THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mongolia Energy Corporation Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

MEC

MONGOLIA ENERGY CORPORATION LIMITED

蒙古能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

VERY SUBSTANTIAL ACQUISITION
FURTHER ACQUISITION IN WESTERN MONGOLIA
OF FURTHER MINE AREAS OF AROUND 32,000 HECTARES
(APPROXIMATELY 1/3rd THE SIZE OF HONG KONG SAR)
WITH COAL RESOURCES ESTIMATED AT BETWEEN 1 TO 2 BILLION TONNES
ALONG WITH OTHER FERROUS RESOURCES AND NON-FERROUS RESOURCES
SUBJECT TO EXPLORATION FOR EVENTUAL COMMERCIAL EXPLOITATION

CHANGE TO ONE CONDITION PRECEDENT FOR COMPLETION
UNDER INITIAL ACQUISITION IN WESTERN MONGOLIA
OF INITIAL MINE AREAS OF OVER 34,000 HECTARES
(APPROXIMATELY 1/3rd THE SIZE OF HONG KONG SAR)
WITH COAL RESOURCES ESTIMATED AT 2.4 BILLION TONNES
SUBJECT TO EXPLORATION FOR EVENTUAL COMMERCIAL EXPLOITATION

A notice convening a special general meeting of the Company to be held at Room Everest, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Monday, 16 July 2007, at 2:30 p.m. is set out on pages 28 to 29 of this circular. If you are not able to attend and/or vote at the meeting, you are strongly urged to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

25 June 2007

* *For identification purposes only*

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Announcement"	means the announcement of the Company dated 30 May 2007 in relation to the Further Acquisition and the Supplement.
"Board"	means the board of Directors of the Company.
"Business Day"	means a day (other than a Saturday, Sunday and public holiday) on which banks are open for business in Hong Kong during their normal business hours.
"CEO"	means chief executive officer of the Company.
"Coal Mine"	means the Initial Mine Areas.
"Coal Resources"	means the coal Resources of the Initial Mine Areas and/or the Further Mine Areas, as the context requires or permits.
"Coal Resources Exploitation Payments"	means HK$10.00 per tonne.
"Coal Resources Fee"	means HK$2.00 per tonne of coal Resources of the Further Mine Areas by way of Loan Note (with a 3% per annum coupon rate with 5-year maturity) as deferred payment.
"Commercial Exploitation"	means the commercial exploitation of the Mining Rights over the Initial Mine Areas and/or the Further Mine Areas as the context requires or permits.
"Company"	means Mongolia Energy Corporation Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange.
"Completion"	means completion of the Further Acquisition of the Further Mine Areas upon satisfaction of the Conditions Precedent.
"Completion Date"	means the third (3rd) Business Day following the Conditions Precedent being satisfied to the satisfaction of the Purchaser.
"Conditions Precedent"	means the conditions precedent to Completion of the Further Acquisition of the Further Mine Areas as set out under the Further Agreement.
"Consents"	includes any licence, consent, approval, authorization, permission, waiver, order, exemption, qualification, registration, certificate, authority or other approval.

"Consideration"	means the nominal consideration for the Further Acquisition comprising US$1.00.
"CTF"	means Chow Tai Fook Nominee Limited, a company incorporated in Hong Kong with limited liability and wholly owned by Dato' Dr. Cheng Yu Tung.
"Directors"	means directors of the Company.
"Dragon"	means Dragon Noble Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Dr. Cheng Kar Shun.
"Enlarged Group"	the Group as enlarged by the Further Acquisition.
"Exploitation Payments"	means as the context requires any or all of the Coal Resources Exploitation Payment, the Ferrous Resources Exploitation Payment and the Non-Ferrous Resources Exploitation Payment.
"Exploration"	means the exploration activities over the Initial Mine Areas and/or the Further Mine Areas as the context requires or permits.
"Exploration Company"	means China Geology 129 Exploration Team which provides the drilling and other aspects of exploration over the Further Mine Areas. The Exploration Company is also the exploration company of the Initial Mine Areas and was recommended by the Technical Adviser as having the relevant experience for conducting Exploration.
"Exploration Expenses"	means the expenses incurred by the Company in the carrying out the Exploration.
"Exploration Licences"	means the four (4) exploration licences of the Mining Company and related Exploration Rights as set out in this circular.
"Exploration Rights"	means all exploration and related rights under the Exploration Licences and the Minerals Law including without limitation the right to conduct exploration for the relevant Resource relating to the relevant part of the Further Mine Areas and which Exploration Rights will eventually be converted to Mining Rights upon compliance with the Mineral Laws.
"Ferrous"	means ferrous metals.
"Ferrous Resources"	means the ferrous metal Resources of the Further Mine Areas.

"Ferrous Resources Fees"	means 0.5% of the Prevailing International Market Price for the relevant Ferrous metal of the quality and type by way of Loan Note (with a 3% per annum coupon rate with 5-year maturity) as deferred payment.
"Ferrous Resources Exploitation Payments"	means 2.5% of the Prevailing International Market Price for the relevant Ferrous metal of the quality and type or the actual sales price, whichever the lower.
"Further Acquisition"	means the acquisition by the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law) of the Further Mine Areas constituted under the Exploration Licences pursuant to the Further Agreement along with any Mining Assets.
"Further Agreement"	means the Further Agreement of 29 May 2007 entered into between the Company, the Purchaser, the Guarantor and the Seller's Group in relation to the Further Acquisition as amended and supplemented from time to time in accordance with the provisions of the Further Agreement.
"Further Mine Areas"	means collectively the mine areas in western Mongolia as delineated by the Exploration Licences.
"Golden"	means Golden Infinity Co., Ltd, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Lo.
"Group"	means the Company and its subsidiaries, including the Purchaser.
"Group Member(s)"	means any or all of the members of the Group.
"Guarantor"	means Mr. Liu Cheng Lin, as the sole beneficial owner of the Seller's Group.
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong.
"Holding Company"	means Mega Bright Group Holdings Limited, a company incorporated in Hong Kong and wholly owned by the Seller as a passive holding company over the Mining Company.
"Hong Kong"	means Hong Kong Special Administrative Region of the PRC.

"Initial Acquisition"	means the acquisition of the Initial Mine Areas as set out under the Last Circular and sanctioned by the Shareholders at the special general meeting held on 18 April 2007.
"Initial Agreement"	means acquisition agreement dated 30 January 2007 entered into between, among others, the Company and the Guarantor in relation to the Initial Acquisition.
"Initial Mine Areas"	means the areas of the coal mine of over 34,000 hectares (around 1/3rd the size of Hong Kong SAR) being acquired under the Initial Acquisition as detailed under the Last Circular.
"Inferred Resources"	means in accordance with International Standards, the prospecting based on site inferred resources over the Initial Mine Areas and/or the Further Mine Areas as the context requires or permits.
"International Standards"	means the Guidelines to the United Nation International Framework Classification for Reserves/Resources adopted by UN ECE Committee on Sustainable Energy, Eleventh session, 21-22 November, 2001 as modified from time to time.
"Last Circular"	means the circular dated 22 March 2007 despatched by the Company to its Shareholders detailing the terms and conditions relating to the Initial Acquisition and which Initial Acquisition was sanctioned by the general meeting of the Company on 18 April 2007.
"Latest Completion Date"	means twelve (12) months from the date of the Further Agreement (unless extended with all parties' agreement under the Further Agreement).
"Latest Practicable Date"	18 June 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information.
"Letter of Intent"	means the non-binding letter of intent of 15 May 2007 relating to the Further Acquisition the contents of which were announced to the public on 15 May 2007 and which letter of intent formed the basis for further negotiations and entry into the Further Agreement between the same parties to the letter of intent.
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented and/or replaced.

"Loan Note"	means as the context requires, any or all of any loan notes issued by the Purchaser to the Seller for payment of the relevant Resources Fees (with a 3% per annum coupon rate with 5-year maturity) payable outside of Hong Kong.
"Minerals Law"	means the Revised Minerals Law of Mongolia adopted on 8 July 2006 as amended, modified or replaced, from time to time.
"Mining Assets"	means all tangible assets and property relating to the Further Mine Areas owned by the Mining Company of which currently there is none.
"Mining Company"	means MBGHL LLC, a company incorporated in Mongolia with limited liability and a wholly-owned subsidiary of the Holding Company.
"Mining Licences"	means the mining licences from a conversion from the Exploration Licences in accordance with the Minerals Law.
"Mining Period"	means the period which the Further Mine Areas can be mined under the Mining Licences which is approximately 70 years from the date of grant of the Mining Licences under the Minerals Law.
"Mining Rights"	means all mining and related rights under the Mining Licences and the Minerals Law including without limitation the (a) right to mine the relevant Resources relating to the Further Mine Areas and (b) the right to sell the mined Resources and products at international market price, at international markets.
"Mongolia"	means the independent sovereign nation of Mongolia.
"Mr. Lo"	means Mr. Lo Lin Shing, Simon, the Chairman, an executive Director and a substantial Shareholder.
"Non-Competition Period"	means a period of 5 years from the date of the Further Agreement.
"Non-Ferrous"	means non-ferrous metals.
"Non-Ferrous Resources"	means the non-ferrous metal Resources of the Further Mine Areas.
"Non-Ferrous Resources Exploitation Payments"	means 2.5% of the Prevailing International Market Price for the relevant Non-Ferrous metal of the quality and type or the actual sales price, whichever the lower.

"Non-Ferrous Resources Fees"	means 0.5% of the Prevailing International Market Price for the relevant Non-Ferrous metal of the quality and type by way of Loan Note (with a 3% per annum coupon rate with 5-year maturity) as deferred payment.
"Percentage" and "%"	means percent.
"Placement Agreement"	means the placing agreement entered on 30 January 2007 between the Company and the Placing Agent for the placing of the Placing Shares to Placees.
"Placing"	means the placing of the Placing Shares by the Placing Agent under the Placement Agreement.
"Placing Agent"	means, Taifook Securities Company Limited, the placing agent specified in the Placement Agreement.
"Placing Shares"	means 1,100,000,000 new Shares to be allotted to the placees under the Placement Agreement.
"PRC"	means the People's Republic of China.
"Prevailing International Market Price"	means the appropriate prevailing international market price for the relevant Resources selected by the Purchaser in good faith relating to the supply of the relevant Resources of a comparable quantity, quality and delivery terms to the intended destination or on such other good faith basis as determined by the Purchaser in the event that such prevailing international market price is not ascertainable based on such other comparables selected by the Purchaser.
"Probable Reserves"	means in accordance with International Standards, the general exploration based probable reserves following prefeasibility study and economic viability analysis.
"Proved Reserves"	means in accordance with International Standards, the detailed exploration based proved reserves following feasibility study and mining report.
"Purchaser"	means Mongolia Energy Corporation (Singapore) Pte Ltd, a company incorporated in Singapore with limited liability and an indirect wholly owned subsidiary of the Company.
"Reconnaissance Resources"	means in accordance with International Standards, the reconnaissance based on site reconnaissance resources over the Initial Mine Areas and/or the Further Mine Areas as the context requires or permits.

"Reserves"	means the Proved Reserves and the Probable Reserves.
"Resources"	means the Inferred Resources and the Reconnaissance Resources.
"Resources Fees"	means as the context requires any or all of the Coal Resources Fee, the Ferrous Resources Fee and the Non-Ferrous Resources Fee.
"Seller"	means Shine Ocean International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Guarantor.
"Seller's Group"	means the Seller, the Holding Company and the Mining Company which Seller wholly owns the Holding Company and the Holding Company wholly owns the Mining Company.
"Seller's Group Member(s)"	means any or all of the members of the Seller's Group.
"Seller's Group Members under the Initial Acquisition"	means (i) Puraway Holdings Limited, the seller under the Initial Acquisition and wholly owned by the Guarantor; (ii) MNRIG LLC, the holder of the mining licences and exploration licence under the Initial Acquisition and wholly owned by Mongolian Natural Resources Investment Group (Hong Kong) Company Limited; and (iii) Mongolian Natural Resources Investment Group (Hong Kong) Company Limited, the holding company of MNRIG LLC under the Initial Acquisition and wholly owned by Puraway Holdings Limited.
"SGM"	means the special general meeting of Company to be convened to consider and, if thought fit, approve, among other things, the Further Acquisition and the Supplement and the transactions contemplated therein.
"Shareholders"	means holders of the Shares.
"Shares"	means ordinary shares of HK$0.02 each in the share capital of the Company.
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited.
"Subscriptions"	means the subscription of an aggregate of 1,180,000,000 new Shares by CTF, Dragon and Golden, details of which were set out in the Last Circular.

"Supplement"	means the supplement dated 29 May 2007 to the Initial Agreement and made *inter alia* between the Guarantor and the Company allowing for an extension of time for the preparation of a Reserves report under the Initial Acquisition.
"Technical Adviser"	means John T. Boyd Company as technical adviser to the Company.
"Transaction"	means as the Further Acquisition and the transactions contemplated therein or thereby.
"Transaction Documents"	means, aside from the Further Agreement any other documents required or necessary to be entered by any party for the purposes of consummation of the Transaction or any part thereof.

