646,083
Impairment of exploration and evaluation assets	**–**	–	**–**	–	**–**	–	**24,617**	–	**24,617**	–
Impairment of prepayment	**–**	–	**–**	–	**–**	–	**–**	3,738	**–**	3,738
Additions to specified non-current assets #	**15,877**	15,344	**–**	–	**43**	13	**1,030**	13,336	**16,950**	28,693
Depreciation of property, plant and equipment	**11,996**	9,278	**454**	946	**19**	–	**1,919**	2,372	**14,388**	12,596
Amortisation of prepaid land lease payments	**–**	–	**6**	6	**–**	–	**223**	235	**229**	241
Equity-settled share-based compensation	**2,235**	2,519	**–**	–	**–**	–	**2,017**	2,191	**4,252**	4,710

* This represents sales from external customers and there were no inter-segment sales between different business segments for the years ended 31 March 2013 and 2012.

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

Geographical information

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

	Hong Kong		Mainland China		Macau		Mongolia		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**829,694**	930,283	**700**	811	**26,307**	4,480	**–**	–	**856,701**	935,574
Specified non-current assets	**40,612**	44,730	**6,563**	6,938	**37**	13	**389,762**	598,568	**436,974**	650,249

During the current financial year, HK$827,292,000 or 97% (2012: HK$915,732,000 or 98%) of the Group's revenue depended on a single customer in the waterworks engineering contracting business segment.

5. OPERATING LOSS

	2013	2012
	HK$'000	*HK$'000*
Operating loss is arrived at after charging/(crediting):		
Costs of inventories recognised as expenses		
– Carrying amount of inventories utilised	**125,238**	144,492
– Write-down of inventories	**–**	6,310
	125,238	150,802
Amortisation of prepaid land lease payments	**229**	241
Depreciation of property, plant and equipment		
– owned assets	**14,388**	12,544
– leased assets	–	52
	14,388	12,596
Less: Amounts capitalised in property, plant and equipment/ exploration and evaluation assets	–	(267)
Net depreciation of property, plant and equipment	**14,388**	12,329
Staff costs (including directors' emoluments)		
– salaries, allowances and benefits in kind	**131,666**	130,682
– retirement benefits scheme contributions (defined contribution plan)	**3,851**	4,171
– equity-settled share-based compensation	**2,693**	5,276
	138,210	140,129
Operating lease charges		
– land and buildings	**7,180**	5,176
– plant and machinery	**1,985**	4,391
	9,165	9,567
Auditor's remuneration		
– provision for current year	**1,320**	1,340
– under-provision in prior year	**–**	100
	1,320	1,440
Loss on disposal of property, plant and equipment	**3,994**	1,686
Exchange losses, net	**7,246**	12,200
Impairment of prepayment	**–**	3,738
Fair value loss on the Derivative Component of the Convertible Note *(note 16(d))*	**5,979**	780

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans and overdraft wholly repayable within five years	**2,822**	2,164
Interest element of finance lease payments	**–**	12
Other loans	**24**	75
	2,846	2,251
Imputed interest expenses on Promissory Note *(note 16(c))*	**34,248**	33,101
Imputed interest expenses on Convertible Note *(note 16(d))*	**58,785**	52,793
Total interest on financial liabilities stated at amortised cost	**95,879**	88,145

7. INCOME TAX CREDIT

	2013	2012
	HK$'000	*HK$'000*
Current tax for the year		
– Hong Kong profits tax	**140**	500
– Under-/(Over)-provision in respect of prior year	**383**	(23)
	523	477
Deferred tax for the year		
– Current year	**(40,857)**	(411,521)
Income tax credit	**(40,334)**	(411,044)

Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the year.

Enterprise Income Tax ("**EIT**") arising from the Mainland China is calculated according to the relevant laws and regulations in the People's Republic of China (the "**PRC**"). The applicable tax rate for the EIT is 25% (2012: 25%).

Macau profits tax is calculated according to the tax rules and regulations of Macau. It is calculated at progressive rates and the maximum rate is 12% (2012:12%). No income tax was provided as the Macau subsidiary has not derived any taxable income during the year ended 31 March 2013 (2012: Nil).

Subsidiaries incorporated in Mongolia are subject to Mongolian income tax which is calculated at the rate of 10% on the first 3 billion Mongolian Tugrik ("**MNT**") of taxable income and 25% on the amount in excess thereof. No income tax was provided as these Mongolian subsidiaries have not derived any taxable income during the year ended 31 March 2013 (2012: Nil).

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2013 (2012: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of HK$299,812,000 (2012: HK$1,387,784,000) and the weighted average number of ordinary shares in issue during the year of 1,839,596,000 (2012: 1,823,252,000, restated as the share consolidation effective from 20 November 2012).

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

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2013, the Group incurred capital expenditure of HK$15,945,000 (2012: HK$25,298,000), which were incurred as to approximately HK$ Nil (2012: HK$110,000) in land and buildings, approximately HK$4,097,000 (2012: HK$3,624,000) in furniture, fixtures and equipment, approximately HK$2,695,000 (2012: HK$7,683,000) in leasehold improvements, approximately HK$6,494,000 (2012: HK$5,164,000) in motor vehicles, approximately HK$2,659,000 (2012: HK$3,116,000) in plant, machinery and tools and approximately HK$ Nil (2012: HK$5,601,000) in mine development assets. Property, plant and equipment with net carrying value of HK$8,075,000 (2012: HK$1,984,000) were disposed during the year, including furniture, fixtures and equipment of HK$662,000 (2012: HK$210,000), leasehold improvements of HK$1,301,000 (2012: HK$108,000), motor vehicles of HK$6,066,000 (2012: HK$1,658,000) and plant, machinery and tools of HK$46,000 (2012: HK$8,000).

