MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The board (the "**Board**") of directors (the "**Directors**") of Mongolia Energy Corporation Limited (the "**Company**") announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2015 (the "**Financial Year**") together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OF LOSS

For the year ended 31 March 2015

	Notes	**2015** **HK$'000**	2014 *HK$'000*
Revenue	4	**12,259**	498
Cost of sales		**(94,558)**	(4,632)
Gross loss		**(82,299)**	(4,134)
Other income		**2,149**	322
Other gains and losses	5	**(43,820)**	(207,028)
Other expenses	7	**(22,603)**	(55,734)
Administrative expenses		**(124,889)**	(178,844)
Fair value gain on derivative component of convertible notes	13	**736,059**	42,392
Impairment loss on property, plant and equipment	3	**(6,037,959)**	(224,011)
Impairment loss on intangible assets	3	**(721,275)**	(28,416)
Impairment loss on development in progress	3	**(25,855)**	(981)
Impairment loss on prepaid lease payment	3	**(14,136)**	—
Impairment loss on exploration and evaluation assets	10	**(285,676)**	—
Impairment loss on available-for-sale financial asset		**(464)**	(934)
Impairment loss on amounts due from associates		**(9)**	(5,496)
Finance costs	6	**(247,253)**	(375,260)
Loss before taxation	7	**(6,868,030)**	(1,038,124)
Income tax expense		**—**	—
Loss for the year		**(6,868,030)**	(1,038,124)
Loss for the year attributable to owners of the Company		**(6,868,030)**	(1,038,124)
Loss per share attributable to owners of the Company			
			(Restated)
— basic and diluted loss per share *(HK$)*	9	**4.07**	0.61

CONSOLIDATED STATEMENT OF PROFIT OF LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015 *HK$'000*	2014 *HK$'000*
Loss for the year	**(6,868,030)**	(1,038,124)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
— Exchange differences arising on translation	**1,132**	6,651
Total comprehensive expense for the year	**(6,866,898)**	(1,031,473)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**856,404**	6,733,169
Investment property		**—**	—
Intangible assets		**102,050**	852,792
Development in progress		**3,613**	29,468
Exploration and evaluation assets	10	**—**	285,676
Interests in associates		**—**	—
Available-for-sale financial asset		**—**	—
Other asset		**1,150**	1,150
Prepayments for exploration and evaluation expenditure		**—**	10,458
Prepaid lease payment		**1,935**	15,651
		965,152	7,928,364
Current assets			
Prepaid lease payment		**40**	—
Inventories		**23,738**	491
Trade receivables	11	**7,982**	—
Other receivables, prepayments and deposits		**26,905**	22,459
Held-for-trading investments		**68,289**	56,278
Amounts due from associates		**—**	—
Cash and cash equivalents		**13,083**	48,566
		140,037	127,794
Current liabilities			
Trade payables	12	**106,304**	68,136
Other payables and accruals		**127,985**	306,572
Convertible notes and other financial liability	13	**—**	3,260,528
Advances from a Director		**1,205,662**	780,210
Deferred income		**1,266**	—
		1,441,217	4,415,446
Net current liabilities		**(1,301,180)**	(4,287,652)
Total assets less current liabilities		**(336,028)**	3,640,712
Non-current liabilities			
Convertible notes and other financial liability	13	**2,891,847**	—
Deferred income		**10,976**	12,665
		2,902,823	12,665
Net (liabilities) assets		**(3,238,851)**	3,628,047
Financed by:			
Capital and reserves			
Share capital		**33,783**	135,131
Reserves		**(3,272,634)**	3,492,916
Equity attributable to owners of the Company		**(3,238,851)**	3,628,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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 (the "**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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange of goods.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. While recognising that the Group had net liabilities of approximately HK$3,238.9 million, had net current liabilities of approximately HK$1,301.2 million at 31 March 2015 and incurred a loss of approximately HK$6,868.0 million for the year then ended, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future as Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder who has significant influence over the Group and chairman and a Director of the Company, has provided facilities amounting to HK$1,900.0 million with maturity date on 31 March 2017, of which approximately HK$649.0 million was unutilised as at 31 March 2015. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current financial year, the Group has applied the following new interpretation and amendments to HKFRSs issued by the HKICPA:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The application of the above new interpretation and amendments to standards in the current year has had no material effect on the amount reported and/or disclosures set out in these consolidated financial statements.

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

HKAS1 (Amendments)	Disclosure Initiative[5]
HKAS 16 and HKAS38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[5]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle[5]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[5]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[5]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[6]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 July 2014 with limited exception
4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 January 2017

The Directors anticipate that the application of the above new or revised standards and amendments to existing standards will have no material impact on the results, the financial position and disclosures of the consolidated financial statements of the Group.

3. IMPAIRMENT LOSS RECOGNISED ON KHUSHUUT MINE RELATED ASSETS

At the end of the reporting period, the Group engaged a qualified professional valuer (the "**Independent Valuer**"), who is not connected with the Group, to determine the recoverable amount of its property, plant and equipment, intangible assets, development in progress and prepaid lease payment related to the Khushuut mine operations (collectively referred to as "**Khushuut Related Assets**"). For the purposes of impairment testing, the Khushuut Related Assets are treated as a cash generating unit, which represents the Group's coking coal mining operation in Western Mongolia. The recoverable amount of the Khushuut Related Assets has been determined based on a value-in-use calculation. The key assumptions used in the value-in-use calculation are current selling price for coking coal of US$94 per tonne, growth rate of 3.04%, discount rate of 17.36% and estimated timeline for commercial coal production.