In this circular, for purpose of illustration only, amount quoted in RMB have been converted into Hong Kong dollars at the rate of RMB1 to HK$1.03. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

MONGOLIA ENERGY CORPORATION LIMITED
蒙古能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

Executive Directors:
Mr. Lo Lin Shing, Simon
Ms. Yvette Ong

Non-executive Director:
Mr. To Hin Tsun, Gerald

Independent non-executive Directors:
Mr. Peter Pun, *OBE, JP*
Mr. Tsui Hing Chuen William, *JP*
Mr. Lau Wai Piu

Registered Office:
Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal place of business:
Rooms 1502-5
New World Tower 1
16-18 Queen's Road Central
Hong Kong

25 June 2007

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
FURTHER ACQUISITION IN WESTERN MONGOLIA
OF FURTHER MINE AREAS OF AROUND 32,000 HECTARES
(APPROXIMATELY 1/3rd THE SIZE OF HONG KONG SAR)
WITH COAL RESOURCES ESTIMATED AT BETWEEN 1 TO 2 BILLION TONNES
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**CHANGE TO ONE CONDITION PRECEDENT FOR COMPLETION
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WITH COAL RESOURCES ESTIMATED AT 2.4 BILLION TONNES
SUBJECT TO EXPLORATION FOR EVENTUAL COMMERCIAL EXPLOITATION**

INTRODUCTION

On 30 May 2007, the Board announced that on 29 May 2007, following further negotiations after the Letter of Intent was signed, the Company and its indirect wholly owned subsidiary, the Purchaser,

* *For identification purposes only*

entered into the Further Agreement with the Guarantor and the Seller's Group (beneficially owned by the Guarantor). Under the Further Agreement, the Seller has agreed to (procure the Mining Company (a Seller's Group Member)) sell, and the Purchaser has agreed to purchase, the Further Mine Areas along with the transfer of the Mining Assets at a nominal consideration of US$1.00. Pursuant to the Further Agreement, in case the Company chooses in its absolute discretion to conduct Exploration and when Resources are demonstrated that there should be "pay as demonstrated" Resources Fees and when the Company in its discretion chooses to actually use such demonstrated Resources or part thereof for Commercial Exploitation that there should be "pay as used" Exploitation Payments (details of such payments are set out under the paragraph headed "A3. The Consideration, Resources Fees and Exploitation Payments and Their Bases" below). The Further Mine Areas are being acquired for Exploration for Coal Resources, Ferrous Resources and Non-Ferrous Resources and eventual Commercial Exploitation. The Further Mine Areas are located in Khovd province, western Mongolia.

In addition, the parties to the Initial Agreement including, among others, the Company and the Guarantor, entered into the Supplement on 29 May 2007 to change one condition precedent for completion under the Initial Acquisition of the Initial Mine Areas.

The purpose of this circular is to give you further details of the Further Acquisition and the Supplement. This circular also contains the notice of the SGM for consideration and, if thought fit, to approve the Supplement, the Further Agreement and the transactions contemplated therein.

A. THE FURTHER ACQUISITION

1. THE PARTIES AND THE DATE

Further to the Letter of Intent as announced on 15 May 2007, the Company is pleased to announce that on 29 May 2007, the Further Agreement was entered into by the following parties:–

(1) Seller – Shine Ocean International Limited, a company incorporated in the British Virgin Islands with limited liability as seller;

(2) Purchaser – Mongolia Energy Corporation (Singapore) Pte Ltd, a company incorporated in Singapore with limited liability and an indirect wholly owned subsidiary of the Company and as purchaser;

(3) Mining Company – MBGHL LLC, a company incorporated in Mongolia with limited liability and wholly owned by the Holding Company and as beneficial owner of the Further Mine Areas which Further Mine Areas are the target of the Further Acquisition by the Purchaser;

(4) Guarantor – Mr. Liu Cheng Lin as guarantor of the obligations of the Seller's Group;

(5) The Company – Mongolia Energy Corporation Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange as performance guarantor of the obligations of the Group; and

(6) Holding Company – Mega Bright Group Holdings Limited, a company incorporated in Hong Kong with limited liability and wholly owned by the Seller as a passive holding company of the Mining Company;

upon which, the Seller agrees (to procure the Mining Company (a Seller's Group Member)) to sell, and the Purchaser agrees to purchase, under the Further Acquisition, the Further Mine Areas, by way of a transfer of the Exploration Licences to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law) along with a transfer of the Mining Assets relating to the Further Mine Areas to the Purchaser or its nominee.

Apart from the fact that the Guarantor will become a shareholder of the Company upon completion of the Initial Acquisition, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Guarantor and the Seller's Group Members is a third party independent of the Group and not connected persons of the Group.

2. ASSET TO BE ACQUIRED

The Further Mine Areas (except Licence no. 8994X which is located adjacent to the Initial Mine Areas) are located in Khovd province, western Mongolia approximately within a 100 km radius from the Initial Mine Areas and will serve as a feeder to the Initial Mine Areas in relation to the Coal Resources where coal fired generation facilities (that is, power plants) and power lines for inter-connection with the electricity grid to Xinjiang is being studied. As at the date of the Announcement, as advised by the Mongolian legal counsel, the Seller owns the Exploration Licences (through the Mining Company), granted by the Mongolian government. The Purchaser will acquire the Further Mine Areas from the Seller by acquiring the Exploration Licences (from the Mining Company) along with any Mining Assets of which currently there is none. The details of the Exploration Licences are summarized in the table below:

The Exploration Licences

Licence (Licence no.)	Location	Mine Area (Hectare)*	Licence date	Licence valid period#
8976X	Western Mongolia	26,033	17 December 2004	9 years
8994X	Western Mongolia	39	20 December 2004	9 years
11628X	Western Mongolia	3,519	3 April 2006	9 years
11724X	Western Mongolia	2,112	28 April 2006	9 years
Total Hectares		31,703		

* *1 Hectare = 10,000 square metres. That is an area of 100m x 100m.*

\# *The Exploration Licences are for 3 years with two further extensions of 3 years.*

The Further Mine Areas are around 32,000 hectares in size (around 1/3rd the size of Hong Kong SAR) and located in Khovd province, western Mongolia as with the earlier Initial Mine Areas being acquired by the Company under the Initial Acquisition of over 34,000 hectares as set out under the Last Circular. Thus, the Further Acquisition approximately doubles the areas being acquired by the Group in western Mongolia to around 66,000 hectares (around 2/3rd the size of Hong Kong SAR) for Exploration and eventual Commercial Exploitation.

In terms of Coal Resources under the Further Mine Areas, the Science Academy under the Institute of Geology and Mineral Resources of Mongolia has confirmed as of the date of the Further Agreement, that based on Russian geologist's geological assessment of most of the Further Mine Areas conducted during the 1960's that there are between 1 billion to 2 billion tonnes of Coal Resources. This estimate is subject to Exploration. Further, the geology of the Further Mine Areas sits on Permian rock formation as with the geology over the Initial Mine Areas under the Initial Acquisition. When a geological survey is done, geologists essentially look at the geological age of the rock formation. The rock formation for Permian rock is around 240 million years of age and a survey of the rock formation in 1960 is a recent event in the geological time scale.

Accordingly, the combined Coal Resources under the Initial Acquisition and the Further Acquisition are thus between 3.4 billion to 4.4 billion tonnes of Coal Resources. This is the aggregate of the 1 to 2 billion tonnes Coal Resources figure for the Further Mine Areas as set out above and the 2.4 billion tonnes Coal Resources figure for the Initial Mine Areas as set out under the Circular. These estimates are subject to Exploration.

The Further Acquisition will be effected by way of a transfer of four (4) exploration licences over the Further Mine Areas along with the Mining Assets, (of which currently there is none) from the Mining Company to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law). The Exploration Licences have a 9-year duration from their respective licence dates as set out above. Mongolian legal counsel has advised that there is no legal impediment to converting such Exploration Licences to 70-year Mining Licences with a corresponding 70-year Mining Period subject to compliance with the Minerals Law. Accordingly, the Company has hired an in-house Mongolian lawyer based at the Company's recently established office in Mongolia, to attend to legal formalities relating to the conversion of the Exploration Licences to Mining Licences along with overall compliance with the Minerals Law and other rules and regulations of Mongolia.

3. THE CONSIDERATION, RESOURCES FEES AND EXPLOITATION PAYMENTS AND THEIR BASES

Up-front nominal Consideration

During negotiations with the Guarantor, the Guarantor has rationalized that he is confident that the Initial Acquisition will complete. Accordingly, he will eventually be a substantial Shareholder of the Company. Thus, the Guarantor has agreed, under the Further Agreement, for the Seller to transfer the Exploration Licences to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law) at a nominal consideration of US$1.00 from the Purchaser to the Seller. This is intended to be to and for the benefit of the Company. However, the Guarantor requires that in case the Company chooses in its absolute discretion to conduct Exploration and when Resources are demonstrated that there should be “pay as demonstrated” Resources Fees and when the Company in its discretion chooses to actually use such demonstrated Resources or part thereof for Commercial Exploitation that there should be “pay as used” Exploitation Payments. These are set out as follows:

“Pay as demonstrated” Resources Fees

Following Completion of the Further Acquisition and within 30 days after the relevant Exploration for the Resources, or such part thereof as acceptable to the Purchaser, has determined by the Exploration Company in accordance with the International Standards that there are Coal Resources, Ferrous Resources and Non-Ferrous Resources, as the case may be, the Purchaser will pay the Seller, subject to compliance with applicable regulatory requirements, the Resources Fees for the relevant Coal Resources, Ferrous Resources and Non-Ferrous Resources, as follows:

(a) Coal Resources Fees: HK$2.00 per tonne for the coal Resources of the Further Mine Areas by way of Loan Note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment;

(b) Ferrous Resources Fees: 0.5% of the Prevailing International Market Price for the relevant Ferrous metal of the quality and type by way of Loan Note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment; and

(c) Non-Ferrous Resources Fees: 0.5% of the Prevailing International Market Price for the relevant Non-Ferrous metal of the quality and type by way of Loan Note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment.

The Purchaser is confident that within the 5-year maturity for the Loan Note, Commercial Exploitation of the Resources shall have taken place and the Purchaser shall be in a position to satisfy the Loan Note from the Purchaser’s own internal resources. In fact, the Purchaser has the absolute discretion relating to Exploration and intends to only to explore the Resources that it believes will be eventually put to Commercial Exploitation within the tenor of the Loan Note.

"Pay as used" Commercial Exploitation Payment

Following Exploration and determination by the Purchaser in its sole and absolute discretion to conduct Commercial Exploitation of the relevant Resources or part thereof (Coal Resources, Ferrous Resources and the Non-Ferrous Resources, as the case may be), the Purchaser shall pay the Seller, subject to compliance with applicable regulatory requirements, further Exploitation Payments quarterly in arrears, based on the quality and quantity of the actual Resources sold under Commercial Exploitation for the quarter prior to quarter during which payment is to be made, as follows:

(a) Coal Resources Exploitation Payments: HK$10.00 per tonne;

(b) Ferrous Resources Exploitation Payments: 2.5% of the Prevailing International Market Price for the relevant Ferrous Metal of the quality and type or the actual sales price, whichever the lower; and

(c) Non-Ferrous Resources Exploitation Payments: 2.5% of the Prevailing International Market Price for the relevant Non-Ferrous Metal of the quality and type or the actual sales price, whichever the lower.

The Purchaser is confident that it will be able to pay for the Commercial Exploitation Payments as the Resources would have been sold at the open market already and the Company does not intend to extend any credit terms for the sale of resources.

The commercial basis

The commercial basis of the above figures was arrived after commercial negotiations. The Company approached the commercial negotiations in relation to the Coal Resources based on the HK$12.00 per tonne figure under the Initial Acquisition (for seller's windfall payment thereunder). In relation to the other Resources the 3% figure (being the aggregate of 0.5% under the "pay as demonstrated" Resources Fees and 2.5% under the "pay as used" Commercial Exploitation payments) was based on the HK$12.00 per tonne figure for Coal Resources being more or less approximately 3% of the price range for thermal coal of a medium quality and grade which sells into China at or around HK$400 per tonne. From the Company's perspective, during the negotiations, if the 3% figure was successfully negotiated, the Company would view such a conclusion to be an attractive outcome. This is in the context that the other Resources are of higher values which is a reflection of the scarcity of supply for which normally a higher figure would be expected by the Company. As such, the Directors' view is that the above figures for the Consideration, Resources Fees and Exploitation Payments are fair and reasonable.

Terms of the Loan Note

The terms of each of the Loan Note issued in respect of each payment of Resources Fees are as follows:

Principal amount:	The relevant amount of the Resources Fees from time to time in accordance with the Further Agreement
Maturity:	The fifth (5th) anniversary from the date of issue of the Loan Note
Transferability:	The Loan Note is not transferable
Interest rate:	A simple interest rate of 3.0% per annum payable outside Hong Kong
Security:	No security will be provided by the Purchaser in respect of its obligations under the Loan Note
Repayment:	At the sole discretion of the Purchaser, the Loan Note or such part thereof may be repaid earlier. Otherwise, payment of principal and interest of Loan Note is upon its maturity

The terms of the Loan Note provide a degree of flexibility for the Group to acquire the Further Mine Areas in that it will not create any immediate cash flow issue to the Group.

The Directors are of the opinion that the Consideration, Resources Fees, and Exploitation Payments and the terms of the Loan Note are fair and reasonable after taking into account the bases set forth above, and that the entering into of the Further Agreement is in the interest of the Group and the Shareholders as a whole.