11. GOODWILL

Goodwill was allocated to the cash-generating unit ("**CGU**") from which it was expected to benefit. Goodwill arising from the acquisition of Well Delight Holdings Limited (now known as "**MIG Resources Limited**") (the "**Acquisition**") on 17 June 2010 (the "**Acquisition Date**") was allocated to the CGU of four mining licences for a coal mine in Tugrug Valley (the "**TNE Mine**") held by a subsidiary of the Company, Tugrugnuuriin Energy LLC ("**TNE**"), within mining and exploration business. The carrying amount of goodwill of HK$35,506,000 was fully impaired during the financial year ended 31 March 2011.

12. MINING LICENCES

The Group

	2013	2012
	HK$'000	*HK$'000*
Opening net carrying amount	**542,912**	2,377,648
Additions	**–**	274
Impairment	**(152,919)**	(1,646,083)
Exchange realignment	**(25,724)**	(188,927)
Closing net carrying amount	**364,269**	542,912

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

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

No amortisation for the mining licences was provided for as the production of the coal mine site had not been commenced in this financial year (2012: Nil).

The mining licences of TNE Mine are subject to impairment review whenever there are indications that the mining licences' carrying amount may not be recoverable.

In performing the impairment testing for the year, the Directors have engaged Roma Appraisals Limited, an independent valuer, in determining the recoverable amount of the TNE Mine. Given the current development status of TNE Mine, management has determined the recoverable amount of the TNE Mine using fair value less costs to sell, which is derived by using a discounted cash flow ("**DCF**") analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating TNE Mine's fair value. The DCF analysis uses cash flow projection for a period of 13 years up to 2026 (2012: 14 years up to 2026) and the discount rate applied to the cash flow projection is 19.13% (2012: 18.91%). In determining the discount rate, the weighted average cost of capital was used, which is determined with reference to the industry capital structure based on the figures of similar publicly traded companies in the stock exchanges of Hong Kong and the PRC with mining projects, and have taken into account the specific risks encountered by TNE Mine as further detailed below. For the estimation of inflation rate, inflation rates relevant to the local Mongolian economy and the coal market are taken as reference.

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

(a) In last financial year, further drilling works and laboratory tests were done to determine coal layer structure and thickness and to verify coal quality. From the laboratory test results, the calorific value of such samples was in the range of 3,100 to 4,300 Kcal/kg. Since the Group has not been able to excavate coal with expected calorific value, the Group decided to revise the cash flow forecasts to focus on the coal sales of lower calorific value which has lower expected coal sales price per tonne;

12. MINING LICENCES *(Continued)*

(b) Coal sales price is determined with reference to the market information. In view of the sluggish coal market condition, the management has reduced the expected coal price for 2014 (the expected year of commencement of production) from US$18 per ton in last year's forecast to US$14.9 per ton in current year's forecast. The subsequent increment in coal sales price is on average growth rate of 3.9% (2012: 5.6%) based on Australian export price index over the past 23 years;

(c) Cost of production and gross margin are determined with reference to the market comparables. The overall profit margin in current year's forecast ranged from 27% – 31% (2012: ranged from 36% – 37%) throughout the mining project life; and

(d) In light of recent developments in Mongolia with regard to the implementation of laws and regulations related to the mining industry such as the passing of Resolution No 194 in June 2012 (as explained below), an additional risk premium of 2% has been factored into the discount rate.

Uncertainty relating to implementation of laws and regulations affecting the position of the mining licences

Currently there are two separate sources of restrictions on mineral exploration and mining activities around water areas in Mongolia which affect the mining and exploration business of the Group:

(1) On 16 July 2009, the Parliament of Mongolia enacted the Law to Prohibit Mineral Exploration and Mining Operations at the Headwaters of Rivers, Protected Zones of Water Reservoirs and Forest Areas (the "**Water and Forest Law**") which prohibits minerals exploration and mining in areas containing water reservoirs, water protection zones and forest zones (the "**Prohibited Areas**"). During the current year, Resolution No. 194 ("**Rs 194**") was issued on 5 June 2012 to define the boundaries of the Prohibited Areas pursuant to Article 4.3 of the Water and Forest Law. Pursuant to Rs 194, a letter was issued by Ministry of Environment and Green Development ("**MEGD**") confirming the Group that the four mining licences and two of the exploration licences of the Group as disclosed in Note 13(iii), partially or wholly fell within the protected zones of water reservoirs specified under Rs 194. Under Rs 194, the Group is prohibited from undertaking mining and exploration activities in the areas that overlap with the Prohibited Areas. The Group has not yet commenced mining activities up to the date of this announcement.

    The Water and Forest Law also provides that all mineral and exploration licences which overlap with the Prohibited Areas may be cancelled (wholly or partially) upon the government of Mongolia paying compensation to the licence holder. For partial overlapping, the licence holder may submit a request to the Ministry of Mining to continue working on the non-overlapping part of the licensed area while claiming compensation on the overlapping part of the licensed area. For wholly overlapping, the licence holder could only submit a request to the Ministry of Mining for compensation.