As the recoverable amount of the Khushuut Related Assets determined by the Independent Valuer is significantly lower than their carrying values, an impairment loss amounting to HK$6,799,225,000 (2014: HK$253,408,000) was recognised in the consolidated statement of profit or loss in the current year against the respective assets on a pro-rata basis with reference to their carrying values as follows:

For the year ended 31 March 2015

	Carrying values before impairment *HK$'000*	**Impairment loss** *HK$'000*	**Carrying values after impairment** *HK$'000*
Property, plant and equipment	**6,881,629**	**6,037,959**	**843,670**
Intangible assets	**822,057**	**721,275**	**100,782**
Development in progress	**29,468**	**25,855**	**3,613**
Prepaid lease payment	**16,111**	**14,136**	**1,975**
Total	**7,749,265**	**6,799,225**	**950,040**

During the year, the Group appointed an overburden removal contractor in April 2014 and a coal extraction contractor in July 2014 for the Khushuut Coal Mine. Commercial coal production was resumed in the last quarter of 2014. However, the mining operations have been affected by the unfavourable market conditions and the continuous decline in price of coking coal in the People's Republic of China (the "**PRC**"). Low coking coal price has a negative impact on the scale of the production. As part of the Group's austerity measures, subsequent to the financial year ended 31 March 2015, the Group has decided to scale down the overburden removal and other mining works so as to alleviate the operating expenses and cash outflow. Pursuant to this, the Group requested the overburden removal contractor to temporarily suspend its works until 31 December 2015 and proposed the settlement method of its service fees but no mutually acceptable solution was reached. On 25 May 2015, the Group issued a notice of termination to the overburden removal contractor. The termination will be effective on 24 July 2015. The Group also discussed with the coal extraction contractor who has agreed to revise the production plan and to lower its service fees as proposed.

The reasons for such impairment loss being recognised in profit or loss this year are mainly due to a sharp decline in the price of coking coal which has dropped by approximately 30% compared to that of previous financial year ended 31 March 2014 and the current delay in the production plan in the short-term in response to the weak market conditions. The Group has currently scaled down its production as the low coking coal price under the current unfavourable market conditions means that it is not economically viable to continue production in large scale after taking into account the significant transportation costs that are necessary to be incurred. The Directors only expect to ramp up production in 2016 once market prices recover and then achieve full production in 2019. This has had a significant impact on the value-in-use assessment performed by the Directors in the current year with a reduction in the cash flows expected to be received (due to the decrease in expected selling prices compared to prior periods) and a delay in the timing of receipt of the cash flows expected by the Company (resulting from the current low production scale).

For the year ended 31 March 2014

	Carrying values before impairment *HK$'000*	Impairment loss *HK$'000*	Carrying values after impairment *HK$'000*
Property, plant and equipment	6,946,755	224,011	6,722,744
Intangible assets	881,204	28,416	852,788
Development in progress	30,449	981	29,468
Total	7,858,408	253,408	7,605,000

The main reasons for such a significant impairment loss being recognised in profit or loss during the year ended 31 March 2014 are due to changes in cost estimation based on currently available information and adjustment of the discount rate reflecting the latest market rate.

4. REVENUE AND SEGMENT INFORMATION

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

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

Segment revenue and result

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

For the year ended 31 March 2015

	Coal mining *HK$'000*	**Total** *HK$'000*
Segment revenue	**12,259**	**12,259**
Segment loss	**(7,032,151)**	**(7,032,151)**
Unallocated expenses *(Note)*		**(50,031)**
Interest income		**4**
Other gains and losses		**11,491**
Fair value gain on derivative component of convertible notes		**736,059**
Impairment loss on exploration and evaluation assets		**(285,676)**
Impairment loss on available-for-sale financial asset		**(464)**
Impairment loss on amount due from associates		**(9)**
Finance costs		**(247,253)**
Loss before taxation		**(6,868,030)**

For the year ended 31 March 2014

	Coal mining *HK$'000*	Total *HK$'000*
Segment revenue	498	498
Segment loss	(443,000)	(443,000)
Unallocated expenses *(Note)*		(65,037)
Interest income		19
Other gains and losses		(190,808)
Fair value gain on derivative component of convertible notes		42,392
Impairment loss on available-for-sale financial asset		(934)
Impairment loss on amounts due from associates		(5,496)
Finance costs		(375,260)
Loss before taxation		(1,038,124)

Note: Unallocated expenses mainly include staff costs for corporate office, office rental and legal and professional fees.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4 of the annual report. Segment loss represents the loss from the coal mining operation without allocation of expenses not directly related to the operating segment, unallocated other income, finance costs, change in fair value of held-for-trading investments and derivative component of convertible notes, loss on remeasurement of debt component of convertible notes, impairment loss on exploration and evaluation assets, available-for-sale financial asset and amounts due from associates. This is the measure reported to the chief operation decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 March 2015

	HK$'000
ASSETS	
Segment assets — coal mining	**1,023,682**
Held-for-trading investments	**68,289**
Cash and cash equivalents	**7,057**
Other unallocated assets *(Note a)*	**6,161**
Consolidated total assets	**1,105,189**
LIABILITIES	
Segment liabilities — coal mining	**200,494**
Convertible notes and other financial liability	**2,891,847**
Advances from a Director	**1,205,662**
Other unallocated liabilities *(Note b)*	**46,037**
Consolidated total liabilities	**4,344,040**

As at 31 March 2014

	HK$'000
ASSETS	
Segment assets — coal mining	7,702,022
Held-for-trading investments	56,278
Cash and cash equivalents	6,623
Other unallocated assets *(Note a)*	291,235
Consolidated total assets	8,056,158
LIABILITIES	
Segment liabilities — coal mining	148,539
Convertible notes and other financial liability	3,260,528
Advances from a Director	780,210
Other unallocated liabilities *(Note b)*	238,834
Consolidated total liabilities	4,428,111

Note:

(a) Other unallocated assets mainly represent property, plant and equipment, intangible assets, exploration right for iron ore, other asset and other receivables, prepayments and deposits not for coal mining business.

(b) Other unallocated liabilities mainly represent other payables and accruals not for coal mining business.

Other segment information

For the year ended 31 March

Amounts included in the measure of segment loss or segment assets:

Coal mining

	2015	2014
	HK$'000	*HK$'000*
Capital additions	**242,287**	157,851
Amortisation of intangible assets	**31,063**	31,865
Interest income	**225**	123
Depreciation of property, plant and equipment	**34,884**	30,315
Impairment loss on property, plant and equipment	**6,037,959**	224,011
Impairment loss on intangible assets	**721,275**	28,416
Impairment loss on development in progress	**25,855**	981
Impairment loss on prepaid lease payment	**14,136**	—
Loss on write off of property, plant and equipment	**39,406**	155
Write off of exploration and evaluation assets	**—**	12,630
Write off of prepayments for exploration and evaluation expenditure	**10,458**	—

Geographical information

The Group's operations are principally located in Hong Kong, Mongolia and the PRC.