4. CONDITIONS PRECEDENT

Completion of the Further Acquisition is conditional upon:

(a) The Exploration Licences which are lawfully held in the name of the Mining Company having been transferred to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law).

(b) The certification by the Science Academy of Mongolian under the Institute of Geology and Mineral Resources of Mongolia certifying that the Further Mine Areas contain approximately 1 billion to 2 billion tonnes of Coal Resources, which has been obtained as of the date of the Further Agreement.

(c) The requisite Shareholders' approval (at the SGM of the Company) in the form of passing of relevant resolutions at the SGM approving the Further Acquisition and the Transaction contemplated under the Further Agreement.

(d) All requisite agreements, consents and documents as advised by the various legal counsels or otherwise required by the Purchaser for the Further Acquisition are obtained including as required under the Listing Rules.

(e) The transfer of the physical possession of the Further Mine Areas and the Mining Assets (if any), to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law).

(f) Legal opinions to the satisfaction of the Purchaser from Mongolian, Hong Kong and British Virgin Islands legal counsels, if required by the Purchaser.

(g) The Purchaser's due diligence on such matters relating to the Further Mine Areas and the Further Acquisition to its satisfaction in good faith.

(h) The entry into the Supplement and the requisite Shareholders' approval.

(i) Such further documents and/or information and/or Consents required by the Purchaser by reasons of circumstances arising after the entry into the Further Agreement and requested in writing three (3) Business Days prior to the Completion.

As at the Latest Practicable Date, condition (b) and (g) have been fulfilled.

5. COMPLETION OF THE FURTHER ACQUISITION

Completion of the Further Acquisition shall take place on the 3rd Business Day following the Conditions Precedent being satisfied to the satisfaction of the Purchaser. The Completion shall be completed on or before the Latest Completion Date.

6. CUSTODY OF THE EXPLORATION LICENCES

As at the date of the Announcement, the Seller (through the Mining Company) has deposited the Exploration Licences with the Purchaser's Mongolian legal counsel. The Seller (through the Mining Company) authorizes the Purchaser to transfer legal title to the Exploration Licences to the Purchaser's nominee established in Mongolia and will render all assistance as the Purchaser requires in good faith to enter into any and all documents for such purpose, as and when the Purchaser deems appropriate, at any time, whether on or prior to Completion.

7. GUARANTEE BY THE GUARANTOR

The Guarantor unconditionally and irrevocably guarantees to the Company the due and punctual payment and performance by the Seller's Group Members of its obligations under the Further Agreement and the Transaction Documents and undertakes to indemnify and keep indemnified the Company against all losses, damages, costs and expenses of whatsoever nature which the Company may suffer or incur by reason of any default or delay on the part of each Seller's Group Member in the payment or performance of any of its obligations under the Further Agreement and the Transaction Documents. The Guarantor further undertakes to the Company to procure each Seller's Group Member's performance of its obligations under the Further Agreement and the Transaction Documents as and when they fall due and in case of default to assume the performance obligations of each Seller's Group Member.

8. PERFORMANCE GUARANTEE BY THE COMPANY

The Company undertakes to the Guarantor to procure the performance of each Group Members of its obligations under the Further Agreement and the Transaction Documents as and when they fall due and in case of default to assume the performance obligations of each Group Member.

9. NON-COMPETITION

Each Seller's Group Member agrees that during the Non-Competition Period (of 5 years from the date of the Further Agreement), it shall not directly or indirectly compete with the Company, the Purchaser or the Purchaser's nominee in relation to coal mining, ferrous metal and non-ferrous exploration and commercial exploitation in Mongolia and the PRC which actually or potentially competes with any Group Member's Exploration and Commercial Exploitation activities at the Further Mine Areas.

10. EXPLORATION AND COMMERCIAL EXPLOITATION TO BE CARRIED OUT BY THE GROUP

Following Shareholders' approval (at the SGM of the Company), the Purchaser will conduct Exploration over the Further Mine Areas as soon as practicable for the Coal Resources, the Ferrous Resources and the Non-Ferrous Resources and to incur all necessary Exploration Expenses as the Purchaser in its sole and absolute discretion deems appropriate and the Seller (through the Mining Company) shall render all assistance as the Purchaser requires in relation to the Exploration works, including to provide the Purchaser with such further documents and/or information as required by the Purchaser from time to time.

Following Exploration over the Further Mine Areas for the Coal Resources, the Ferrous Resources and the Non-Ferrous Resources, and the determination in the sole and absolute discretion of the Purchaser that the Commercial Exploitation shall commence, the Purchaser shall incur all necessary expenses for Commercial Exploitation as the Purchaser in its sole and absolute discretion deems appropriate and the Seller (through the Mining Company) shall render all assistance as the Purchaser requires in relation to the Commercial Exploitation, including to provide the Purchaser with such further documents and/or information as required by the Purchaser from time to time. The timing of commencing Commercial Exploitation will depend on the outcome of the Exploration and by responding to market demands.

The Group shall carry out the Exploration of the Further Mine Areas with the Exploration Company. The Company's CEO was formerly the Executive Director – Asia Pacific of the Technical Adviser and the Company has the in-house expertise to co-ordinate all aspects as to the Exploration and Commercial Exploitation. The credential of the Technical Adviser can be seen in the Last Circular. It was the technical adviser for China Shenhua Energy Company Limited's global offering in 2005. The initial Exploration Expenses are estimated to be HK$72 million based on the fee quotes as of the date hereof by the Exploration Company over the Further Mine Areas. The Group intends to carry out Exploration immediately after the approval of the Further Acquisition by the requisite Shareholders at the SGM set out below. The initial Exploration Expenses will be satisfied by the Group's internal resources.

In addition, the Group will provide an additional RMB70 million (equivalent to HK$72 million) for Exploration Expenses of the Further Acquisition which covers road works and improvements required for commencement of Exploration expected in or around 60 days based on the timing for commencement of Exploration under the Initial Mine Areas. In terms of provision for any initial mining operations of the Further Acquisition which will initially focus upon the coal resources this will be subsumed to the mining operations over the Initial Mine Areas as set out under the Latest Circular with the cash requirement upon the Group of HK$250 million set out therein.

B. THE INFORMATION ABOUT THE GROUP, THE SELLER'S GROUP

1. PRINCIPAL ACTIVITIES OF THE GROUP

The Company, formerly known as New World Cyberbase Limited, was established in August 1999 and headquartered in Hong Kong. Through the purchase of coal mine in western Mongolia under the Initial Acquisition, the Group is in a strong position to capitalize on the demands of China, including for coal, coal products and energy along with other resources.

Subject to the completion of the Initial Acquisition and the Completion of the Further Acquisition, the aggregate mine areas acquired by the Group will be around 66,000 hectares (2/3rd the size of Hong Kong SAR).

In addition, the Group is also engaged in property investments in Hong Kong and aircraft charter services.

2. PRINCIPAL ACTIVITIES OF THE SELLER'S GROUP

The Guarantor wholly owns the Seller's Group. The Guarantor is further acting as guarantor of the obligations of the Seller's Group under the Further Agreement as set out in A7 above. The Guarantor is a private business person based in Beijing, PRC and spends most of his time living in Beijing. The Guarantor previously acquired control of undeveloped real estate in various locations in the PRC, including in Shenyang, and intended to become a joint venture party with an appropriate developer partner. The Guarantor is also a party to the Initial Acquisition and upon completion of the Initial Acquisition, the Guarantor will become a Shareholder of the Company.

The Seller is a holding company incorporated by the Guarantor in the British Virgin Islands with limited liability and whose activities are limited to holding of the Holding Company. The Holding Company is a passive holding company incorporated in Hong Kong with limited liability whose activities are limited to holding of the Mining Company. The Mining Company is a passive holding company incorporated in Mongolia with limited liability and whose activity is limited to holding the Exploration Licences.

C. REASONS FOR THE FURTHER ACQUISITION

The search for sources of energy amongst nations and enterprises is a global phenomenon. With coal, aside from the energy prospects, there is the further opportunity to extract various other by-products as international commodities. The PRC market is a global consumer of coal and for which there is a shortage of this irreplaceable form of energy. For example, prices for coal and coal products have been rising in the PRC. In view of the continued economic growth and accelerated industrialization and urbanization in the PRC and the development of the global economy, coal and other natural resources will have its sustained demand. The position is similar for other ferrous and non-ferrous metals.

Following the announcement of the Initial Acquisition, the Company assembled a global professional team including the recruitment of Mr. James J. Schaeffer, Jr., the former Executive Director – Asia Pacific of the Technical Adviser, as the Company's CEO, Mr. Mohan Datwani, the former partner of Paul Hasting, Janosky & Walker, as Company's general counsel and Mr. Ren Xiang as the Company's consultant, showing the Company's commitment in the mining and energy related business.

Following the approval by the Shareholders with regard to the Initial Acquisition, the Group wishes to enlarge its mine areas. The Further Acquisition represents a good opportunity for the Group to enlarge its mine areas, which if completed, will double the size of its mine areas from over 34,000 hectares to around 66,000 hectares (2/3rd the size of Hong Kong SAR). The Further Acquisition will expedite the expansion of the Group's business in the mining and energy sectors and the Board is of the view that upon Completion and commencement of operation in the Mining Areas, the income stream of the Company will be broadened.

The nominal consideration of US$1.00 for the Further Acquisition and the payment terms for the Resources Fees (by way of Loan Note) and the Exploitation Payments provide a degree of flexibility for the Group to acquire the Further Mine Areas in a way not to create any immediate cash flow issue to the Group. Save for the increase in assets and liabilities arising from the recognition of the Exploration Rights and Loan Note, and the Exploration Expenses to be incurred by the Group, there is no other material effect on the earnings and assets and liabilities as a result of the Further Acquisition and the Exploration. The illustrative and unaudited pro forma assets and liabilities statement set out in Appendix II of this Circular has taken into account the effect on the recognition of the Exploration Rights and Loan note, and the Exploration Expenses to be incurred by the Group.

In view of the above, the Board considers the Further Acquisition and the entering into of the Further Agreement is in the interest and to the benefit of the Group and the Shareholders as a whole. The Board also considers the terms of the Further Agreement are on normal commercial terms and fair and reasonable.

D. RISK FACTORS

Possible risk factors which may be faced by the Group are as follows:

Cyclical nature of coal markets, ferrous and non-ferrous metals markets and fluctuations in coal, ferrous and non-ferrous metal prices

As a significant percentage of the revenue of the business under the Further Acquisition will be derived from coal and coal-related operations, part of the Group's future business and results of operations may dependent on the international supply of and demand for coal. The fluctuations in supply and demand are caused by numerous factors beyond the Group's control, which include, but not limited to:

(i) Global and domestic economic and political conditions and competition from other energy sources; and

(ii) The rate of growth and expansion in industries with high coal demand, such as steel and power industries.

There is no assurance that the international demand for coal and coal-related products will continue to grow, or that the international demand for coal and coal-related products will not experience excess supply.

With regard to ferrous and non-ferrous metals, whether they will contribute significantly to the Group's revenues will largely depend on the types of ferrous and non-ferrous metals found in the Further Mine Areas and on the demand and supply of the appropriate metals in the markets and will be subject to similar market risks as with coal.

Significant and continuous capital investment

The mining business requires significant and continuous capital investment; the major mine exploration and coal production projects may not be completed as planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for the business under the Further Acquisition may significantly exceed the Group's budgets because of various factors beyond the Group's control, which in turn may affect the Group's financial condition.

Policies and regulations

The mining business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the mine development and coal production projects may adversely affect the Group.

Country risk

The Group is entering a business in Mongolia. There can be a risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in Mongolia. The change of political and economic conditions in Mongolia may adversely affect the Group.

Environmental protection policies

The mining and exploration business is subject to Mongolian environmental protection law and regulations. If the Group fails to comply with existing or future environmental laws and regulations, the Group may be required to take remedial measures, which could have a material adverse effect on our business, operations, financial condition and results of operations

E. CHANGE TO ONE CONDITION PRECEDENT FOR COMPLETION UNDER INITIAL ACQUISITION

It is a condition precedent under the Initial Acquisition that completion of the Initial Acquisition is conditional upon the Initial Mine Areas "having 300 million tonnes of Reserves, comprising 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves as certified by the Technical Adviser".

Under the Supplement, the Company and the Guarantor have *inter alia* agreed to a change to the condition precedent set out above to completion of the Initial Acquisition being conditional upon the Initial Mine Areas "having 300 million tonnes of resources along with an undertaking to be provided by the Guarantor to the Company as at Completion that the Coal Mine shall have 300 million tonnes of Reserves, comprising 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves to the satisfaction of the Technical Adviser within 120 days from the undertaking" meaning that the Reserves figures are to be certified by the Technical Adviser. Under the Supplement, in the event of failure to comply with the undertaking, the Company may seek damages and/or specific performance of the undertaking by the Guarantor which remedies the Company believes are sufficient as the Initial Mine Areas will have substantial amount of coal resources at or over 300 million tonnes.