(2) The Ministry of Nature and Tourism and Ministry of Health passed a joint order in 2009 pursuant to the Water Law which provides that exploration and mining for common minerals is prohibited within certain distance from a water reservoir area. In April 2010, order #56 was issued by the Governor of Bayan County which specified the areas where mining and exploration was prohibited pursuant to the Water Law (the "**Protected Zone**"). In September 2010, the Group was notified by the Water Department that their four mining licences fell into the ordinary Protected Zone.

In previous years, the Group had made request to the Governor of Bayan County for exemption from the restrictions under the Water Law on the ground of the Group's enormous contributions to the country and that the mining operation of the Group would not have any harmful impact to the environment. In December 2011, based on the assessment report issued by an environmental inspector of the local government, which stated that the areas covered by the Group's mining licences do not constitute an ordinary protection zone or a water reservoir area, the Governor issued order #259 (the "**Release Order**") to cancel order #56 previously issued in April 2010.

12. **MINING LICENCES** *(Continued)*

Uncertainty relating to implementation of laws and regulations affecting the position of the mining licences *(Continued)*

As advised by the Group's legal advisors in Mongolia, there is a potential for Rs 194 to be revised. The Directors understand that the Prohibited Areas currently set out under Rs 194 are considered inaccurate and based on information that is out of date and thus are subject to change. The Directors further understand the MEGD and the Ministry of Mining are working together to correct these inaccuracies and issue a definitive list of licences that are subject to the Water and Forest Law. Advised by the legal advisors in Mongolia, this definitive list of affected licences ("**the List**") is a requirement under Rs 194. The legal advisors further advised that up to the date of this announcement, the government of Mongolia has not published the List and it is unclear when it will be issued.

Although the Group's four mining licences and two of its exploration licences ostensibly fall within the ambit of the Water and Forest Law, the Directors believe the impact to the Group will be minimal because of the following:

- The Release Order obtained in December 2011, although for the purposes of the Water Law and prepared by an environmental inspector of the local government, is based on many of the same requirements as the Water and Forest Law. The Directors are confident that they can argue on the same environmental and geological grounds with the MEGD to similarly exclude the Group's mining licences from the final List.
- The Group was able to renew its licences as normal at the beginning of the year and to date have received no letter or request from the Mongolian government to revoke their licences or stop them from carrying out any mining activity.

Assuming the Group is affected by these laws and regulations, given that the details of compensation from the Mongolian government are not available, the Directors are still unable to quantify the effect, if any, on the Group's financial positions.

In light of recent developments in Mongolia with regard to the implementation of laws and regulations related to the mining industry such as the passing of Rs 194 in June 2012, an additional risk premium of 2% has been factored into the discount rate.

Notwithstanding the risk exposed by the Group relating to the above laws and regulations have been addressed by the Directors by adjusting the discount rate applied to the DCF analysis of TNE Mine, the ultimate outcome of this matter cannot be presently determined. If any of the mining licences of the Group was to be revoked due to Rs 194 or the Water Law, and the compensation entitled by the Group was to be significantly less than the carrying amounts of these mining licences, the Group would have to recognise significant impairment loss on the mining licences and the related assets in addition to the impairment losses currently recognised and as described below. This situation represents a significant uncertainty to the Group which might have a significant effect on the financial statements of the Group.

Result of impairment assessment

Based on the above assessment, further downward adjustment was noted on the estimated net cash inflows and the recoverable amount of TNE Mine. For the year ended 31 March 2013, the carrying amount of the net assets of TNE Mine was HK$345 million (2012: HK$1,629 million), which was higher than the recoverable amount of HK$227 million (2012: HK$361 million), resulting in an impairment loss of HK$118 million (2012: HK$1,268 million), after offsetting tax effect. The impairment loss is primarily due to revision of expected selling price of coal according to market condition and the additional risk resulting from the recent developments in laws and regulations in Mongolia, such as the passing of Rs 194 into law in June 2012, which may have an impact on the position and the carrying value of the Group's mining licences. The total impairment loss of HK$156 million (2012: HK$1,680 million) recognised in the year before offsetting tax effect is allocated on a pro-rata basis to write down the carrying amounts of the mining licences and the mine development assets in the amounts of HK$153 million (2012: HK$1,646 million) and HK$3 million (2012: HK$34 million) respectively. The total offsetting tax effect in the year amounted to HK$38 million (2012: HK$412 million).

13. EXPLORATION AND EVALUATION ASSETS

	The Group					
	Licences		Others		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Opening net carrying amount	**5,810**	5,741	**22,451**	22,398	**28,261**	28,139
Additions	**401**	625	**604**	2,493	**1,005**	3,118
Impairment *(notes (i) and (ii))*	**(5,018)**	–	**(19,599)**	–	**(24,617)**	–
Exchange realignment	**(176)**	(556)	**(639)**	(2,440)	**(815)**	(2,996)
Closing net carrying amount	**1,017**	5,810	**2,817**	22,451	**3,834**	28,261

Licences as at 31 March 2013 and 31 March 2012 represent the cost of obtaining/acquiring exploration licences to certain area in Mongolia with gold, copper and coal deposit and others mainly comprise geological and geophysical costs, costs incurred for drilling, trenching and excavation works, costs incurred for sampling and laboratory works, costs incurred for evaluation such as environment assessment and feasibility study, as well as depreciation and labour costs directly attributable to the exploration activities.