All the coal sales revenue is derived from the PRC based on location of customers.

The Group's information about its non-current assets by geographical location based on location of assets is detailed below:

	Non-current assets	
	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**2,533**	1,941
Mongolia	**937,589**	7,811,091
The PRC	**25,030**	115,332
	965,152	7,928,364

Note: Non-current assets exclude financial instruments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A	**12,245**	—
Customer B	**—**	498
	12,245	498

5. OTHER GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Fair value gain on held-for-trading investments	**12,011**	29,750
Loss on write off of property, plant and equipment	**(39,413)**	(155)
Loss on write off of exploration and evaluation assets	**(140)**	(12,630)
Loss on write off of prepayments for exploration and evaluation expenditure	**(10,458)**	—
(Loss)/gain on disposal of property, plant and equipment	**(43)**	24
Net exchange loss	**(5,777)**	(4,190)
Loss on remeasurement of debt component of convertible notes	**—**	(219,827)
	(43,820)	(207,028)

6. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
Interest on:		
Advances from a Director	**71,105**	46,956
Other financial liability *(Note 13(c))*	**6,997**	6,900
Convertible notes after remeasurement	**61,642**	53,455
Effective interest expense on convertible notes *(Note 13)*	**107,509**	267,949
	247,253	375,260

7. LOSS BEFORE TAXATION

	2015	2014
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging/(crediting):		
Directors' emoluments	**6,757**	9,824
Other staff costs:		
Salaries and other benefits	**47,118**	57,969
Retirement benefits scheme contributions (excluding contributions for Directors)	**4,725**	5,075
Total staff costs (including equity-settled share-based payments)	**58,600**	72,868
Amortisation of intangible assets	**31,092**	31,865
Depreciation of property, plant and equipment	**35,326**	31,711
Less: Other expenses — loss on suspension of production	**(22,603)**	(55,734)
Less: amortisation and depreciation capitalised in inventories	**(35,303)**	—
	8,512	7,842
Amortisation of prepaid lease payments	**163**	—
Auditor's remuneration	**3,345**	3,185
Rental income (net of negligible outgoing)	**(2,133)**	—
Cost of inventories recognised as an expense (including write down of inventories of HK$Nil (2014: HK$4,134,000))	**28,649**	4,632
Operating lease rental in respect of office premises	**7,769**	11,721

8. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current tax	**—**	—
Deferred tax	**—**	—
	—	—

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

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

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

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

9. LOSS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, as used in the calculation of basic and diluted loss per share	**6,868,030**	1,038,124

	2015	2014
	'000	*'000*
		(Restated)
Number of shares		
Number of ordinary shares in issue for the calculation of basic and diluted loss per share *(Note a)*	**1,689,137**	1,689,137

Note:

(a) The number of shares for the purposes of calculating the basic and diluted loss per share for the years ended 31 March 2015 and 2014 have been adjusted to reflect the impact of Capital Reorganisation.

(b) The denominators used are the same as those detailed above for both basic and diluted loss per share.

The computation of diluted loss per share for both years does not assume the exercise of share options or the conversion of the Company's outstanding convertible notes since their assumed exercise or conversion would result in a decrease in loss per share.

10. EXPLORATION AND EVALUATION ASSETS

	Mining and exploration rights *(Note a)* *HK$'000*	Others *(Note b)* *HK$'000*	Total *HK$'000*
At 1 April 2013	285,676	7,014	292,690
Additions	—	5,616	5,616
Written off	—	(12,630)	(12,630)
At 31 March 2014	285,676	—	285,676
Additions	—	140	140
Written off *(Note c)*	—	(140)	(140)
Impairment loss recognised in profit or loss	(285,676)	—	(285,676)
At 31 March 2015	—	—	—

Notes:

(a) The balance of mining and exploration rights solely represents an exploration concession of around 2,986 hectares in Western Mongolia for ferrous resources. This iron ore exploration concession has been affected by the Mining Prohibition Law (the "**MPL**"). Zvezdametrika LLC ("**Z LLC**"), a wholly-owned subsidiary of the Company which owns the iron ore exploration concession, received a notice from the the Mineral Resources Authority of Mongolia (the "**MRAM**") during the year ended 31 March 2010 about the potential revocation of its exploration concession under the MPL and Z LLC was requested to submit the estimated compensation for termination of licences with supporting documents. After taking legal advice from the Group's Mongolian legal advisers, the Group decided not to respond to the MRAM's request. The Group's legal advisers have confirmed that their interpretation of the relevant legislation is that, following determination and removal of any overlap with prohibited areas and making revisions to the coordinates of the licensed area, the mineral licence will remain valid less the overlapping areas. The Group is not currently operating within what it considers to be the overlapping areas. According to the best knowledge of the management, there was no revocation of its licence at 31 March 2015.

As at 31 March 2015, only limited exploration works were done on the iron ore concession. During the year ended 31 March 2015, the condition of the iron ore market in China became considerably more unfavourable due to the significant drop in iron ore prices and the continuing fall in demand. In view of the present market sentiment, the development and production costs are expected to be high which will be unlikely to achieve a positive return for the Group. Further, the exploration and the ongoing development of the iron mine would require additional capital by the Group and increase the Group's financial pressure in addition to the need for its coal mining business. Based on the aforesaid, the management is of the view that it is not in the Group's interest to develop and retain the iron mine and has decided to concentrate the Group's resources on the re-commencement of commercial production of the Khushuut Coal Mine. In view of the present pessimistic business outlook of the iron ore industry and the significant capital investment required to develop the iron ore concession, the management of the Group is of the opinion that it is unlikely to identify a potential purchaser to acquire the iron ore concession in its current condition (also taking into account the uncertainties of the application of the MPL to the concession), before the exploration licence expires in October 2015. Also, based on the research performed by the management during the current year, minimal transactions in the market in Mongolia for iron ore concessions were recorded due to the fact that current market conditions are making investment in smaller iron ore concessions uneconomical (in particular those in more remote regions without established infrastructure). The management has therefore determined that the recoverable amount of this iron ore exploration concession is likely to be minimal and decided that the entire carrying amount was impaired during the year ended 31 March 2015.