In mining explorations, in most cases in which a company intending to enter an exploration project will start the process by acquiring title to the exploration concession. The company will then hire an exploration company to demonstrate the coal resources. The company will at the same time work out its business plan. The business plan for a company exploring for coal resources may include coal distribution, building of power plants and/or liquefying coal (all of which the Group may also consider). To implement the business plan of the company, the company will enter various agreements with suppliers, builders, end users and other persons. These suppliers, builders, end users and other persons will normally deal with the company on the basis that the company has title to the concession and preferably coal resources which should have been demonstrated. The commercial terms of the various agreements with the suppliers, builders, end users and other persons will be raw data for a reserves report (where required) by the company. This is because a reserves report requires a commercial analysis of the coal resources.

Accordingly, in relation to the Exploration over the Initial Mine Areas, the Group has determined that for 300 million tonnes of Reserves to be demonstrated under the Technical Report (as defined in the Last Circular), the most practical process is for (1) 300 million tones of resources to be demonstrated by the Exploration Company, then (2) for the Group to acquire title to the Initial Mine Areas in order for the Group to deal with various suppliers, builders, end users and other persons then (3) for the Group to enter into various commercial contracts with various suppliers, builders, end users and other persons and then, (4) for the raw commercial data to determine the Reserves figures of at least 300 million tones of coal Reserves having been demonstrated. The Group's reference to the above being the most practical process is because in its discussions with various suppliers, builders, end users and other persons in China, the consistent issues are whether the Group owned the Initial Mine Areas and the amount of resources demonstrated by the Exploration Company. In fact, in general discussions with various suppliers, builders, end users and other persons relating to the Group's business plan relating to building coal fired generation facilities (that is, power plants) and power lines for inter-connection with the electricity grid to Xinjiang which is consistent with the energy focus of the Group, the counterparties located in China have required the Group to demonstrate that it owns the Initial Mine Areas and the amount of resources demonstrated by the Exploration Company. Accordingly, the Group now realizes that it must own the Initial Mine Areas along with the coal resources therein by reason of these commercial realities. As such, completion of the Initial Acquisition with a follow up Reserves report will, in the view of the Directors of the Company, to be fair and reasonable and in fact a practical necessity for practical entry into the PRC market. In fact, the main rationale for the Supplement is not the acceleration of completion of the Initial Mine Area but rather the realities following discussions with various Chinese counterparties and with the advice from the CEO.

As such, the rationale to the Supplement is to facilitate the Group, through its subsidiary established in Mongolia, to obtain title to the Initial Mine Areas under the Initial Acquisitions. This is necessary to put forward the Group's business plan on an accelerated basis. As mentioned, for example, the Group is studying the feasibility relating to building coal fired generation facilities (that is, power plants) and power lines for inter-connection with the electricity grid to Xinjiang which is consistent with the energy focus of the Group. In order to do this, and to discuss with various counterparties, whether as suppliers, builders, and power purchasers, the Group must own the Initial Mine Areas along with the coal resources therein for its own commercial credibility. As such, the change of a completion condition of the Initial Acquisition with a follow up Reserves report will, in the view of the Group, be a sensible and commercial approach to adopt.

In fact, following discussions initiated by the Company with the Guarantor, the Guarantor has agreed, after arm's length negotiations, that such a change be a Condition Precedent to the Further Acquisition of the Further Mine Areas in view of the benefit in and to the Company, which the Company actively propounded and convinced the Guarantor during negotiations relating to the Supplement.

In addition, following approach after entry into the Further Agreement and the Supplement, Golden, Dragon, CTF and the Placing Agent have all provided consent to the Supplement and completion of the subscriptions and placements based on the revised condition precedent under the Initial Acquisition.

Based on the above the Directors are of the view that the Supplement to expedite completion of the Initial Acquisition is fair and reasonable in the interest of the Shareholders and Group as a whole.

F. GENERAL INFORMATION OF THE INITIAL ACQUISITION AND THE FURTHER ACQUISITION

The Initial Acquisition – Recap of Information

The Company takes the opportunity to recap, as set out under the Last Circular that the geology of the Initial Mine Areas (as with the Further Mine Areas) sits on Permian rock formation of some 240 million years of age. According to the Russian geologist's geological assessment over the Initial Mine Areas conducted in the 1960s, the Initial Mine Areas have coal resources of 2.4 billion tonnes. This is subject to Exploration.

The Technical Adviser (as defined under the Last Circular) has based on the available geological information over 180 hectares of the Initial Mine Areas and a site visit to this area, advised that this area as extended could have resources of about 180 million tonnes comprising Inferred Resources of about 30 million tonnes and Reconnaissance Resources of about 150 million tonnes.

The Initial Acquisition is by way of acquiring from the seller (as detailed in the Last Circular) 8 mining licences and 1 exploration licence along with any mining assets. The mining licences are for an initial period of 30 years from their respective dates of grant and extendable by two successive 20-year periods in accordance with the Mineral Laws. That is, 70 years in total. The exploration licence is initially granted for 3 years and extendable by two successive 3-year period in accordance in accordance with the Mineral Law. That is, 9 years in total.

The details of the Mining Licences and the Exploration Licence under the Initial Acquisition are summaries in the table below:–

Mining and Exploration Licenses

License/ License No.	**Area Hectares**	**Issue Date**	**Valid Period**
Mining Licenses			
1640A	40	28 Dec 2006	70 yrs
4322A	54	28 Dec 2006	70 yrs
6525A	46	28 Dec 2006	70 yrs
11887A	203	23 Jan 2007	70 yrs
11888A	1,742	23 Jan 2007	70 yrs
1414A	28	9 Feb 2007	70 yrs
11889A	486	23 Jan 2007	70 yrs
11890A	28		70 yrs
Subtotal Mining Licenses	2,627		
Exploration License			
11515X	31,638	28 Dec 2006	9 yrs
Subtotal Exploration Licenses	31,638		
Total Mining/ Exploration Licences	34,265		

The Company intends prior to completion of the Initial Acquisition to set up initially a 2 million tonnes mining operations within the area containing the Inferred Resources of about 30 million tonnes. The Shenyang Design Institute has indicated that such mining operations can be supported and will design an interphase for a 10 million tonnes mining operations upon further resources being demonstrated under the Exploration. The exact timing for Commercial Exploitation is expected within 6 months from 18 April 2007. The Company will make further announcement on the progress as and when appropriate.

Progress of Exploration and Commercial Exploitation under the Initial Acquisition

Further to the above information set out under the Last Circular, and as an update by the Company, exploration is currently under way at the Initial Mine Areas as set out in the following.

The Company's Mongolia office has been set up shortly after the shareholders meeting of April 18, 2007, and now has a staff of over 90 persons of whom 22 are Mongolian geologists working for the Exploration including one of whom was part of the team for the preparation of the official geological map of Mongolia.

Further, the Company, with the help of the Exploration Company, has finalized the drilling plans over an Exploration area. 22 drill rigs are now on-site at the Initial Mine Areas and drilling is being carried out according to the drilling plan.

There are currently approximate 300 workers on-site, as at the Latest Practicable Date and will eventually be increased to up to 500 workers shortly.

The conceptual planning of the 2 million tonnes mining operations has taken place with the help of the Mongolian mining engineers and the Shenyang Design Institute.

The initial exploration expenses with respect to the Initial Mine Areas under the Last Circular were estimated to be HK$80 million. The Exploration expenses incurred up-to-date was approximately RMB87.5 million which was mainly due to the expenses for road repairs being accelerated prior to commencement of coal mining operations as improvements were required over a part of the road for the purpose of transporting certain exploration equipment from to the Initial Mine Areas. The Company estimates further approximately RMB35 million is required for the Exploration exercise. Such expenses will be funded by the Company from internal resources.

The Further Acquisition

The Further Mine Areas are around 32,000 hectares in size (around 1/3rd the size of Hong Kong SAR).

With the exception of Exploration Licence no.8994X which is located adjacent to the Initial Mine Areas, the Further Mine Areas are located in Khovd province, western Mongolia approximately within a 100 km radius from the Initial Mine Areas and will serve as a feeder to the Initial Mine Areas in relation to the Coal Resources where coal fired generation facilities (that is, power plants) and power lines for inter-connection with the electricity grid to Xinjiang is being studied.

The Further Acquisition will be effected by way of a transfer of four (4) Exploration Licences over the Further Mine Areas along with the Mining Assets, (if any) from the Mining Company to the Purchaser or its nominee (namely, a Mongolian company as required under the Minerals Law).

The Exploration Licences have a 9-year duration from their respective licence dates. Mongolian legal counsel has advised that there is no legal impediment to converting such Exploration Licences to 70-year Mining Licences with a corresponding 70-year Mining Period subject to compliance with the Minerals Law.

In terms of Coal Resources under the Further Mine Areas, the Science Academy under the Institute of Geology and Mineral Resources of Mongolia has confirmed that based on Russian expert's geological assessment of most of the Further Mine Areas conducted during the 1960's that there are between 1 billion to 2 billion tonnes of Coal Resources. This is subject to Exploration.

Accordingly, the combined Coal Resources under the Initial Acquisition and the Further Acquisition are thus between 3.4 billion to 4.4 billion tonnes of Coal Resources. This is the aggregate of the 1 to 2 billion tonnes Coal Resources figure for the Further Mine Areas as set out above and the 2.4 billion tonnes Coal Resources figure for the Initial Mine Areas as set out under the Last Circular. These estimates are subject to Exploration.

In term of size, the Further Acquisition approximately doubles the areas being acquired by the Company in western Mongolia to around 66,000 hectares (around 2/3rd the size of Hong Kong SAR) for Exploration and eventual Commercial Exploitation.

The Company intends to commence Exploration shortly after the approval by Shareholders (at the SGM of the Company). Based on the experience from the exploration works over the Initial Mine Areas, the Company is scheduled to commence Exploration over the Further Mine Areas within 60 days of the approval by Shareholders (at the SGM of the Company). The timing of commencing Commercial Exploitation will depend on the outcome of the Exploration and by responding to the market demands.

G. GENERAL

Based on the amount of the Coal Resources estimated at between 1 billion to 2 billion tonnes the amount of the Resources Fees is between HK$2 billion to HK$4 billion. The Resources Fees of the other Resources cannot be determined until after Exploration. Accordingly, the Further Acquisition constitutes a very substantial acquisition on the part of the Company pursuant to Rule 14.06 of the Listing Rules. Moreover, the Further Acquisition is conditional on the Supplement becoming effective. The SGM will be convened to seek approval of the requisite Shareholders for (i) the Supplement; and (ii) the Further Agreement and the transaction contemplated therein or thereby. Each of Golden, Dragon and CTF, its beneficial owners and their respective associates will abstain from voting in all relevant resolutions. The Guarantor, Seller's Group Members and the Seller's Group Members under the Initial Acquisition and their respective associates shall abstain from voting if they have any interest in the Company prior to the SGM

H. SGM

The SGM will be held at Hong Kong at Room Everest, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on 16 July 2007 at 2:30 p.m. to consider and, if thought fit, approve, among other matters the Further Agreement, the Supplement and the transactions contemplated therein or thereby.

A notice convening the SGM is set out on pages 28 to 29 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompany form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending an voting at the SGM if you so wish.

I. PROCEDURE TO DEMAND A POLL AT GENERAL MEETING

Under the bye-laws of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

(i) by the chairman of the meeting; or

(ii) by at least three Shareholders' present in person (or, in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy for the time bring entitled to vote at the meeting; or

(iii) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the rights to vote at the meetings; or

(iv) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

J. RECOMMENDATION

The Directors consider that the terms of the Further Agreement and the Supplement are fair and reasonable to the Company and in the interest of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Supplement, the Further Agreement and the transactions contemplated therein.

K. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Mongolia Energy Corporation Limited
Lo Lin Shing, Simon
Chairman

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated income statement and financial position for the year ended 31 March 2004 as extracted from the annual report of the Group for the year ended 31 March 2004, and that for the years ended 31 March 2005 and 2006 as extracted from the annual report of the Group for the year ended 31 March 2006. The summary of the unaudited condensed consolidated income statement of the Group for the six months ended 30 September 2005 and the six months ended 30 September 2006 as well as the financial position of the Group as at 30 September 2006 as extracted from the interim report for the six months ended 30 September 2006 are also set out below.

Results of the Group

	for the year ended 31 March			for the six months ended 30 September	
	2004	**2005**	**2006**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note)	(Restated)		(Restated)	
Turnover	29,650	18,776	24,052	10,236	19,790
Income tax (expenses)/credit	–	(5,876)	(811)	(394)	673
Profit/(loss) for the year/period	(27,371)	9,009	(1,391)	(23,151)	(2,717)
Minority interests	1,164	91	8	7	–
Profit/(loss) attributable to shareholders	(26,207)	9,100	(1,383)	(23,144)	(2,717)
Dividends	–	–	–	–	–
Earnings/(loss) per share					
Basic	HK cents (0.45)	HK cents 3.11	HK cents (0.25)	HK cents (5.67)	HK cents (0.16)
Diluted		HK cents 3.11	HK cents 0.02	HK cents (5.59)	HK cents 0.11
Dividend per share	–	–	–	–	–

Assets and liabilities of the Group

	as at 31 March			as at 30 September
	2004	**2005**	**2006**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note)	(Restated)		
Total assets	416,628	477,794	818,114	797,260
Less: Total liabilities	(188,584)	(251,548)	(390,988)	(327,800)
Minority interests	(156)	(65)	(57)	(57)
Total net assets	227,888	226,181	427,069	469,403

Note:

The audited accounts of the Group for the year ended 31 March 2004 have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The audited accounts of the Group for the year ended 31 March 2006 have been prepared in accordance with new HKFRSs. The comparatives financial statements for the year ended 31 March 2005 have been restated in accordance with new HKFRSs.