The exploration licences comprise of the followings:

(i) Two exploration licences in respect of gold and copper deposit located in certain areas of Gobi-Altai, covering an area of approximately 44,016 hectares. For the current year, the licences and related exploration costs capitalised which amounted to HK$2,534,000 and HK$3,903,000 respectively have been fully impaired as the current exploration and evaluation activities have not yet led to the discovery of commercially viable quantities of minerals and the management is not intended to renew the licenses after expiry in April 2013.

(ii) Two exploration licences in respect of gold and copper deposit located in certain areas of Zavkhan, Mongolia, covering an area of approximately 15,517 hectares. For the current year, the licences and related exploration costs capitalised which amounted to HK$2,484,000 and HK$15,696,000 respectively have been fully impaired as the current exploration and evaluation activities have not yet led to the discovery of commercially viable quantities of minerals and the management did not renew the licences after expired in March 2013.

(iii) Three exploration licences in respect of a coal mine located in DundGobi, Mongolia, covering an area of approximately 14,087 hectares in aggregate. The licences and the exploration cost capitalised for this exploration project as at 31 March 2013 amounted to HK$1,017,000 and HK$2,817,000 respectively. This represents active exploration project and the Directors are of the opinion that no impairment should be provided in respect of these exploration and evaluation assets.

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

As mentioned in note 12, the position of the exploration licences of the Group in Mongolia may be affected by the implementation of Rs 194 under the Water and Forest Law and the Water Law.

14. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**120,259**	53,597
Retention receivables	**20,476**	15,378
Prepaid land lease payments	**152**	210
Prepayments and deposits	**31,013**	22,689
Other receivables	**13,938**	10,243
	185,838	102,117

Notes:

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Within 3 months	**117,238**	53,597
4 to 6 months	**2,935**	–
Over 1 year	**86**	–
	120,259	53,597

Credit period granted to customers of contract works and renovation works is normally 30 to 90 days (2012: 30 to 60 days). Application for progress payments of contract works is made on a regular basis. Credit period granted to customers of water supply business is normally 30 to 90 days (2012: 30 days).

15. TRADE AND OTHER PAYABLES

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Trade payables aged		
Within 3 months	**64,230**	61,273
4 to 6 months	**17,611**	2,333
7 to 9 months	**1,166**	75
10 to 12 months	**78**	119
Over 1 year	**1,783**	2,206
	84,868	66,006
Retention payables	**14,213**	16,037
Other payables and accruals	**24,044**	16,123
	123,125	98,166

16. BORROWINGS

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Current liabilities		
Bank loans and overdraft, secured *(note (a))*	**105,352**	83,018
Finance lease liabilities *(note (b))*	**–**	13
Promissory Note *(note (c))*	**342,324**	–
	447,676	83,031
Non-current liabilities		
Promissory Note *(note (c))*	**–**	308,076
Convertible Note – liability component *(note (d))*	**514,179**	455,394
	514,179	763,470
Total borrowings	**961,855**	846,501

16. BORROWINGS *(Continued)*

Notes:

(a) All bank loans and overdrafts are repayable within one year. Bank loans and overdrafts amounting to HK$105,352,000 (2012: HK$83,018,000) are secured by the corporate guarantees issued by the Company and are secured by charges over a structured deposit classified as financial asset at fair value through profit and loss amounting to HK$4,940,000 (2012: HK$ Nil) and bank deposits amounting to HK$20,057,000 (2012: HK$24,417,000). In additions, all bank loans amounting to HK$105,352,000 (2012: HK$78,018,000) is secured by the proceeds on certain civil engineering contracts.

(b) As at 31 March 2013, the Group did not have any finance leases. As at 31 March 2012, the Group leased certain of its motor vehicles and these leases were classified as finance leases having remaining lease period of one month.

Finance lease liabilities are effectively secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

(c) As part of the consideration for the Acquisition as described in note 11, the Company issued a promissory note in principal amount of HK$350,000,000 (the "**Promissory Note**"). The Promissory Note is unsecured, non-interest bearing and matured in two years from the date of issue of the Promissory Note i.e. matured on 17 June 2012. On 28 March 2012 (the "**Extension Date 1**"), the maturity date of Promissory Note was extended to 17 June 2013. On 25 June 2013 (the "**Extension Date 2**"), it was further extended to 17 June 2014.

	2013 ***HK$'000***	2012 *HK$'000*
Opening net carrying amount	**308,076**	309,472
Gain arising from extension *(note (i))*	**–**	(34,497)
Imputed interest expenses *(note (ii))*	**34,248**	33,101
Closing net carrying amount	**342,324**	308,076

Notes:

(i) The carrying value and fair value of the Promissory Note as at the Extension Date 1 was HK$342,307,000 and HK$307,810,000 respectively. The fair value was determined based on the valuation using discounted cash flows method carried out by Asset Appraisals Limited ("**Asset Appraisals**"), an independent professional valuer. The difference between the carrying value and fair value as at the Extension Date 1 which amounted to HK$34,497,000 was recognised in Other Income and Gains as gain arising from extension of the Promissory Note (note 3).