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

For the year ended 31 March 2015, the Group confirmed with the Ministry of Environment and Green Department of Mongolia that 2 exploration/mining concessions are overlapping with the forest areas or water basin protection zones and therefore might potentially be affected by the MPL (2014: 2). As the carrying amounts have been fully impaired, the management considers this would not have a significant financial impact to the Group.

(c) Exploration and mining licences are granted for an initial period of 3 and 30 years respectively. The exploration licences can be extended for three successive periods of 3 years each and mining licences for two successive periods of 20 years each. During the year ended 31 March 2015, the Group has written off all costs related to the exploration and mining licences including those mentioned in (b) above as the management considers that the respective exploration licences are no longer fruitful. As a result, the corresponding evaluation and exploration assets are written off.

11. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**7,982**	—

The Group allows a credit period of 35 days to its customer. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2015	2014
	HK$'000	*HK$'000*
1–30 days	**7,982**	—

As at 31 March 2015, there were no significant trade receivables that were past due but were not impaired.

The carrying amount of the Group's trade receivables were denominated in RMB.

12. TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**35,459**	14,642
31 to 60 days	**5,620**	806
61 to 90 days	**360**	—
Over 90 days	**64,865**	52,688
	106,304	68,136

13. CONVERTIBLE NOTES AND OTHER FINANCIAL LIABILITY

	2015	2014
	HK$'000	*HK$'000*
Convertible notes		
— not yet expired *(Note a)*	**2,891,847**	2,454,535
— expired with extension *(Note b)*	**—**	489,360
Other financial liability *(Note c)*	**—**	316,633
	2,891,847	3,260,528

(a) Convertible notes not yet expired

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

	Debt component		Derivative component		Total	
	2015	2014	2015	2014	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	**2,400,116**	2,851,129	**54,419**	96,811	**2,454,535**	2,947,940
Issuance of convertible notes	**1,604,051**	—	**1,862,964**	—	**3,467,015**	—
Interest charge	**107,509**	267,949	**—**	—	**107,509**	267,949
Interest payable included in other payable	**—**	(145,151)	**—**	—	**—**	(145,151)
Transaction costs on issuance of convertible notes	**(1,153)**	—	**—**	—	**(1,153)**	—
Fair value gain on derivative component	**—**	—	**(736,059)**	(42,392)	**(736,059)**	(42,392)
Reclassified to other financial liability *(Note 13(c))*	**—**	(793,638)	**—**	—	**—**	(793,638)
Remeasurement of the debt component	**—**	219,827	**—**	—	**—**	219,827
Redemption	**(2,400,000)**	—	**—**	—	**(2,400,000)**	—
At end of the year	**1,710,523**	2,400,116	**1,181,324**	54,419	**2,891,847**	2,454,535

Analysed for reporting purposes as:

	2015	2014
	HK$'000	*HK$'000*
Current liabilities *(Note)*	**—**	2,454,535
Non-current liabilities	**2,891,847**	—
	2,891,847	2,454,535

Note:

In November 2013, as the Company defaulted on the redemption of certain convertible notes on the maturity date which triggered the Company's potential early redemption obligation under all other existing convertible notes, the liabilities relating to the HK$200 million 5% convertible note issued to Golden Infinity Co., Ltd. ("**Golden Infinity**") (the "**5% GI Convertible Note**") and HK$200 million 5% convertible note issued to Chow Tai Fook Nominee Limited ("**CTF**") (the "**5% CTF Convertible Note**") and HK$2 billion 3% convertible note issued to CTF (the "**3% CTF Convertible Note**") were reclassified as current liabilities during the year ended 31 March 2014.

On 19 September 2014, the Company entered into the subscription agreements with CTF, Golden Infinity and the holders of the 3.5% convertible notes with principal amount in aggregate amount of HK$466.8 million (the "**3.5% OZ Convertible Note**"), who conditionally agreed to subscribe for new 5-year 3% convertible notes at the subscription price which would be used for full settlement of the outstanding principal amount and accrued interest of the 3.5% GI Convertible Note (as defined in Note 13(c)) included in the other financial liability, the 3% CTF Convertible Note, the 3.5% OZ Convertible Note and for early redemption of the outstanding principal amount and accrued interest of the 5% CTF Convertible Note and the 5% GI Convertible Note.

On 21 November 2014, the Company issued convertible notes at HK$2,424,822,000, HK$542,315,000 and HK$499,878,000 to CTF, Golden Infinity and the holders of the 3.5% OZ Convertible Note respectively (the "**2014 Convertible Notes**").

(b) Convertible notes expired with extension

3% CTF Convertible Note with maturity date 16 June 2014

The 3% CTF Convertible Note with principal amount of HK$2 billion was unsecured and carried interest at a coupon rate of 3%. It expired on 16 June 2014 and the Company had not redeemed the principal and repaid the interest thereon on its maturity, therefore, the Company was in breach of the redemption requirement under the 3% CTF Convertible Note. CTF had agreed to grant the Company a moratorium on repayment of the outstanding principal and interest under the expired note from 16 June 2014 to 12 August 2014 (the "**Moratorium Period**") and the Moratorium Period had been further extended to 19 September 2014.

On 21 November 2014, the outstanding principal and interest was of 3% CTF Convertible Note was fully settled by issuance of the 2014 Convertible Notes (details please refer to Note 13 (a)).

3.5% OZ Convertible Note with maturity date 12 November 2013

3.5% OZ Convertible Note was due on 12 November 2013 and its repayment date was extended to a period of six months until 12 May 2014 with a fixed interest rate of 3.5% per annum. The repayment date of the 3.5% OZ Convertible Note was further extended to 19 September 2014.

On 21 November 2014, the outstanding principal and interest of 3.5% OZ Convertible Note were fully settled by issuance of the 2014 Convertible Notes (details please refer to Note 13 (a)).

(c) Other financial liability

As at 31 March 2014, the amount represented the 3.5% convertible note to Golden Infinity with a principal value of HK$300 million (the "**3.5% GI Convertible Note**") which was reclassified from convertible notes to other financial liability on its maturity during the year ended 31 March 2014. The loan was unsecured and with interest at fixed rate of 3.5%.