With effect from 1 April 2004, the Group has early adopted HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets".

The adoption of the other new HKFRSs had no significant impact on the Group's financial position and result of operations as at and for the year ended 31 March 2004 except for the following:

The adoption of revised HK(SIC)-Int 21 has resulted in a change in accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Under HK(SIC)-Int 21, the deferred tax liabilities arising from the revaluation of investment properties are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. Prior to the adoption of HK(SIC)-Int 21, the carrying amount of that asset was expected to be recovered through sale. Management estimated the financial impact in the adoption of such revised standard for the financial year 31 March 2004 is as follow:

The adoption of HKAS-Int 21 resulted in an increase in accumulated losses at 1 April 2003 by HK$33,167,000.

	As at 31 March 2004
	HK$'000
Increase in deferred tax liability	(37,069)
Increase in accumulated losses	37,069

	For the year ended 31 March 2004
	HK$'000
Increase in tax expense	3,902

For the purpose of this circular, the consolidated income statement and financial position for the year ended 31 March 2004 have not been restated to reflect aforementioned impact of HK(SIC)-Int 21.

2. AUDITED CONSOLIDATION FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2006

The following is the audited consolidated income statement of the Group for the two years ended 31 March 2005 and 31 March 2006, the audited consolidated balance sheet of the Group and the audited balance sheet of the Company as at 31 March 2005 and 31 March 2006, the audited consolidated statement of changes in equity of the Group and the audited consolidated cash flow statement of the Group for the two years ended 31 March 2005 and 31 March 2006, together with accompanying notes to the accounts extracted from the annual report of the Company for the year ended 31 March 2006.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	Note	**2006** *HK$'000*	**2005** *HK$'000* (Restated)
Continuing operations:			
Turnover	*5*	24,052	18,776
Other income	*5*	1,954	1,462
Staff costs	*8*	(7,966)	(3,938)
Depreciation		(842)	(219)
Surplus on revaluation of investment properties		–	29,000
Reversal of impairment losses of other investments, net		–	2,075
Reversal of impairment losses of long term receivable		7,545	–
Fair value loss – financial assets at fair value through profit or loss		(19,422)	–
Other operating expenses		(17,875)	(7,278)
Operating (loss)/profit	7	(12,554)	39,878
Finance costs	*10*	(7,430)	(4,255)
Share of loss of jointly controlled entity		(3)	–
(Loss)/profit before income tax		(19,987)	35,623
Income tax expense	*11*	(811)	(5,876)
(Loss)/profit from continuing operations		(20,798)	29,747
Discontinued operations:			
Profit/(loss) from discontinued operations	*6*	19,407	(20,738)
(Loss)/profit for the year		(1,391)	9,009
Attributable to:			
Equity holders of the Company		(1,383)	9,100
Minority interests		(8)	(91)
		(1,391)	9,009
(Loss)/earnings per share for (loss)/profit from continuing operations attributable to the equity holders of the Company for the year	*13*		
– basic (HK cents)		(3.83)	10.21
– diluted (HK cents)		(2.84)	10.20
Earnings/(loss) per share for profit/(loss) from discontinued operations attributable to the equity holders of the Company for the year	*13*		
– basic (HK cents)		3.58	(7.10)
– diluted (HK cents)		2.86	(7.09)

CONSOLIDATED BALANCE SHEET

As at 31 March 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	14	143,992	2,415
Investment properties	15	385,000	388,900
Associated companies	17	–	–
Jointly controlled entity	18	15,104	–
Other investments	19	–	22,314
Financial assets at fair value through profit or loss	20	43,674	–
Long term receivable	21	12,668	5,123
		600,438	418,752
Current assets			
Financial assets at fair value through profit or loss	20	27,946	–
Accounts receivable	22	4,475	5,186
Other receivables, prepayments and deposits		4,998	3,567
Amounts due from related companies	23	8,717	8,468
Tax prepaid		55	73
Pledged bank deposits	24	–	540
Cash and cash equivalents	25	171,485	41,208
		217,676	59,042
Current liabilities			
Creditors, deposits and accruals	26	16,520	25,412
Short-term loans	27	151,724	183,202
		168,244	208,614
Net current assets/(liabilities)		49,432	(149,572)
Total assets less current liabilities		649,870	269,180
Non-current liabilities			
Convertible notes	28	175,528	–
Deferred income tax liabilities	29	47,216	42,934
		222,744	42,934
Net assets		427,126	226,246

	Note	2006 *HK$'000*	2005 *HK$'000* (Restated)
Financed by:			
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*30*	29,737	8,737
Reserves	*31*	397,332	217,444
		427,069	226,181
Minority interests		57	65
Total equity		427,126	226,246

BALANCE SHEET
As at 31 March 2006

	Note	2006 HK$'000	2005 HK$'000 (Restated)
ASSETS			
Non-current assets			
Subsidiaries	16	166,668	166,668
Current assets			
Financial assets at fair value through profit or loss	20	27,946	–
Amounts due from subsidiaries	16	215,972	55,870
Other receivables		1,482	1,444
Cash and cash equivalents	25	162,749	26,667
		408,149	83,981
Current liabilities			
Amounts due to subsidiaries	16	48,414	45,208
Other payables		3,977	3,516
		52,391	48,724
Net current assets		355,758	35,257
Total assets less current liabilities		522,426	201,925
Non-current liabilities			
Convertible notes	28	175,528	–
Deferred income tax liabilities	29	3,495	–
		179,023	–
Net assets		343,403	201,925
Financed by:			
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	30	29,737	8,737
Reserves	31	313,666	193,188
		343,403	201,925

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Attributable to equity holders of the Company				
	Share capital	Other reserves	Retained profits/ (Accumulated losses)	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2004, as previously reported as equity	116,499	2,758,893	(2,647,504)	–	227,888
Balance at 1 April 2004, as previously reported separately as minority interests	–	–	–	156	156
Effect of adoption of HK(SIC)-Int 21	–	–	(37,069)	–	(37,069)
Balance at 1 April 2004, as restated	116,499	2,758,893	(2,684,573)	156	190,975
Distributable reserves arising from capital reduction *(Note 30(a)(i))*	(110,674)	110,674	–	–	–
Transfer to accumulated losses *(Note 30(a)(i))*	–	(2,669,973)	2,669,973	–	–
Rights issue of shares *(Note 30(a)(ii))*	2,912	26,212	–	–	29,124
Share issue expenses	–	(3,053)	–	–	(3,053)
Profit for the year, as previously reported	–	–	15,156	(91)	15,065
Effect of changes in accounting policies *(Note 2.1)*	–	191	(6,056)	–	(5,865)
Profit for the year, as restated			9,100		
Balance at 31 March 2005, as restated	8,737	222,944	(5,500)	65	226,246
Balance at 1 April 2005, as per above	8,737	222,944	(5,500)	65	226,246
Opening adjustments for adoption of HKASs 32 and 39 *(Note 2.1)*	–	–	26,324	–	26,324
Balance at 1 April 2005, as restated	8,737	222,944	20,824	65	252,570
Convertible notes – equity component *(Note 28)*	–	21,468	–	–	21,468
Deferred tax on equity component of convertible notes *(Note 29)*	–	(3,757)	–	–	(3,757)
Share-based compensation expenses	–	1,760	–	–	1,760
Issue of shares *(Note 30)*	21,000	141,761	–	–	162,761
Share issue expenses	–	(6,285)	–	–	(6,285)
Lapse of share options	–	(23)	23	–	–
Loss for the year	–	–	(1,383)	(8)	(1,391)
Balance at 31 March 2006	29,737	377,868	19,464	57	427,126

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	Note	2006 HK$'000	2005 HK$'000
Cash flow from operating activities			
Cash used in operations	34(a)	(13,979)	(1,724)
Interest paid		(5,934)	(2,676)
Interest received		1,954	718
Hong Kong profits tax paid		(268)	(11)
Net cash used in operating activities		(18,227)	(3,693)
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		–	114
Additions of plant and equipment		(145,640)	(1,674)
New loans to investee companies		–	(468)
Advances to associated companies		(1,112)	(1,024)
Advance to jointly controlled entity		(15,107)	–
Dividend received		–	798
Acquisition of subsidiaries	34(b)	–	(2,427)
Disposal of subsidiaries	34(c)	(10,675)	–
Net cash used in investing activities		(172,534)	(4,681)
Cash flows from financing activities			
Proceeds from issuance of shares		162,761	29,124
Share issue expenses		(6,285)	(3,053)
Drawdown of short-term loans		22,285	150,039
Repayment of short-term loans		(53,763)	(139,600)
Release of restricted bank balances and cash deposits		540	5,713
Issue of convertible notes		195,500	–
Net cash generated from financing activities	34(d)	321,038	42,223
Net increase in cash and cash equivalents		130,277	33,849
Cash and cash equivalents at beginning of year		41,208	7,359
Cash and cash equivalents at end of year	25	171,485	41,208

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1 General information

New World CyberBase Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in property investments, aircraft charter and the provision of technology related services. The Group has discontinued the provision of technology related services upon disposal of subsidiaries as set out in Note 6.

The Company is a limited liability company incorporated in Bermuda. The address of its principal place of business is 21st Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been approved for issue by the Board of Directors on 11 July 2006.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) The adoption of new/revised HKFRS

With effect from 1 April 2004, the Group had early adopted HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets and HKAS 38 "Intangible Assets" in preparing the financial statements for the year ended 31 March 2005. Starting from 1 April 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates

HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payment
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of new/revised HKASs 1, 7, 8, 10, 16, 17, 21, 23, 24, 27, 28, 31 and 33 do not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures.

– HKASs 7, 8, 10, 16, 17, 23, 27, 28, 31 and 33 have no material effect on the Group's accounting policies.

– HKAS 21 had no material effect on the Group's accounting policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in accounting policy relating to the classification of financial assets at fair value through profit or loss. In prior years, other investments were stated at cost less accumulated impairment losses.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are dealt with in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HK(SIC)-Int 21 has resulted in a change in accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees did not result in an expense in the income statement. Effective from 1 April 2005, the Group charged the cost of share options to the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods (Note 2.14(b)).

The adoption of HKFRS 5 has resulted in a change in accounting policy for discontinued operations. An operation is classified as discontinued when the criteria to be classified as "held for sale" have been met or the Group has disposed of the operation. The application of HKFRS 5 does not impact on the prior-year financial statements other than a change in the presentation of the results and cash flows of the discontinued operations.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All the standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 5 – prospective application after the adoption date.

The effect of the changes in accounting policies on the results for the current and prior year is as follows:

	Year ended 31 March 2005			Year ended 31 March 2006			
	HK(SIC)-Int 21	HKFRS 2	HKFRS 5	HKAS 32 and 39	HK(SIC)-Int 21	HKFRS 2	HKFRS 5
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reclassified turnover to discontinued operations	–	–	(19,294)	–	–	–	(14,548)
Reclassified other income to discontinued operations	–	–	(54)	–	–	–	(26)
Reclassified staff cost, depreciation and other operating expenses to discontinued operations	–	–	40,086	–	–	–	22,096
Reclassified gain on disposal of subsidiaries to discontinued operations	–	–	–	–	–	–	(26,929)
Net results reclassified as (loss)/profit from discontinued operations	–	–	(20,738)	–	–	–	19,407
Increase in staff costs	–	(191)	–	–	–	(1,760)	–
Fair value loss – financial assets at fair value through profit or loss	–	–	–	(19,422)	–	–	–
Reversal of impairment losses of long term receivable	–	–	–	7,545	–	–	–
Increase in income tax expense	(5,865)	–	–	–	(787)	–	–
Decrease in profit/increase in loss for the year	(5,865)	(191)	–	(11,877)	(787)	(1,760)	–
Decrease in basic earnings per share (HK cents)	(2.01)	(0.07)	–	(2.19)	(0.15)	(0.32)	–

The cumulative effects of the changes in accounting policies on the consolidated balance sheet at 31 March 2005 and 1 April 2005 are as follows:

	At 31 March 2005 (Originally stated)	Effect of adoption of HKAS 1 and 40	Effect of adoption of HK(SIC)–Int 21	Effect of adoption of HKFRS 2	At 31 March 2005 (Restated)	Effect of adoption of HKAS 32 and 39	At 1 April 2005 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	391,315	(388,900)	–	–	2,415	–	2,415
Investment properties	–	388,900	–	–	388,900	–	388,900
Other investments	22,314	–	–	–	22,314	(22,314)	–
Financial assets at fair value through profit or loss	–	–	–	–	–	48,638	48,638
Long term receivable	5,123	–	–	–	5,123	–	5,123
Deferred income tax liabilities	–	–	(42,934)	–	(42,934)	–	(42,934)
Other liabilities, net	(149,572)	–	–	–	(149,572)	–	(149,572)
Minority interests	(65)	65	–	–	–	–	–
Net assets	269,115	65	(42,934)	–	226,246	26,324	252,570
Share capital	8,737	–	–	–	8,737	–	8,737
Retained earnings/ (accumulated losses)	37,625	–	(42,934)	(191)	(5,500)	26,324	20,824
Other reserves	222,753	–	–	191	222,944	–	222,944
Minority interest	–	65	–	–	65	–	65
Total equity	269,115	65	(42,934)	–	226,246	26,324	252,570

(b) Standards, amendments and interpretations to published standards that are not yet effective

No early adoption of the following new Standards, Amendments and Interpretations, which are relevant to its operations, that have been issued and are mandatory for accounting periods beginning on or after 1 January 2006 or later periods.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 21 (Amendment)	The Effect of Changes in Foreign Exchange Rates – Net Investment in Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intra-group Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HK(IFRIC)-Int 8	Scope of HKFRS 2

The Group has already commenced an assessment of the impact of these new Standards, Amendments and Interpretations but is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Joint ventures

A jointly controlled entity is a joint venture in which the Group and other parties undertake an economic activity which is subject to jointly control and none of the participating parties has unilateral control over the economic activity. The Group's investments in jointly controlled entity are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entity's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and borrowings are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over the estimated useful lives, as follows:

Leasehold improvements	over unexpired lease terms
Computer equipment	3 years
Furniture, fixtures and office equipment	5-10 years
Motor vehicles	5 years
Aircraft and engines	12-20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.8)*.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out annually by external valuers. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associated company or jointly controlled entity at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, if any.