(ii) The Promissory Note is measured at amortised cost using effective interest method by applying an effective interest rate of 10.7% per annum after the Acquisition Date and 11.12% after the Extension Date 1. Imputed interest of approximately HK$34,248,000 (2012: HK$33,101,000) (note 6) was recognised in the profit or loss in the current year.

16. BORROWINGS *(Continued)*

Notes: (Continued)

(d) As part of the consideration for the Acquisition (note 11), the Company issued a zero coupon convertible note in principal amount of HK$954,100,000 (the "**Convertible Note**") which will mature in five years from the date of issue of the Convertible Note i.e. will mature on 17 June 2015.

The holder of the Convertible Note (the "**Noteholder**") have the option to convert the whole or part of the principal amount of the Convertible Note into ordinary shares of the Company (the "**Conversion Shares**") at a conversion price of HK$1.1 (adjusted from HK$0.22 per share as a result of the share consolidation effective from 20 November 2012) at any time from the issue date up to maturity date. The Convertible Note is non-redeemable prior to the maturity date. The Company has the right (the "**Extension Option**") to extend the maturity date in respect of the outstanding amount of the Convertible Note for another five years.

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

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

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

	Liability component		**Equity component**		**Derivative Component**	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Carrying amounts						
At beginning of the year	**455,394**	502,120	**348,595**	434,124	**(63,734)**	(80,342)
Imputed interest expenses *(note (i))*	**58,785**	52,793	**–**	–	**–**	–
Conversion of Convertible Note *(note (ii))*	**–**	(99,519)	**–**	(85,529)	**–**	15,828
Change in fair value recognised in profit or loss *(note (iii))*	**–**	–	**–**	–	**5,979**	780
At end of the year	**514,179**	455,394	**348,595**	348,595	**(57,755)**	(63,734)

16. BORROWINGS *(Continued)*

Notes: (Continued)

(d) *(Continued)*

Notes:

(i) The liability component is subsequently measured at amortised cost using effective interest method by applying an effective interest rate of 12.91% (2012:12.91%) per annum. Imputed interest expense of approximately HK$58,785,000 (2012: HK$52,793,000) (note 6) was recognised in profit or loss in the current year.

(ii) During the last financial year, 750,000,000 Conversion Shares were issued upon conversion of the Convertible Note in total amount of HK$165,000,000. At the time of conversion, the proportional amounts of the convertible note equity reserve, the Derivative Component and the carrying value of the liability component were transferred to share capital and share premium as proceeds for the shares issued. There was no conversion of the Convertible Notes during the year.

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

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

	31 March 2013	31 March 2012
Stock price	**0.249**	0.043
Exercise price	**1.100**	0.220
Volatility	**43.44%**	48.22%
Risk free rate	**0.193%**	0.349%

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

(iv) The fair value of the liability component of the Convertible Note at 31 March 2013 amounted to HK$507,046,298 (2012: HK$449,095,000). The fair value is calculated using cash flows discounted at a rate based on an equivalent market interest rate for the similar non-convertible note, which is 13.6% (2012: 13.4%).

16. BORROWINGS *(Continued)*

Notes: (Continued)

(e) Other information about the borrowings:

		Effective interest rate per annum at reporting date			
		2013		2012	
	Original currency	**Floating rates**	**Fixed rates**	Floating rates	Fixed rates
Bank loans and overdraft	HK$	2.71% – 3.20%	–	2.65% – 3.22%	–
Finance lease liabilities	HK$	–	–	–	3.75%

In the opinion of the Directors, the carrying amounts of the Group's current and non-current borrowings approximate their fair values of comparable financial instruments. The fair values of the non-current borrowings are calculated by discounting their expected future cash flow at market rate.

(f) As at 31 March 2013, the Group had available bank facilities of HK$245,382,000 (2012: HK$211,200,000), out of which HK$139,848,000 (2012: HK$128,167,000) was not utilised.

17. CONTINGENT LIABILITIES AND LITIGATIONS

(a) In prior financial years, the Group received from an ex-subcontractor two claims in respect of two completed projects. During the year ended 31 March 2011, a writ of summons was served to a subsidiary of the Company as defendant in respect of those two claims seeking the recovery of a sum of approximately HK$9.5 million in aggregate. The Group made a counterclaim against the ex-subcontractor for overpayment of approximately HK$8.6 million. On 5 July 2012, the legal aid granted to the plaintiff was discharged. Thereafter, the plaintiff made an application to the Court on 3 September 2012 for leave to discontinue his claim. Leave was then granted on 5 October 2012 upon a hearing. The Directors consider that the financial impact of the case is only for sharing of legal costs and it would not result in any material financial impact on the Group.

(b) In prior financial years, a writ of summons and statement of claim were served to a subsidiary of the Company as defendant in respect of the claim seeking the recovery of a sum of approximately HK$5.9 million in aggregate by an ex-subcontractor. The Group made a statement of defense and counterclaim against the ex-subcontractor for a sum of approximately HK$0.5 million, and no further action was taken by the plaintiff afterwards. In July 2012, the mediation was held but no settlement agreement was reached. As at 31 March 2013 and up to the date of these financial statements, there is no material progress in respect of the claims. Based on the advice from the legal advisers of the Group, the Directors believe that the Group has a good defense against the plaintiff. In addition, the Legal Aid Department has refused the Plaintiff's application. The Directors consider that the claims by the ex-subcontractor will unlikely succeed and there is no material financial impact on the Group accordingly.