On 21 November 2014, the outstanding principal and interest of 3.5% GI Convertible Note were fully settled by issuance of the 2014 Convertible Notes (details please refer to Note 13 (a)).

14. CONTINGENT LIABILITIES

During the year ended 31 March 2013, the Company and MoEnCo LLC ("**MoEnCo**"), a wholly-owned subsidiary of the Company disputed the services provided by the former sole mining contractor and disagreed on the amount charged and the quality of services provided under the former mining contract and accordingly, refused to settle the contractor fees as claimed by the former sole mining contractor.

The former sole mining contractor issued two writ of summons on 14 February 2013 and 30 May 2013 claiming for the total sum of approximately HK$93.7 million. In May 2015, the former sole mining contractor applied to Court to amend its statements of claim under the two writs by amending, among others, (i) the currency of the claims from Mongolian Tugrik to United States Dollar; and (ii) the amount of the claim to include the alleged contractor fees up to October 2014. According to the amended statement of claims, two writ of summons make the total claims at approximately HK$198.9 million of which approximately HK$50.0 million (2014: HK$50.0 million) has been provided for in the consolidated financial statements as at 31 March 2015. Based on the opinion provided by legal counsel of the Company, the Directors consider that the payment of the remaining balance is not probable.

During the year ended 31 March 2015, the former sole mining contractor has proposed a mediation proceeding with the Company. Up to the date of approving these consolidated financial statements for issuance, there was no development.

As disclosed in Note 3 to the consolidated financial statements, the Group issued a notice of termination to the overburden removal contractor on 25 May 2015. Based on the Group's Mongolian legal advice, the Group may be required to pay approximately HK$7.8 million indemnity to the overburden removal contractor if the Group terminates the contract for convenience under the overburden removal services agreement. No provision has been provided for in the consolidated financial statements for the year ended 31 March 2015 as the termination of contract (obligating event) took place after the reporting period.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor's report for the year ended 31 March 2015 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 financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matters

As disclosed in Note 16 to the consolidated financial statements, the Group owns a number of mining concessions in Western Mongolia for coal mining, four of which the Mineral Resources Authority of Mongolia has notified the Group are within the area designated as land where mineral exploration and mining are prohibited under the Mining Prohibition Law (the "**MPL**") and the Group owns a number of mining concessions in Western Mongolia, which are also within the designated areas prohibited under the MPL. According to the MPL, the affected licence holders, including the Group, are to be compensated but details of the compensation are not currently available. If any of these mining concessions are revoked due to the MPL and the compensation received by the Group is significantly less than the carrying amounts of these concessions, the Group might incur a significant impairment loss on the related assets. The Directors have concluded that, other than the accumulated impairment losses recognised, no impairment that results from the MPL is required to be recognised in the consolidated financial statements.

In addition, we draw attention to Note 1* to the consolidated financial statements which indicates that as at 31 March 2015, the Group had net liabilities of approximately HK$3,239 million and net current liabilities of approximately HK$1,301 million. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, including from a substantial shareholder who is also the chairman and a director of the Company. If the finance is not available, the Group would be unable to meet its financial obligations as and when they fall due. This condition indicates the existence of a material uncertainly which may cast significant doubt about the Group's ability to continue as a going concern.

* *Being Note 1 in this announcement*

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Financial Year (2014: Nil).

ANNUAL GENERAL MEETING

The notice of the 2015 annual general meeting (the "**AGM**") will be published and despatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

During the Financial Year, with the completion of the coal processing infrastructures and the engagement of the mining contractors, we commenced commercial export of coking coal by the end of 2014. We have also completed the renewal of the convertible notes with our existing noteholders during the Financial Year.

RESULTS ANALYSIS

Revenue

The Group sold approximately 16,000 tonnes of clean coal to our customers in Xinjiang, China. The total revenue was HK$12.3 million (2014: HK$0.5 million). The average selling price of clean coal was HK$762 per tonne.

Cost of Sales

At the end of the Financial Year, the costs of inventory were lower than the net realizable value by HK$65.9 million (2014: HK$4.1 million). Therefore, the difference was charged to the costs of sales. The costs of sales related to the revenue was divided into cash costs of HK$20.1 million and non-cash costs of HK$8.5 million.

Other Gains and Losses

Following the successful installation of dry coal processing plant in Khushuut, several screening and other equipment became obsolete. A total of HK$39.4 million was written off during the Financial Year.

Administrative Expenses

Administrative expenses included the following major items:

(1) Staff costs of HK$58.6 million (2014: HK$72.9 million). No share option was granted during the Financial Year, therefore, no corresponding equity-settled share based payment expense was recognized (2014: 13.4 million);

(2) Legal and professional fees of HK$16.9 million (2014: HK$22.3 million); and

(3) Rental and utilities expenses of HK$13.7 million (2014: HK$21.8 million).

Fair Value Gain on Derivative Component of Convertible Notes

The convertible notes issued by the Company during the Financial Year (the "**2014 Convertible Notes**") contain both debt and conversion option components. At the date of issue (i.e. 21 November 2014), both the debt and conversion option components were recognized at fair value. The derivative component of 2014 Convertible Notes requires re-measurement at the end of each reporting period and a resulting gain in fair value amounting to HK$736.1 million was then recognized in the Financial Year.

Impairment Loss recognized on Khushuut Mine Related Assets ("Mine Assets")

An impairment review was undertaken by engaging an independent valuer to prepare a valuation report for the Financial Year. Same as previous periods, the independent valuer adopted a value-in-use approach to assess the fair value of the Mine Assets as at 31 March 2015. The major changes to previous valuation model as at 31 March 2015 were:

(1) The discount rate was 17.4% (2014: 18.5%);

(2) Estimated current selling price for washed product at around US$94 per tonne (2014: US$136 per tonne). The stringent coking coal market conditions in PRC accounted for the sharp decline in selling price; and

(3) Estimated production costs were updated based on the latest information.