Goodwill is allocated to cash-generating units for the purpose of impairment testing (Note 2.8). The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Licenses

Licenses arising from business combinations were initially recognised and measured at fair value upon acquisition and amortised using the straight-line method over their estimated useful lives of three to five years.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

From 1 April 2004 to 31 March 2005:

The Group classified its investments, other than subsidiaries, associated companies and jointly controlled entities, as other investments.

(a) Other investments

Investments which were held for long term strategic purposes were stated at cost less accumulated impairment losses at the balance sheet date.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment should be reduced to its fair value. The impairment loss is recognised as an expense in the income statement. The impairment loss is written back to the income statement when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

From 1 April 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in accounts and other receivables in the balance sheet.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. During the year, the Group did not hold any investments in this category.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category (including interest and dividend income) are included in the income statement in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current quoted bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss -measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.10 Accounts and other receivables

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.12 Borrowings

Bank and other loans are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effect.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and the jointly controlled entity, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.14 Employee benefits

(a) Retirement benefits

For employees in Hong Kong, a mandatory provident fund scheme ("MPF Scheme") has been established pursuant to the Hong Kong Mandatory Provident Fund Scheme Ordinance under which the Group's Hong Kong employees are compulsorily required to join the MPF Scheme. Employer's mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF Scheme.

Contributions made by the Group under the MPF Scheme are charged to the income statement as they become payable in accordance with the rules of the scheme. The assets of the MPF Scheme are held separately from those of the Group and managed by independent professional fund managers.

For employees in the Mainland China, the Group contributes to retirement schemes managed by local municipal authorities in the Mainland China based on a percentage of the relevant employee's monthly salaries. The Group's contributions under such schemes are charged to the income statement as incurred while the relevant local municipal authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group in the Mainland China.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.15 Provisions

Provisions are recognised when the Group has a present or constructive obligation as a result of past events; it is more likely than not that an outflow or resources will be required to settle that obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases are charged or credited to the income statement on a straight-line basis over the period of the lease.

2.17 Borrowings costs

All borrowing costs are charged to the income statement in the year in which they are incurred.

2.18 Revenue recognition

(i) Rental and management fee income

Operating lease rental income and management fee income are recognised on a straight-line basis over the lease periods.

(ii) Charter flight income

Charter flight income is recognised when transportation services are rendered.

(iii) Technology related services

The Group derives revenues from the provision of wireless value-added telecommunications services (the "VAS") and outsourcing services including software development and call centre services. The Group recognises its revenue net of applicable business taxes and related taxes.

Revenue from the provision of outsourcing services is recognised when services are rendered.

VAS revenues are derived principally from providing mobile phone users with short messaging services, multimedia messaging services and wireless application protocol. These services are substantially billed on a monthly subscription basis or on a per message basis (the "Service Fees"). These services are predominantly delivered through platforms of various subsidiaries of China Mobile Communications Corporation and they also collect the Service Fees on behalf of the Group.

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and interest-rate risk. The use of financial derivatives to hedge certain risk exposures is governed by the Group's financial management policies. The Group does not use derivative financial instruments for speculative purposes.

(a) Foreign exchange risk

The Group mainly operates in Hong Kong with most of the transactions settled in HK$ and United States dollar ("US$"). The Group also had certain operations in the PRC which had been disposed of during the year. The Group's assets and liabilities, and transactions arising from its operations that are exposed to foreign exchange risk are primarily with respect to Renminbi ("RMB") and US$. The Group has not used any forward contracts or currency borrowings to hedge its exposure as foreign exchange risk is considered minimal.

(b) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(c) Credit risk

The Group has no significant concentrations of credit risk. The Group regularly reviews the credit terms and credit limits granted to individual customer, and it has policies in place to ensure that sales are made to customers with an appropriate credit history.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through its operations and an adequate amount of committed credit facilities. The management aims to maintain flexibility in funding by keeping committed credit lines available.

(e) Interest rate risk

The Group's income and operating cash flow are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the cash and cash equivalents, details of which have been disclosed in Note 25. The Group's exposure to changes in interest rates is mainly attributable to its short-term loans and convertible notes, details of which have been disclosed in Notes 27 and 28, respectively. Short-term loans carry interest at floating rates expose the Group to cash flow interest rate risk. Convertible notes issued at fixed rate expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying amounts of the Group's current financial assets (other than financial instruments), including cash and cash equivalents, accounts receivable, other receivables, prepayments and deposits, and current financial liabilities, including creditors, deposits and accruals and short-term loans, approximate their fair values due to their short maturities.

The face value less any estimated impairment provision (as appropriate) for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

(a) Investment properties

The fair values of investment properties are determined annually by independent qualified valuers on an open market in existing use basis. In making the judgement, consideration has been given to assumptions that are mainly on market conditions existing at the balance sheet date and appropriate capitalisation rates of rental income.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations.

The estimated useful life of the engines for the aircraft is determined by independent qualified valuers assuming the engines have normal utilisation of the same or similar type of engines and good maintenance program. Different judgements or estimates could significantly affect the estimated useful life and impact the result of operations.

Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Convertible notes

The fair value of convertible notes is estimated by independent professional valuer based on actual transactions of the financial instruments in the market or transactions of similar financial instruments generally represent the best estimate of the market value.

(d) Share-based payment

The fair values of options granted are estimated by independent professional valuer based on the various assumptions on volatility, life of options, dividend yield and annual risk-free interest rate, excluding the impact of non-market vesting conditions, which generally represent the best estimate of the fair values of the options at the date of granting the options.

(e) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision of income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Long term receivable

The fair value of long term receivable is estimated by the Directors based on the discounted present value of the expected future cash flows derived from the long term receivable. To determine the discounted present value, the Directors are required to estimate the future cash flows expected to arise from the settlement of the amount, after taking into account the risks specific to the asset and a suitable discount rate, which are based on management's assumptions and estimates. Detailed sensitivity analyses have been prepared and management is of the view that the carrying amount of the long term receivable is not materially different from its fair value.

5 Turnover, other income and segment information

The Group is principally engaged in property investments, aircraft charter and the provision of technology related services. The Group has ceased the provision of technology related services following the disposal of subsidiaries as set out in Note 6.

Revenues recognised during the year are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Turnover		
Gross rental income and management fee	19,493	18,776
Charter flight income	4,559	–
	24,052	18,776
Other income		
Interest income	1,954	664
Dividend income	–	798
	1,954	1,462
Total	26,006	20,238

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Primary reporting format – business segments

The Group is organised into three (2005: two) main business segments:

Property investments
Aircraft charter *(Note a)*
Technology related services *(Note b)*

Notes:

(a) The aircraft charter segment is newly operated by the Group during the year.

(b) The Group disposed of its entire interest in the technology related services segment during the year, details of which have been disclosed in Note 6.

There are no sales or other transactions between business segments.

The segment results for the year ended 31 March 2006 are as follows:

	Continuing		Discontinued		Total	
	Property investments	Aircraft charter	Property investments	Technology related services	Continuing	Discontinued
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	19,493	4,559	197	14,351	24,052	14,548
Segment results	14,165	(2,739)	164	(7,849)	11,426	(7,685)
Unallocated corporate (expenses)/income					(14,057)	1,249
Unallocated operating income/(expenses)						
– Other income					1,954	26
– Fair value loss – financial assets at fair value through profit or loss					(19,422)	–
– Reversal of impairment losses of long term receivable					7,545	–
– Provision for amounts due from associated companies					–	(1,112)
– Gain on disposal of subsidiaries					–	26,929
Operating (loss)/profit					(12,554)	19,407
Finance costs					(7,430)	–
Share of loss of jointly controlled entity					(3)	–
(Loss)/profit before income tax					(19,987)	19,407
Income tax expense					(811)	–
(Loss)/profit for the year					(20,798)	19,407
Depreciation	–	667	–	611	667	611
Unallocated depreciation					175	–
					842	611
Capital expenditure	–	144,399	–	1,188	144,399	1,188
Unallocated capital expenditure					53	–
					144,452	1,188

The segment results for the year ended 31 March 2005 are as follows:

	Continuing		Discontinued		Total	
	Property investments	Technology related services	Property investments	Technology related services	Continuing	Discontinued
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	18,776	–	327	18,967	18,776	19,294
Segment results	42,765	–	762	(16,273)	42,765	(15,511)
Unallocated corporate (expenses)/income					(6,424)	531
Unallocated operating income/(expenses)						
– Other income					1,462	54
– Provision for amounts due from associated companies					–	(5,812)
– Reversal of impairment losses of other investments, net					2,075	–
Operating profit/(loss)					39,878	(20,738)
Finance costs					(4,255)	–
Profit/(loss) before income tax					35,623	(20,738)
Income tax expense					(5,876)	–
Profit/(loss) for the year					29,747	(20,738)
Depreciation	–	–	–	890	–	890
Unallocated depreciation					219	–
					219	890
Amortisation of intangible assets	–	–	–	202	–	202
Impairment loss of intangible assets	–	–	–	2,928	–	2,928
Capital expenditure	–	–	–	4,786	–	4,786
Unallocated capital expenditure					18	–
					18	4,786

Segment assets consist primarily of property, plant and equipment, investment properties, operating cash and other current assets. Segment liabilities comprise operating liabilities and exclude items such as short term loans, convertible notes and deferred income tax liabilities.

Capital expenditure represents additions to plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

The segment assets and liabilities at 31 March 2006 are as follows:

	Property investments	Aircraft charter	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets	389,235	168,049	260,830	818,114
Liabilities	4,389	4,097	382,502	390,988

The segment assets and liabilities at 31 March 2005 are as follows:

	Property investments	Technology related services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets	399,743	17,554	60,497	477,794
Liabilities	3,701	10,818	237,029	251,548

Secondary reporting format – geographical segments

The Group's business segments are operating in two main geographical areas:

Hong Kong: Property investments and aircraft charter

The Mainland China: Technology related services and property investments

There are no sales between geographical segments.

	For the year ended 31 March			
	Turnover		Capital expenditure	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong – Continuing	24,052	18,776	144,452	18
Mainland China – Discontinued	14,548	19,294	1,188	4,786
	38,600	38,070	145,640	4,804

	31 March 2006	31 March 2005
	HK$'000	*HK$'000*
Total assets		
Hong Kong	818,061	456,483
Mainland China	53	21,311
	818,114	477,794

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

6 Discontinued operations

During the year, the Group disposed of its entire interest in New World CyberBase Solutions (BVI) Limited and its subsidiaries (collectively the "NWCBVI Group") to New World Mobile Holdings Limited ("NWM"), a company incorporated in Cayman Islands and listed on the Stock Exchange of Hong Kong Limited. The disposal was approved by the independent shareholders of the Company at the Special General Meeting on 18 October 2005 and completed on 21 October 2005.

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

	2006	**2005**
	HK$'000	*HK$'000*
Turnover	14,548	19,294
Other income	26	54
Staff costs	(6,178)	(8,128)
Depreciation	(611)	(890)
Amortisation of intangible assets	–	(202)
Impairment loss of intangible assets	–	(2,928)
Provision for amounts due from associated companies	(1,112)	(5,812)
Surplus on revaluation of investment properties	–	554
Recovery of doubtful debts, net	–	657
Other operating expenses	(14,195)	(23,337)
Loss before income tax	(7,522)	(20,738)
Income tax expense	–	–
	(7,522)	(20,738)
Gain on disposal of subsidiaries *(Note 34(c))*	26,929	–
Profit/(loss) from discontinued operations	19,407	(20,738)
Net cash used in operating activities	(10,156)	(14,881)
Net cash (used in)/generated from investing activities	(1,221)	1,745
Net cash generated from financing activities	11,371	22,910
Total net cash (outflow)/inflow	(6)	9,774

No tax charge or credit arose from the disposal of NWCBVI Group. The carrying amounts of the assets and liabilities of NWCBVI Group at the date of disposal are disclosed in Note 34(c).