17. CONTINGENT LIABILITIES AND LITIGATIONS *(Continued)*

(c) On 23 March 2011, two of the Company's former directors and others (the "**Plaintiffs**") commenced legal proceedings to claim against the Company and other directors for various relief including an injunction preventing the Company from proceeding with the placing of shares pursuant to the resolution passed by the Board on 21 March 2011. The placing of shares was completed on 13 April 2011. The Plaintiffs have not claimed against the Company for damages and the liabilities of the Company are limited to costs at this stage. The Plaintiffs have made an application for an interlocutory injunction on 4 April 2011 (the "**Application**") which has been heard on 27 November 2012. The Application was dismissed by the Court with costs awarded against the Plaintiffs in favour of the Company and the defendants, such costs to be paid and taxed forthwith, if not agreed. Separately, the Plaintiffs' application to amend the related summons was also dismissed by the Court with cost awarded against the Plaintiffs in favour of the Company and the defendants, such costs to be paid and taxed forthwith, if not agreed.

(d) Apart from the above, as at 31 March 2013, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remains outstanding as at the date of these financial statements. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the Directors, sufficient insurance coverage are maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have a material adverse impact on the financial position of the Group.

18. OPERATING LEASE COMMITMENTS

The Group

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

	2013	2012
	HK$'000	*HK$'000*
Within one year	**6,580**	8,930
In the second to fifth years, inclusive	**4,778**	6,613
	11,358	15,543

The Group leases certain properties under operating leases. The leases run for an initial period of two to three years (2012: two to three years), with an option to renew the leases and renegotiate the terms at the expiry date. The leases do not include any contingent rentals.

19. EVENTS AFTER THE REPORTING DATE

(a) A subsidiary of the Company (the "**Purchaser**") entered into a sale and purchase agreement on 8 April 2013 with the various vendors and management shareholders (the "**Vendors**") pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase all the issued shares of Sinbo Investment Limited at the aggregate consideration of HK$1,500 million (subject to adjustment) (the "**Consideration**"). The Consideration will be settled by (1) cash of approximately HK$600 million and (2) the issue of the convertible note with principal value of HK$900 million.

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

Because the above acquisition has not yet completed up to the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition at the completion date. The nature and financial effect of the acquisition have been set out in the Company's circular dated 27 June 2013.

(b) On 9 May 2013, a Noteholder converted the Convertible Note in total amount of HK$2,200,000 at the conversion price of HK$1.1 per share whereby a respective total number of 2,000,000 conversion shares were issued. At the time of conversion, the proportional amounts of the convertible note equity reserve, the Derivative Component and the carrying value of the liability component were transferred to share capital and share premium as proceeds for the shares issued. As a result of the conversion, share capital and share premium have increased by HK$500,000 and HK$2,156,000 respectively, the convertible note equity reserve, the Derivative Component and the carrying value of the liability component have decreased by HK$1,140,000, HK$189,000 and HK$1,705,000 respectively.

(c) On 15 May 2013, the Company completed a placing of 360,000,000 new shares of the Company at HK$0.25 per share. Proceeds generated from the placing amounted to HK$90 million (before share issue expenses of HK$1.9 million). The estimated net proceeds of approximately HK$88.1 million is intended to be utilised as general working capital of the Group. As a result of the placing, share capital has increased by HK$90,000,000 and share premium has decreased by HK$1,900,000.

(d) Up to the date of approval of these financial statements, 45,140,000 share options had been exercised by holders at HK$0.25 each for the issuance of 45,140,000 shares. As a result of the exercise of share options, cash and cash equivalent, share capital and share premium have increased by HK$11,285,000, HK$11,285,000 and HK$2,021,706 respectively and share options reserve has decreased by HK$2,021,706.

(e) On 25 June 2013, the Promissory Note which was originally due to mature on 17 June 2013, had been further extended for one year to 17 June 2014. The carrying value and fair value of the Promissory Note as at the Extension Date 2 were HK$350,000,000 and HK$332,181,000 respectively. The difference between the carrying value and fair value on Extension Date 2 which amounted to HK$17,819,000 was recognised in Other Income and Gains as gain arising from extension of Promissory Note.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor's report for the year ended 31 March 2013 has been modified but without qualification, an extract of which is as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 18[#] to the consolidated financial statements, which describes the material uncertainty in respect of the implementation of relevant laws and regulations in Mongolia which may have a significant impact on the position and carrying value of the Group's mining licences.

[#] Being Note 12 in this announcement

MANAGEMENT DISCUSSION AND ANALYSIS

During the year under review, the Group continued to dedicate efforts in the development of two main business arms – the waterworks business and the mining and exploration operations in Mongolia. Apart from the current businesses, the Group has been actively seeking for investment opportunities to maximise shareholders' value, hence continued to proceed with the proposed acquisition of the controlling company of the Peace Map Group in April 2013, the principal business of which includes the entire geographical information system (the "GIS") industry chain, with geographical information data extraction, data processing and final data applications. The Board believes that the acquisition would allow the Group to diversify into a new line of business with growth potential and to broaden its source of income.