As the recoverable amount of the Mine Assets determined by the independent valuer was significantly lower than their carrying amounts, an impairment loss amounted to HK$6.8 billion (2014: HK$0.3 billion) was recognized against the respective assets on a pro-rata basis. Such impairment loss is non-cash in nature and will not affect our liquidity, cash flows or debt covenants, nor will it have any impact on future operations.

The Company believes that the estimates/assumptions applied in the assessment of recoverable amount by the independent valuer are reasonable. However, these estimates/assumptions are subject to significant uncertainties and judgments. The Company has made its best estimates of all relevant factors to be included in the valuation model based on the current best available information. However, it is possible that the underlying estimates/assumptions can be changed significantly and further impairment charges/reversal of charges may be required in future period.

Finance Costs

The Company's default on redemption of the 3.5% OZ Convertible Note in November 2013 triggered the Company's early redemption obligation under the 3% CTF Convertible Note and 5% GI & CTF Convertible Notes. Accordingly, these convertible notes had been re-measured to their redemption amount in November 2013 and thereafter all related interest costs were being charged at respective coupon rates instead of respective effective interest rates (in the range of 14.38% to 18.22%) until their full repayment in November 2014 by the 2014 Convertible Notes. This accounted for the drop in finance costs during the Financial Year.

BUSINESS REVIEW

Coal Sales

We resumed commercial export of coking coal by the end of 2014. As we started late in this Financial Year, approximately 16,000 tonnes of clean coking coal (after washing) were sold to our customer in Xinjiang, PRC in this period.

Apart from the clean coking coal, we supplied approximately 18,990 tonnes of thermal coal to the local community in Mongolia during the Financial Year.

Coal production

We appointed an overburden removal contractor in April 2014 and a coal extraction contractor in July 2014 to prepare for our coal production by the end of 2014. The overburden removal contractor is principally required to provide blasting, removal of topsoil and overburden covering the coal to be extracted for the subsequent coal mining to take place. The principal job of the coal extraction contractor is to provide coal extraction services after the coal seam is exposed.

The quantity of overburden removal conducted by the contractor was approximately 3,754,000 bank cubic meters (BCM) during the Financial Year. Production of thermal coal and raw coking coal were approximately 725,000 tonnes and 198,000 tonnes respectively.

Apart from the field work contractors, we hired external coal trucking companies with a total of over 120 heavy-duty trucks to provide coal transportation services for our coal export. Approximately 39,500 tonnes of raw cooking coal were exported during the Financial Year.

Pursuant to the co-operation agreement entered in 2014, we have a corporate responsibility to support the local economic and its social developments. Therefore, we are under an obligation to supply domestic coal to the local community in the vicinity of our mine site. Our coal is important to the people in the nearby districts for their daily use, in particular, to relieve the local people hardship during winter season.

Coal Processing Infrastructures

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

Due to environmental issue, there is insufficient water source nearby our mine site for coal-wash processing. Hence, we built the DPP in Khushuut for initial coal processing before export. This could eliminate the unwanted rubbles and other materials to enhance the quality of our raw coking coal for export purpose, and also reduce our transportation costs. The processed coking coal will then be washed by our coal washing plant and sold as clean coking coal to our customer.

The building of the DPP commenced in 2013 and the infrastructure was completed in early 2014. After the installation of power generation system in May 2014, we began a series of test runs subsequently. The formal commissioning approval in respect of the DPP was given by the State Specialized Inspection Authority of Mongolia (SSIA) in September 2014. The remaining ancillary work was the building of a dust and wind protection wall around the DPP. The purpose of the dust and wind protection wall is to control the wind flow around the coal yard so that the amount of airborne dust is reduced during coal processing. It is 12-meter tall, around 1,160-meter long, and built around three sides of the DPP in Khushuut. The erection of the dust and wind protection wall was completed in November 2014. We have engaged an environmental consultant to continue providing environmental protection advice to us on our coal production process.

The coal washing plant is 15.5 kilometers from the border of Xinjiang (China) and Yarant (Mongolia). It has a gross area of 200,000 square meters and situated in Qinghe County, Altay Prefecture of Xinjiang, China. The coal washing plant comprises the main plant and production area, the raw coal stockpile area, and the office and living areas. The main plant and production areas include clean coal bunker, waste rock bunker, preparation workshop, filtration workshop and sedimentation facilities etc..

In September 2014, installation of all processing equipments was completed. All civil construction works were also completed in October 2014. We conducted a series of test runs immediately thereafter. The customs bonded yard of the coal washing plant received the permit for use in November 2014.

The test runs of the DPP in Khushuut and the coal washing plant in Xinjiang were to our satisfaction and they were put to formal operation by the end of 2014. Resumption of commercial coal export took place immediately thereafter.

Customers and Sales

As we were under coal production halt for the majority period of the Financial Year, we did not actively market for new customers during the year.

As we resumed commercial export by the end of 2014, the amount of coking coal sold during the Financial Year did not represent our full production capacity. However, as the continuous decline in price of coking coal in the PRC, this has negative impact on the scale of our production. We anticipate our coming production scale will shrink unless there is a rebound in the coking coal market.

Licences

Under the Minerals Law of Mongolia (the "**Minerals Law**"), in order to maintain an exploration licence valid and effective, a holder of such licence has numerous obligations to fulfill. These include, among others, submission of annual exploration plans, exploration reports, environmental protection reports, and annual safety reviews. An exploration licence holder is required to spend minimum exploration expenses on its exploration licence. An annual licence fee is also required to maintain validity of the exploration/mining licence.

Non-compliance of any of the requirements will not only lead to suspension or revocation of the licence, but also subject the holder to a fine.

Under our austerity measures, we have gradually returned the non-potential exploration and mining licences to the Mongolian government. These licences were non-Khushuut project related. The giving up or return of these licences will not have any material impact on the Group's financial condition and results of operations.

Please refer to the paragraph of "Exploration and Mining Concessions of the Group" in our annual report for further details.

Legal and Political Aspects

Failing economy and certain internal political reasons have prompted the Mongolian Parliament to appoint a new Prime Minister, Mr. Ch. Saikhanbileg and change the Cabinet in November 2014. Stimulation of the Mongolian economy and encouragement of foreign and domestic investments remain as the core policies of the Mongolian government. When announcing the policy program of his cabinet, the new Prime Minister emphasized the intention to overcome the current recession by supporting private entrepreneurship and creating better and transparent regulatory mechanisms at all government levels for mining operations.