7 Operating (loss)/profit

Operating (loss)/profit is stated after crediting and charging the following:

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Crediting		
Gross rental income and management fee	19,493	18,776
Charging		
Auditors' remuneration	650	512
Operating lease rental in respect of land and buildings	499	225
Direct operating expenses arising from investment properties that generate rental income	3,177	3,336
Direct operating expenses arising from investment properties that did not generate rental income	127	161

8 Staff costs (including directors' remuneration)

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Wages and salaries	6,085	4,209
Retirement benefit costs – defined contribution plan	121	(462)
Share options granted to directors and employees	1,760	191
	7,966	3,938

The retirement benefit costs under MPF Scheme charged to the income statement represent gross contributions payable by the Group to the MPF Scheme of HK$121,000 (2005: gross contributions of HK$96,000 less forfeited employer's contributions utilised of HK$558,000). No contribution was payable to the funds at the year end. At 31 March 2006, there was no unutilised forfeited contributions (2005: Nil).

9 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of each of the Directors for the year ended 31 March 2006 is as follows:

Name of Director	Fees	Salary	Other benefits	Share option benefits	Employer's contribution to MPF Scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Lo Lin Shing, Simon	–	–	530	553	–	1,083
Yvette Ong	–	1,834	181	267	12	2,294
Non-executive director						
To Hin Tsun, Gerald	10	–	–	191	–	201
Independent non-executive directors						
Peter Pun	100	–	–	55	–	155
Wei Chi Kuan, Kenny	100	–	–	55	–	155
Lau Wai Piu	100	–	–	55	–	155
	310	1,834	711	1,176	12	4,043

The remuneration of each of the Directors for the year ended 31 March 2005 is as follows:

Name of Director	Fees	Salary	Other benefits	Share option benefits	Employer's contribution to MPF Scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000*
Executive directors						
Lo Lin Shing, Simon	–	–	–	56	–	56
Yvette Ong	–	2,160	64	27	12	2,263
Non-executive director						
To Hin Tsun, Gerald	10	–	–	19	–	29
Independent non-executive directors						
Peter Pun	100	–	–	6	–	106
Wei Chi Kuan, Kenny	100	–	–	6	–	106
Lau Wai Piu	51	–	–	6	–	57
	261	2,160	64	120	12	2,617

During the years, no Director waived any directors' emoluments.

(b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one director (2005: one) whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2005: four) highest paid individuals during the year are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Basic salaries, other allowances and benefits in kind	2,814	2,952
Discretionary bonus	457	340
Contributions to pension schemes	48	46
Share option benefits	266	25
	3,585	3,363

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2006**	**2005**
Nil – HK$1,000,000	3	3
HK$1,000,001 – HK$1,500,000	1	1
	4	4

(c) During the year, no emoluments have been paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 Finance costs

	2006	**2005**
	HK$'000	*HK$'000*
Interest expense:		
– short-term bank loan	6,542	2,799
– short-term other loan	–	1,456
– convertible notes wholly repayable within five years *(Note 28)*	1,496	–
	8,038	4,255
Less: Write-back of interest payable for other loan, net	(608)	–
	7,430	4,255

11 Income tax expense

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profit for the year (2005: Nil). Taxation on overseas profits has not been provided for as the Group has no estimated assessable profit for the year (2005: Nil).

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

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Current income tax:		
– Hong Kong profits tax	286	–
– Under provision for Hong Kong profits tax in prior year	–	11
Deferred income tax *(Note 29)*	525	5,865
	811	5,876

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
(Loss)/profit before income tax from continuing operations	(19,987)	35,623
Loss before income tax from discontinued operations *(Note 6)*	(7,522)	(20,738)
	(27,509)	14,885
Calculated at a taxation rate of 17.5% (2005: 17.5%)	(4,814)	2,605
Tax effect on income not subject to tax	(1,545)	(1,093)
Tax effect on expenses not deductible for tax purposes	3,693	1,601
Tax effect on tax loss not recognised	3,477	2,752
Under provision in prior year	–	11
Income tax expense	811	5,876

12 Loss attributable to equity holders of the Company

Loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$34,469,000 (2005: HK$29,756,000 as restated) (Note 31(b)).

13 (Loss)/earnings per share

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

The calculation of diluted (loss)/earnings per share is based on the weighted average number of ordinary shares in issue during the year, as used in the calculation of basic (loss)/earnings per share and the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
Earnings		
(Loss)/profit from continuing operations attributable to the equity holders of the Company (net of minority interests), as used in the calculation of basic (loss)/earnings per share	(20,790)	29,838
Interest expense on convertible notes	1,496	–
(Loss)/profit from continuing operations attributable to the equity holders of the Company, as used in the calculation of diluted (loss)/earnings per share	(19,294)	29,838
Profit/(loss) from discontinued operations attributable to equity holders of the Company	19,407	(20,738)

	Number of shares	
	2006	**2005**
	(thousand)	*(thousand)*
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue for basic (loss)/earnings per share	542,316	292,193
Effect of dilutive potential ordinary shares:		
Convertible notes	130,898	–
Share options	6,098	311
Weighted average number of ordinary shares in issue for diluted (loss)/earnings per share	679,312	292,504

The weighted average number of ordinary shares for the year ended 31 March 2005 is adjusted to reflect the change in the number of ordinary shares as a result of the rights issue of the Company during the year as set out in Note 30 (a)(iv).

14 Property, plant and equipment – Group

	Other properties *HK$'000*	Leasehold improve–ments *HK$'000*	Computer equipment *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Aircraft *HK$'000*	Total *HK$'000*
Cost							
At 1 April 2004	5,518	654	6,986	2,065	1,058	–	16,281
Additions	–	5	1,666	3	–	–	1,674
Disposals	–	–	(246)	–	–	–	(246)
Transfer from other properties to investment properties *(Note 15)*	(5,518)	–	–	–	–	–	(5,518)
At 31 March 2005 and 1 April 2005	–	659	8,406	2,068	1,058	–	12,191
Additions	–	668	1,027	377	–	143,568	145,640
Exchange difference	–	9	84	21	13	–	127
Disposal of subsidiaries *(Note 34(c))*	–	(716)	(6,174)	(1,327)	(674)	–	(8,891)
At 31 March 2006	**–**	**620**	**3,343**	**1,139**	**397**	**143,568**	**149,067**
Accumulated depreciation							
At 1 April 2004	2,172	201	6,421	1,722	455	–	10,971
Charge for the year	–	395	426	156	132	–	1,109
Disposals	–	–	(132)	–	–	–	(132)
Transfer from other properties to investment properties *(Note 15)*	(2,172)	–	–	–	–	–	(2,172)
At 31 March 2005 and 1 April 2005	–	596	6,715	1,878	587	–	9,776
Charge for the year	–	174	429	100	109	641	1,453
Exchange difference	–	11	56	19	9	–	95
Disposal of subsidiaries *(Note 34(c))*	–	(603)	(4,055)	(1,098)	(493)	–	(6,249)
At 31 March 2006	**–**	**178**	**3,145**	**899**	**212**	**641**	**5,075**
Net book value							
At 31 March 2006	**–**	**442**	**198**	**240**	**185**	**142,927**	**143,992**
At 31 March 2005	–	63	1,691	190	471	–	2,415

15 Investment properties

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Beginning of the year	388,900	356,000
Transfer from other properties *(Note 14)*	–	3,346
Disposal of subsidiaries *(Note 34(c))*	(3,900)	–
Increase in fair value	–	29,554
End of the year	385,000	388,900

The Group's investment properties were revalued on an open market value basis at 31 March 2006 by RHL Appraisal Ltd., an independent professional qualified valuer.

Investment properties with a carrying amount totalling HK$385,000,000 (2005: HK$385,000,000) have been pledged to secure banking facilities to the extent of HK$151,724,000 (2005: HK$134,439,000) granted to the Group (Note 27).

The Group's interests in investment properties are analysed as follows:

	2006	**2005**
	HK$'000	*HK$'000*
In Hong Kong, held on lease of between 10 to 50 years	385,000	385,000
Outside Hong Kong, held on lease of between 10 to 50 years	–	3,900
	385,000	388,900

16 Subsidiaries

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Unlisted shares, at cost	477,068	477,068
Less: Provision	(310,400)	(310,400)
	166,668	166,668
Amounts due from subsidiaries *(Note (a))*	1,531,622	1,425,763
Less: Provision	(1,315,650)	(1,369,893)
	215,972	55,870
Amounts due to subsidiaries *(Note (b))*	(48,414)	(45,208)

Notes:

(a) *Except for an aggregate amount of HK$10,167,540 (2005: HK$34,904,000) due from certain subsidiaries which carries interest at 9% (2005: 9%) per annum, the balances with subsidiaries are unsecured, interest free and repayable on demand.*

(b) *A list of the principal subsidiaries is set out in Note 37 to the financial statements.*

17 Associated companies

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Share of net assets *(Note a)*	–	–
Amounts due from associated companies *(Note b)*	26,431	39,031
Less: Provision	(26,431)	(39,031)
	–	–
	–	–

Notes:

(a) *The Group's share of net assets of the associated companies represents the Group's cost of investment plus its share of post-acquisition results and reserves in the associated companies. Under the equity method of accounting, the Group's share of losses of the associated companies is restricted to the cost of investment. As at 31 March 2006, the Group's share of the associated companies' losses exceeded its cost of investment. Accordingly, share of net assets of associated companies is reported at nil value.*

(b) *The amounts due from associated companies are unsecured, interest free and repayable on demand.*

The following is the details of the associated companies at 31 March 2006:

Name	**Place of incorporation**	**Particulars of issued share capital**	**Interest held**	**Principal activities**
Asia V-Sat Co. Ltd.	British Virgin Islands	5,850,000 shares of US$1.00 each	20%	Internet and e-commerce services
eGuanxi (Cayman) Limited	Cayman Islands	6,667,000 shares of US$1.00 each	25%	Dormant

18 Jointly controlled entity – Group

	2006	**2005**
	HK$'000	*HK$'000*
Share of net liabilities	(3)	–
Amount due from jointly controlled entity	15,107	–
	15,104	–

The amount due from the jointly controlled entity, which is unsecured and interest free, represents the Group's equity contribution to the jointly controlled entity.

The following is the details of the jointly controlled entity at 31 March 2006:

Name	**Place of incorporation**	**Particulars of issued share capital**	**Interest held**	**Principal activities**
Everbest Business Limited	British Virgin Islands	2 shares of US$1.00 each	50%	Aircraft charter (not yet started its operations during the period)

The following is an extract of the operating results and financial position of Everbest Business Limited (incorporated on 18 October 2005) based on a set of unaudited management accounts for the period ended 31 March 2006 prepared by management of the Group in accordance with those relevant accounting policies as set out in Note 2.

	Everbest Business Limited *HK$'000*	Group's attributable interests *HK$'000*
Assets:		
Non-current assets – prepayment for purchase of aircraft	30,215	15,107
Liabilities:		
Non-current liabilities – shareholders' loans	(30,215)	(15,107)
Current liabilities	(6)	(3)
	(30,221)	(15,110)
Net liabilities	(6)	(3)
Operating results:		
Income	–	–
Expenses	(6)	(3)
Loss for the period	(6)	(3)
Capital commitments:		
Contracted but not provided for in respect of property, plant and equipment – aircraft	212,598	106,299

There are no contingent liabilities relating to the Group's interest in the jointly controlled entity, and no contingent liabilities of the jointly controlled entity itself.

19 Other investments – Group

Other investments are analysed as follows:

	2005 *HK$'000*
Listed investments in Hong Kong, at cost	49,264
Less: Provision	(27,765)
	21,499
Unlisted investments, at cost	255,268
Less: Provision	(254,453)
	815
Loans to investee companies	1,749
Less: Provision	(1,749)
	–
Total	22,314

20 Financial assets at fair value through profit or loss

	Group 2006 *HK$'000*	Company 2006 *HK$'000*
Non-current assets		
Equity securities of companies listed in Hong Kong	42,524	–
Unlisted equity securities	1,150	–
	43,674	–
Current assets		
Equity securities of a company listed in Hong Kong	27,946	27,946

21 Long term receivable

	2006 *HK$'000*	2005 *HK$'000*
Balance at 31 March	12,668	5,123

In prior years, the Group acquired approximately a 3% interest in Draper Fisher Jurvetson ePlanet Ventures L.P. ("DFJ"), an unlisted limited partnership incorporated in the United States of America principally engaged in the investments in securities.

In October 2002, the Group disposed of its entire interest in DFJ to the General Partner of DFJ, which is not a related party, at a consideration of approximately HK$23,663,000, or the market value of the portfolio upon the dissolution of the fund, which is the lower. The proceeds shall be settled not later than six months after the dissolution of DFJ, which was determined, subject to other terms in the partnership agreement of DFJ, to be in December 2009.

At 31 March 2005, the long term receivable was carried at cost less impairment losses. During the year, the Directors reassessed the fair value of the long term receivable based on the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset, and are of the opinion that at 31 March 2006, the carrying amount of the long term receivable approximates its fair value.

22 Accounts receivable

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

	2006	**2005**
	HK$'000	*HK$'000*
Current to 30 days	3,609	2,095
31 to 60 days	205	1,315
61 to 90 days	228	1,245
Over 90 days	433	531
	4,475	5,186
Denominated in:		
HK$	1,226	1,207
US$	3,249	–
RMB	–	3,979
	4,475	5,186

The carrying value of accounts receivable approximates their fair values due to the short term maturity.

23 Amounts due from related companies

The amounts primarily represent loans granted to Anbo Global Company Limited, Cyber On-Air (Asia) Limited and Cyber On-Air Limited, which are wholly owned subsidiaries of International Entertainment Corporation ("IEC"), a company of which Mr. Lo Lin Shing, Simon ("Mr. Lo"), the chairman and an executive director of the Group, is also an executive director.