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2013, the Group recorded revenue of HK$856.7 million, representing a decrease of 8.4% over last year (2012: HK$935.6 million). The drop was mainly due to the completion of two waterworks maintenance projects that started in September 2009.

Gross profit increased by 6.7% to HK$33.4 million (2012: HK$31.3 million). Loss attributable to shareholders totalled HK$285.0 million (2012: HK$1,387.8 million). This was due to (i) imputed interest expenses of HK$93.0 million (2012: HK$85.9 million) on promissory note and convertible note issued as part of consideration for the acquisition of Well Delight Holdings Limited (now known as MIG Resources Limited) on 17 June 2010; (ii) fair value loss on the Derivative Component of the Convertible Note amounted to HK$6.0 million (2012: HK$0.8 million); (iii) impairment loss net of deferred tax credit amounting to HK$117.5 million (2012: HK$1,268.1 million) on the revaluation of the mining right at the TNE Mine; and (iv) impairment loss on exploration and evaluation assets amounted to HK$24.6 million (2012: Nil). The imputed interest expenses, fair value change, impairment loss on the revaluation of the mining right and impairment loss on exploration and evaluation assets were all non-cash items and have no impact on the Group's cash position. Basic loss per share was HK16.298 cents (2012: HK76.116 cents (restated)).

Liquidity & Financial Resources

As at 31 March 2013, cash at banks and in hand and pledged bank deposits reached HK$311.5 million (as at 31 March 2012: HK$335.4 million). Total borrowings, including promissory note and convertible note issued in 2010, as at the end of the review year were HK$961.9 million (as at 31 March 2012: HK$846.5 million). The Group's current ratio, being the ratio of current assets to current liabilities, was 1.26 times (as of 31 March 2012: 4.0 times), and its gearing ratio, in terms of total borrowings net of cash at banks and in hand and pledged bank deposits to total equity, stood at 1,993.9% (31 March 2012: 149.9%).

Foreign Exchange Risk Management

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

Human Resources

As at 31 March 2013, the Group had approximately 508 employees (for the year ended 31 March 2012: 720 employees) with 100% holding permanent positions. Total staff costs, including Director's emoluments during the review year amounted to HK$138.2 million (2012: HK$140.1 million).

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

BUSINESS REVIEW

Mining Business in Mongolia

Resources and mining industry has been fueling Mongolia's economy growth in recent years. The Group currently holds four coal mining licenses covering a 1,114 hectares coal mine at Tugrug Valley (the "**TNE Mine**"). Based on a report from an independent technical advisor in 2010, the TNE Mine has approximately 64.0 million tonnes of measured and indicated resources and an additional 27.9 million tonnes of inferred resources. For the year under review, there was no material change in the amount of the resources in the TNE Mine, compared with that of last year. Besides, the Group also holds three exploration licenses in respect of coal deposits in DundGobi (14,087 hectares) located in Mongolia.

During the review year, the Group continued to focus on the preparatory work at the TNE Mine, including the leasing of relevant equipment and machinery, power supply commissioning, as well as dewatering process. Meanwhile, the Group's marketing team has been proactively approaching more potential clients to explore more business opportunities.

Recent developments in Mongolia with regard to the implementation of laws and regulations related to the mining industry such as the passing of the Resolution No. 194 in June 2012 imposes restrictions on mineral exploration and mining activities around water areas in Mongolia. Although the Group's four mining licences and two of the exploration licences ostensibly fall within the ambit of laws and regulations, the Directors believe the impact to the Group will be minimal based on the assessment as set out in note 12 to the announcement.

As a result of the lower than expected market selling price of coal and the additional risk resulting from the recent developments in laws and regulations in Mongolia relating to the mining industry, a further impairment loss (net of deferred taxation) amounting to HK$117.5 million (2012: HK$1,268.1 million) on the valuation of the mining rights of the TNE Mine is recognised to the consolidated result.

Exploration activities at other regions where the Group holds exploration licenses also continued. Annual exploration report was submitted and has been approved by the Mineral Resources Authority of Mongolia ("**MRAM**"). Detailed environmental impact assessment has also been submitted to the Ministry of Nature and Green Development for further evaluation.

As a result of failure in discovering commercially viable quantities of minerals at the gold and copper deposits located in Gobi-Altai (44,016 hectares) and Zavkhan (15,517 hectares), an impairment loss amounting to HK$24.6 million on the exploration licences and related exploration costs capitalised is recognised to the consolidated result. The licences of Zavkhan and Gobi-Altai have expired in March and April 2013 respectively.

Waterworks Business in Hong Kong

During the review year, waterworks business recorded revenue of approximately HK$829.7 million (2012: HK$930.3 million). Revenue from waterworks maintenance projects decreased by 45.0% to approximately HK$321.0 million, representing 37.5% of total revenue. Revenue from water mains replacement and rehabilitation projects recorded around HK$432.4 million, making up 50.5% of total revenue. As for slope maintenance projects, HK$73.8 million in revenue was recorded, equivalent to 8.6% of total revenue.