A couple of government programs have been enacted with the purpose of improving the economic situation in the country and supporting small and medium enterprises and producers by reducing their tax burden, waiving import tariffs, limiting the government interference into the private businesses and encouraging various funding schemes. For example, the Parliament adopted a resolution in mid February 2015 to enable a program of "Overcoming the Current Economic

Hardships", and the Mongolian government would allocate MNT70 billion financing to the "Fund for Promoting Small and Medium Enterprises". The Mongolian government hopes the assistance would increase exports, promote the production of import-substituting products, and create jobs.

In the Financial Year, no legislative changes with adverse effect on our investments in Mongolia had been made. On the contrary, some amendments had been made to restore the confidence of investors in the mining sector.

Under the Minerals Law, the Parliament of Mongolia may declare a deposit as being strategically importance ("**Strategic Deposit**") and the Mongolian government has the power to participate into the equity interest of up to 50% of the mine being declared as Strategic Deposit, depending on the source of funding and the amount of investments made by the investors. In order to boost the confidence of the investors, amendments had been made to the Minerals Law relating to Strategic Deposit. The amendments provide an option for the Mongolian government either to take an equity interest in such deposits or to impose a special royalty in lieu of such interest. Accordingly, the amendments allow the Mongolian government's equity interest in a Strategic Deposit to be transferred to the licence holder, and in return, the licence holder will pay a special royalty by percentage approved by the government. The exact amount of royalty will vary depending on the specifics of the deposit, but is capped at a maximum of 5% in addition to other royalties payable under the Minerals Law and supplementary legislation.

The Law of Mongolia on the Prohibition of Minerals Exploration and Mining in Headwater Areas, Protected Zones for Water Reserves and Forest Lands (the "**MPL**") used to impose severe restrictions on exploration and mining licences over environmental protection issues. Under the MPL, new exploration licences and mining licences overlapping the defined prohibited areas will not be granted, while previously granted licences that overlap the defined prohibited areas will be terminated within five months following the adoption of the law. Changes have been introduced under its amendments in 2015. The main change is that the licence holders may continue their operations subject to undertaking a number of obligations in respect of protection and restoration of the environment. If the licence holders wish to operate on the affected areas, they should submit requests to the Mineral Resources Authority of Mongolia (the "**MRAM**") within three months from the effective date of amendments (16 March 2015), and also enter into an agreement with the Mongolian Ministry of Environment, Green Development and Tourism, the MRAM and the governor of the relevant province. The licence holders are required to deposit funds equal to the cost of environmental protection and restoration for the project. However, the amendments are only applicable to the "ordinary" protection zones rather than headwaters of rivers or other protected zones. The licence with areas overlapping with headwaters of rivers and other protected zones may still have the risks of revocation under the MPL. Nevertheless, it provides more certainty to investors who are still investing in or will consider investing in the mining sector.

In addition, the MRAM had started re-issuing mineral exploration licenses in February 2015 which was halted from issuing years ago by the president of Mongolia.

By resolution #193 of 16 March 2015, the Mongolian Cabinet endorsed the use of relevant international coal specifications standards in coal mining operations in Mongolia.

Further, in an attempt to ensure the efficient and proper use of state and local government funds, the transparency of decisions and actions concerning budget management, the Parliament of Mongolia adopted the Law on Glass Account which aims at establishing a transparency system of reporting on financial transactions of government agencies and public organizations. The law enables citizens' control and monitoring of the spending of the taxpayers' money. It will help Mongolia establish an effective financial prudence and accountability system, prevent corruption, bribery and misuse of public funds.

Over the last few months, some major decisions concerning larger mineral mines and their foreign investors have been made: an agreement between the Cabinet and Rio Tinto, one of global mining giants, over a massive underground expansion of the flagship copper and gold mine Oyu Tolgoi had been reached after two years of negotiations; a consortium comprised Mongolia's Energy Resources LLC, China's Shenhua Energy Co., Ltd. and Japan's Sumitomo Corp established a strategic investment agreement with Mongolian government for the state-owned Tavan Tolgoi deposit. These and other landmark decisions indicate the Mongolian government's determination to support private investments in the country.

Disputes with Contractors

With Leighton

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

In September 2013, we received the mediation notices from Leighton. According to these notices, Leighton proposed a stay of proceedings pending the mediation. The mediation has yet to proceed. A notice of intention to proceed from the legal representative of Leighton was issued to us. Apart from this, there was no development in the Financial Year.

In May 2015, Leighton applied to Court to amend its statements of claim under the two writs by amending, among others, (i) the currency of the claims from Mongolian Tugrik to United States Dollar; and (ii) the amount of the claim to include the alleged contractor's fees up to October 2014.

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

According to its amended statement of claims,

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

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

making the total claims now at US$25.64 million (approximately HK$198.9 million).

According to the advice from our legal adviser, the contract with Leighton was terminated on or before the mine was handed over to us in 2012 and we have a reasonably strong case to defend such claims. We will continue to pursue the case to protect our best interests.

With a Xinjiang Contractor

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

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

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

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

Others

Subscription of Convertible Notes

The issue of the convertible notes was completed which the 2014 GI Convertible Note, the 2014 CTF Convertible Note, and the 2014 SF Convertible Notes were issued to the relevant holders on 21 November 2014 to replace the expired and outstanding convertible notes of the Company. The aggregate principal amount of these new convertible notes issued was approximately HK$3,467.0 million. So far, no conversion of shares by any of the noteholders has been taken place.

FINANCIAL REVIEW

1. Liquidity and Financial Resources

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

During the Financial Year, the Company issued new 5-year 3% convertible notes with total principal amount of HK$3,467.0 million to redeem in full all outstanding/expired convertible notes.

The borrowings of the Group as at 31 March 2015 comprised convertible notes and advances from Mr. Lo amounting to HK$4,097.5 million (2014: HK$4,040.7 million). The convertible notes are non-current liabilities and will be matured on 21 November 2019. The advances from Mr. Lo are current liabilities.

As at 31 March 2015, the cash and bank balances were HK$13.1 million (2014: HK$48.6 million) and the liquidity ratio was 0.10 (2014: 0.03)

The Group had net current liabilities of approximately HK$1,301.2 million (2014: HK$4,513.4 million) as at 31 March 2015. Mr. Lo commits to offer his financial support to the Group during and after the Financial Year. Accordingly, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future.

2. Investment in Listed Securities

The increase in carrying value of the investment in listed securities was arising from the fair value gain of HK$12.01 million (2014: HK$29.8 million).

3. Charge on Group's Assets

There was no charge on the Group's assets as at 31 March 2015 (2014: Nil).

4. Gearing Ratio

As at 31 March 2015, the gearing ratio of the Group was 3.7 (2014: 0.5) which was calculated based on the Group's total borrowings to total assets.

5. Foreign Exchange

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

6. Contingent Liabilities

The details of the Group's contingent liabilities as at 31 March 2015 are disclosed at Note 14 to the consolidated financial statements.

EVENTS AFTER THE FINANCIAL YEAR

Tenancy Agreement

Our existing office lease in Hong Kong is due to expire in July 2015. According to our austerity measures, we have rented a new office premises located in Connaught Road West to replace our existing office. The new tenancy agreement was entered on 27 April 2015. It is for a term of two years commencing from 8 May 2015 and expiring on 7 May 2017 with an option to renew for one year.

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

Mining Contractors

Our mining operations have been affected by the unfavorable market conditions and the continuous decline in price of coking coal in China. Pursuant to our austerity measures, on 30 April 2015, we requested our overburden removal contractor to temporarily suspend its works for a discussion of rescheduling the scale of our mining works. The measures taken are to preserve our cash position to ensure we have sufficient working capital for our business in the ordinary course.

We proposed a slash in overburden removal works until 31 December 2015 and the settlement method of their service fees so as to alleviate our operating expenses and cash outflow.

As no mutually acceptable solution regarding the relevant arrangement could be reached, we terminated the overburden removal contract pursuant to the terms of the relevant mining agreement. The termination will be effective on 24 July 2015.

On 8 June 2015, the Company and MoEnCo LLC entered into the subscription agreement with the coal extraction contractor (the "**Subscriber**") whereby the Subscriber conditionally agreed to subscribe for a total of 11,055,179 new ordinary shares of the Company at the subscription price of HK$0.54 per share. The aggregate subscription amount in the sum of HK$5,969,796.66 is equivalent to the amount of the outstanding service fees in the sum of US$770,296.37 due and owing by MoEnCo LLC to the Subscriber under the relevant mining agreement for the mining and related services rendered by the Subscriber to MoEnCo LLC in March and April 2015. The subscription amount is used to repay and settle the said outstanding service fees. Completion of the subscription took place on 17 June 2015 in accordance with the terms of the subscription agreement.

OUTLOOK

As disclosed in our results this year, we have been impacted by the adverse global coking coal market conditions. The average market price of coking coal has been dropping to its lowest level in China in the decade, causing many miners to go on a suspension mode or to cut the output for battling the sluggish demand. Similar to other miners in China, our primary short term focus is to cut down the operating expenses. A number of measures have already been adopted during this year including relocation of our office premises in Hong Kong in the coming July, termination of the overburden removal services, and reduction of the operation scale and output of our coal mine. We anticipate our mining operations will remain in a relatively low scale in short term unless there is a sharp rebound in the market prices of coking coal. We will continue to revise our mining plan from time to time in response to the market conditions and developments closely. We are grateful for the support of some of our contractors which have agreed to lower their service fees up to the end of this year in view of the current unfavorable market conditions.

Although the demand of coking coal has been keeping at a low level throughout the year so far, there are positive signs that the China's coking coal market is stabilized in June 2015. Some Shanxi big miners are keeping prices unchanged while some have increased their coking coal prices mildly. There are also reports stating that the steel makers have been making marginal profits recently. We are optimistic that the demand of steel will increase gradually in China under the national policies of "One Belt, One Road" and the support for the China's estate market which will help turn around the coking coal market in the medium term.

Though we are facing the current unfavourable market environment, we would seize any opportunities that may maximize the value of the Company and the shareholders' return.

HUMAN RESOURCES

As at 31 March 2015, excluding site and construction workers directly employed by our contractors, the Group employed 552 full-time employees in Hong Kong, Mongolia, and the 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 a periodic basis. Apart from the retirement scheme, year-end bonus, and share options are awarded to the employees according to performance of the Group, 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 has purchased, sold, or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

   Due to another business engagement, the Chairman was unable to attend the 2014 AGM. An executive director took the chair of the 2014 AGM and answered questions raised by the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Chairman of the Audit and Remuneration Committees of the Company was also present to answer shareholders' questions at the 2014 AGM. Other than the AGM, the shareholders may communicate with the Company through the contact methods listed on the Company's website.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

During the period of sixty days immediately preceding and including the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to and including the publication date of the annual results, all the Directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published.

During the period of thirty days immediately preceding and including the publication date of the half year results or, if shorter, the period from the end of the relevant quarterly or half year period up to and including the publication date of the half year results, all the Directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published.

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

It is stipulated under the Code and/or the Employees' Guidelines that all dealings of the Company's securities must be conducted in accordance with the provisions stated therein. Under the Code, the Directors are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company, and in the case of the Chairman himself, he must notify the designated Director and receive a dated written acknowledgement before any dealings.

Having made specific enquiry by the Company, all the Directors have confirmed in writing that they have complied with the required standards set out in the Model Code and the Code throughout the Financial Year.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three independent non-executive Directors. Mr. Lau Wai Piu was appointed as the chairman of the Audit Committee. He has appropriate professional qualifications, accounting and related financial management expertise.

Composition of the Audit Committee:

Mr. Lau Wai Piu *(chairman of the Audit Committee)*
Mr. Peter Pun *OBE, JP*
Mr. Tsui Hing Chuen, William *JP*

The Audit Committee has reviewed the consolidated financial statements for the Financial Year of the Group.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.mongolia-energy.com). The annual report of the Company for the Financial Year 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.

By Order of the Board
Mongolia Energy Corporation Limited
Lo Lin Shing, Simon
Chairman

Hong Kong, 22 June 2015

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