Two waterworks maintenance projects from the Water Supplies Department ("**WSD**") that started in September 2009 were completed by the end of 2012 and led to a downside of overall revenue:

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

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

During the review year, the Group has won a new 3-year waterworks maintenance project — *Term Contract for Waterworks District W — News Territories West (contract number: 1/WSD/12(W)).*

Accounting for over half of the Group's total revenue during the review year, six water mains replacement and rehabilitation projects have been underway during the year:

1. Replacement and Rehabilitation of Water Mains, Stage 3 — Mains in East Kowloon (Package A) (contract number: 7/WSD/08)

2. Replacement and Rehabilitation of Water Mains, Stage 3 — Mains on Hong Kong Island South and Outlying Islands (contract number: 18/WSD/08)

3. Replacement and Rehabilitation of Water Mains, Stage 4 Phase 1 — Mains in Central & Western and Wan Chai Districts (contact number: 11/WSD/10)

4. Replacement and Rehabilitation of Water Mains, Stage 4 Phase 1 — Mains in East Kowloon (contract number: 14/WSD/10)

5. Replacement and Rehabilitation of Water Mains, Stage 4 Phase 2 — Mains in East Kowloon (contract number: 13/WSD/11)

6. Replacement and Rehabilitation of Water Mains, Stage 4 Phase 2 — Mains in West Kowloon (contract number: 14/WSD/11)

This is forecasted that contract number 7/WSD/08 and 18/WSD/08 will be completed by the end of 2013.

PROSPECTS

Subsequent to year end in April 2013, the Group entered into the Acquisition Agreement with Broadlink Enterprises Limited ("**Broadlink**"), Kingspot Investment Limited, Alliance Elegant Limited, Bidfast Investment Limited and Grandest International Limited (collectively, the "**Vendors**") and the nine existing shareholders of Broadlink, pursuant to which the vendors conditionally agreed to sell and the Group conditionally agreed to purchase all issued shares of Sinbo Investment Limited ("**Sinbo**") for a total consideration of HK$1,500,000,000, comprising HK$600,000,000 by way of cash and HK$900,000,000 by way of issue of convertible notes. After the signing of the Acquisition Agreement, HK$150,000,000 by way of cash as the deposit was paid to Broadlink. Sinbo is the controlling company of the Peace Map Group, the principal business of which includes the entire geographical information system (the "**GIS**") industry chain, with geographical information data extraction, data processing and final data applications. It also has comprehensive modes of geographical information extraction. GIS is widely used in various sectors including business, healthcare, security, government, trade, media, transportation and tourism industries in the PRC. The Board believes the acquisition would allow the Group to diversify into a new line of business with growth potential and to broaden its source of income. An Extraordinary General Meeting will be held on 18 July 2013 for the shareholders to consider and approve the acquisition agreement in due course.

In May 2013, the Group announced the completion of a placement of 360,000,000 shares of the Company to not less than six independent placees who are independent third parties, at a placing price of HK$0.25 per share. The maximum net proceeds from the placing will amount to approximately HK$88.1 million which is intended to be used as general working capital. The Board considers the placing a preferred means of raising funds for the Group and believe the placing represents an opportunity to raise capital while broadening shareholder and capital base, and is of the view that the placing is in the best interest of the Company and its shareholders.

While continuing with our Mongolia mining venture, the management will also dedicate efforts in developing the new GIS business subsequent to the completion of the proposed acquisition. The management is currently formulating appropriate business strategies to enhance the Group's business growth in the long term.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2013 (2012: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 August 2013 to Friday, 23 August 2013, both days inclusive, during which period no transfer of shares of the Company (the "**Shares**") will be registered. In order to qualify for attending the forthcoming annual general meeting, all transfers of the Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the transfer office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 16 August 2013.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") set out in appendix 14 to the Listing Rules for the year ended 31 March 2013.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2013 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises four independent non-executive Directors, namely, Mr. TAM Sun Wing, Mr. HUI, Yat On, Mr. ZHANG Songlin and Mr. LIAO Cheung Tin, Stephen. Mr. TAM Sun Wing, who possesses professional accounting qualifications and relevant accounting experience, is the Chairman of the Audit Committee.

Under its terms of reference, the main role and functions of the Audit Committee are to review the Group's financial information, to supervise the Group's financial reporting and internal control systems, and to maintain relationship with the auditors of the Company. The Board has, through the Audit Committee, conducted regular reviews on the effectiveness of the internal control system of the Group during the year ended 31 March 2013 as well as connected transactions, the interim results for the six months ended 30 September 2012 and last year's annual results for the year ended 31 March 2012, and has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, financial reporting matters and risk management systems of the Group.

The Group's final results for the year ended 31 March 2013 have been reviewed by the members of the Audit Committee before submission to the Board for approval.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND REPORT

This announcement is available for viewing on the designated website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.migmgl.com. The annual report of the Company for the year ended 31 March 2013 will be despatched to shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

For and on behalf of the Board
Mongolia Investment Group Limited
YUEN Wai Keung
Executive Director

Hong Kong, 3 July 2013

As at the date of this announcement, the executive directors are Mr. YUEN Chow Ming (Chairman), Mr. YUEN Wai Keung (Deputy Chairman and Chief Executive Officer), Mr. SO Yiu Cheung (Deputy Chairman), Mr. CHEUNG Chi Man, Dennis, Mr. ZHANG Chuanjun and Mr. ZHU Dong, the non-executive directors are Mr. WONG, Kwok Kee and Mr. NG, Wing Keung, and the independent non-executive directors are Mr. LIAO Cheung Tin, Stephen, Mr. HUI, Yat On, Mr. TAM Sun Wing and Mr. ZHANG Songlin.