The loans are secured by a corporate guarantee from IEC, repayable on demand and bear interest at commercial rates. The carrying value of the amounts due from related companies approximates their fair values due to the short term maturity.

24 Pledged bank deposits

As at 31 March 2005, bank balances of certain subsidiaries of the Group in the amount of approximately HK$540,000 was frozen under PRC court order in relation to a claim filed by a PRC government institute for the infringement of rights to derive benefits from using the city mapping information contents in the PRC. The relevant subsidiaries were disposed of by the Group during the year.

25 Cash and cash equivalents

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank balances and cash	7,932	13,508	2,737	1,667
Time deposits with initial term of less than three months	163,553	27,700	160,012	25,000
	171,485	41,208	162,749	26,667
Denominated in:				
HK$	171,339	31,289	162,749	26,667
RMB	–	9,919	–	–
US$	146	–	–	–
	171,485	41,208	162,749	26,667

The weighted average effective interest rate on short-term bank deposits, with maturity ranging from one week to one month, was 4.0% (2005: 1.9%) per annum. Cash at bank earns interest at floating rates based on daily bank deposit rates.

26 Creditors, deposits and accruals

Included in the Group's creditors, deposits and accruals were accounts payable and their ageing analysis is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Current to 30 days	2,520	2,142
31 to 60 days	645	6
61 to 90 days	890	–
Over 90 days	152	384
	4,207	2,532
Denominated in:		
HK$	4,207	755
RMB	–	1,777
	4,207	2,532

The carrying value of the accounts payable approximates their fair values due to the short term maturity.

27 Short-term loans

The Group's short-term loans are denominated in HK$ and the carrying amounts of these loans approximate their fair values. The short-term loans are analysed as follows:

	Note	2006 HK$'000	2005 HK$'000
Bank loan, secured	*(a)*	151,724	134,439
Other loan, unsecured	*(b)*	–	48,763
		151,724	183,202

Notes:

(a) *Secured bank loan, which carries interest at 1% (2005: 1.25%) over the Hong Kong Interbank Offer Rate ("HIBOR"), was secured by the Group's investment properties with carrying value amounted to HK$385 million and a corporate guarantee provided by the Company. A director of the Company also provides a personal guarantee to the bank to the extent of all outstanding interests in connection with the loan.*

(b) *Other loan at 31 March 2005 represented a loan obtained from a wholly-owned subsidiary of a former substantial shareholder of the Company. The loan carried interest at 2% over the HIBOR. The loan was fully settled during the year.*

28 Convertible notes

On 17 February 2006, the Company issued 2.5% redeemable convertible notes at a nominal value of HK$200 million. These convertible notes have maturity period of three years from the issue date at their nominal value of HK$200 million or can be converted into 1 ordinary share of the Company of HK$0.02 each for every HK$0.18 convertible note at the holder's option.

The fair values of the liability component and the equity conversion component were determined by an independent professional qualified valuer at issuance of the convertible notes.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves net of deferred income taxes.

The convertible notes recognised in the balance sheet are calculated as follows:

	2006 HK$'000
Face value of convertible notes issued (net of commission)	195,500
Equity component transferred to other reserves *(Note 31)*	(21,468)
Liability component on initial recognition	174,032
Interest expense *(Note 10)*	1,496
Liability component at 31 March 2006	175,528

The fair value of the liability component of the convertible notes at 31 March 2006 amounted to HK$174,349,000. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 7.5%.

Interest expense on the convertible note is calculated using the effective interest method by applying the effective interest rate of 7.3% to the liability component.

29 Deferred income tax liabilities

Deferred income tax is calculated in full on temporary differences under the liability method using the taxation rate which is expected to apply at the time of reversal of the temporary differences.

The components of the deferred income tax account recognised in the balance sheet (prior to offsetting of balances within the same tax jurisdiction) and the movements during the year are as follows:

	Group			**Company**
	Investment properties	**Convertible notes**	**Total**	**Convertible notes**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004, as previously reported	–	–	–	–
Effect of adoption of HK(SIC)-Int 21	37,069	–	37,069	–
At 1 April 2004, as restated	37,069	–	37,069	–
Charged to the income statement *(Note 11)*	5,865	–	5,865	–
At 31 March 2005	42,934	–	42,934	–
Charged/(credited) to the income statement *(Note 11)*	787	(262)	525	(262)
Charged to equity *(Note 31)*	–	3,757	3,757	3,757
At 31 March 2006	43,721	3,495	47,216	3,495

The deferred income tax liabilities are to be recovered after more than 12 months.

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. At 31 March 2006, unrecognised tax losses of the Group amounted to HK$35,891,000 (2005: HK$196,088,000). No deferred tax asset has been recognised for these tax losses as it is uncertain whether the Group will have sufficient future taxable profits to utilise these tax losses. These tax losses do not have an expiry date except for HK$105,710,000 in prior year which will expire within five years.

30 Share capital

(a) Authorised and issued share capital

		31 March 2006	31 March 2005
		HK$'000	*HK$'000*
Authorised:			
15,000,000,000 ordinary shares of HK$0.02 each		300,000	300,000

	Note	**Number of ordinary shares at HK$0.02 each**	*HK$'000*
Issued and fully paid:			
Balance at 1 April 2004		5,824,961,161	116,499
Capital reorganisation	*(i)*	(5,533,713,103)	(110,674)
Issue of shares – rights issue	*(ii)*	145,624,029	2,912
Balance at 31 March 2005		436,872,087	8,737
Issue of shares			
– Placing of shares	*(iii)*	58,000,000	1,160
– Rights issue	*(iv)*	989,744,174	19,795
– Exercise of share options		2,245,000	45
Balance at 31 March 2006		1,486,861,261	29,737

Notes:

(i) On 23 August 2004, the following resolutions approving the capital reorganisation were duly passed at a special general meeting of the Company:

– the nominal value of each of the 5,824,961,161 then issued ordinary shares of the Company was reduced by HK$0.019, from HK$0.02 to HK$0.001, whereby the Company's then issued share capital of HK$116,499,223 was reduced by HK$110,674,262 to HK$5,824,961 (the "Capital Reduction");

– the credit in the amount of HK$110,674,262 arising from the Capital Reduction was credited to the contributed surplus account of the Company;

– every 20 then issued shares of HK$0.001 each were consolidated into one new share of HK$0.02 each (the "Share Consolidation"). On such basis, there were 291,248,058 shares of HK$0.02 each in issue;

– a total amount of HK$1,718,243,805 standing to the credit of the share premium account of the Company was cancelled and transferred to the contributed surplus account of the Company; and

– a total amount of HK$2,669,972,843 in the contributed surplus account was applied to set off against the accumulated losses of the Company.

(ii) On 9 March 2005, the Company completed a rights issue of 145,624,029 shares at a subscription price of HK$0.2 per share. Accordingly, 145,624,029 shares of HK$0.02 each were issued at a premium of HK$0.18 each. The premium on issue of shares of HK$26,212,000 was credited to the share premium account. These new shares rank pari passu in all respect with the existing shares.

(iii) On 19 May 2005, the Company completed a placing of 58,000,000 shares at a subscription price of HK$0.24 per share. Accordingly, 58,000,000 shares of HK$0.02 each were issued at a premium of HK$0.22 each. The premium on issue of shares of HK$12,760,000 was credited to the share premium account. These new shares rank pari passu in all respect with the existing shares.

(iv) On 13 February 2006, the Company completed a rights issue of 989,744,174 shares at a subscription price of HK$0.15 per share. Accordingly, 989,744,174 shares of HK$0.02 each were issued at a premium of HK$0.13 each. The premium on issue of shares of approximately HK$128,667,000 was credited to the share premium account. These new shares rank pari passu in all respect with the existing shares.

(b) Share options

Under the share option schemes adopted by the Company on 22 September 2000 (the "Terminated Option Scheme") and 28 August 2002 (the "Existing Option Scheme"), options were granted to certain directors and employees of the Company entitling them to subscribe for shares of the Company. The Terminated Option Scheme was terminated on 28 August 2002 upon the adoption of the Existing Option Scheme.

Movements of share options outstanding and their weighted average exercise prices are as follows:

	2006		**2005**	
	Weighted average exercise price per share *HK$*	**Number of share options**	**Weighted average exercise price per share** *HK$*	**Number of share options**
At beginning of the year	0.2742	19,031,400	0.0594	60,258,000
Granted	0.1636	828,900	0.2900	10,635,000
Capital reorganisation adjustment	N/A	–	N/A	(42,221,800)
Rights issue adjustment	N/A	2,060,020	N/A	6,343,800
Exercised	0.1691	(2,245,000)	N/A	–
Lapsed/cancelled	0.5457	(4,368,900)	0.0801	(15,983,600)
At end of the year	0.1692	15,306,420	0.2742	19,031,400

Options exercised during the year ended 31 March 2006 resulted in 2,245,000 ordinary shares (2005: Nil) being issued at the weighted average exercise price of HK$0.1691 (2005: Nil) each. The related weighted average share price at the time of exercise was HK$0.3121 (2005: Nil) per share.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options outstanding at the end of the year have the following exercise period and exercise price:

Date of grant	Exercise price *HK$*	Exercise period	Number of shares subject to options 2006	2005
17-04-2002	0.6933	17-04-2002 to 16-04-2009	–	3,078,900
01-03-2005	0.1695 *(Note)*	01-03-2005 to 28-02-2012	14,617,520	15,952,500
15-02-2006	0.1636	15-02-2006 to 16-04-2009	688,900	–
			15,306,420	19,031,400

Note:

The exercise price was adjusted from HK$0.1933 to HK$0.1695 pursuant to the rights issue of the Company during the year as set out in Note 30 (a)(iv).

The fair values of options granted determined using the Binomial Valuation Model were as follow:

	Date of grant of share option 1 March 2005	15 February 2006
Option value (at grant date)	HK$1,215,000	HK$32,000
Option value (upon completion of the rights issue on 9 March 2005)	HK$1,919,000	N/A
Significant inputs into the valuation model:		
Exercise price (at grant date)	HK$0.29	HK$0.1636
Exercise price (upon completion of the rights issue on 9 March 2005)	HK$0.1695	N/A
Share price at grant date and on 9 March 2005	HK$0.29	N/A
Share price at grant date	N/A	HK$0.162
Expected volatility *(Note)*	70%	66%
Risk-free interest rate	3.9%	4.2%
Expected life of options	7 years	3.17 years
Expected dividend yield	N/A	N/A

Note:

The volatility measured at the standard derivation of expected share price return is based on statistical analysis of daily share prices over the last 6 months before the respective dates of grant.

(c) Subscription options

Pursuant to a sale and purchase agreement dated 23 January 2002 relating to the acquisition of the entire issued share capital of a subsidiary, the Company has granted options to the then shareholders of that subsidiary to subscribe for such number of new shares of the Company as shall have the value of up to HK$15,600,000 in aggregate. Such options are exercisable during a period from 4 February 2002 up to and including 31 December 2005 at the subscription price of (i) HK$3.0 per share from 4 February 2002 up to and including 31 December 2004; and (ii) HK$4.0 per share from 1 January 2005 up to and including 31 December 2005. These options have been lapsed during the year.

31 Reserves

(a) Group

	Convertible notes HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Employee share-based compensation reserves HK$'000	Exchange translation HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
Balance at 1 April 2004, as previously reported	–	1,718,244	1,040,649	–	–	(2,647,504)	111,389
Effect of adoption of HK(SIC)-Int 21	–	–	–	–	–	(37,069)	(37,069)
Balance at 1 April 2004, as restated	–	1,718,244	1,040,649	–	–	(2,684,573)	74,320
Distributable reserves arising from capital reduction *(Note 30(a)(i))*	–	–	110,674	–	–	–	110,674
Transfer to distributable reserves *(Note 30(a)(i))*	–	(1,718,244)	1,718,244	–	–	–	–
Transfer to accumulated losses *(Note 30(a)(i))*	–	–	(2,669,973)	–	–	2,669,973	–
Rights issue of shares *(Note 30(a)(ii))*	–	26,212	–	–	–	–	26,212
Share issue expenses	–	(3,053)	–	–	–	–	(3,053)
Profit for the year, as previously reported	–	–	–	–	–	15,156	15,156
Effect of changes in accounting policies – Share-based compensation expenses *(Note 2.1)*	–	–	–	191	–	(6,056)	(5,865)
Profit for the year, as restated						9,100	
Balance at 31 March 2005, as restated	–	23,159	199,594	191	–	(5,500)	217,444
Balance at 1 April 2005, as per above	–	23,159	199,594	191	–	(5,500)	217,444
Opening adjustment for adoption of HKASs 32 and 39 *(Note 2.1)*	–	–	–	–	–	26,324	26,324
Balance at 1 April 2005, as restated	–	23,159	199,594	191	–	20,824	243,768
Convertible notes – equity component *(Note 28)*	21,468	–	–	–	–	–	21,468
Deferred tax on equity component of convertible notes *(Note 29)*	(3,757)	–	–	–	–	–	(3,757)
Share-based compensation expenses	–	–	–	1,760	–	–	1,760
Issue of shares							
– placing of shares *(Note 30(a)(iii))*	–	12,760	–	–	–	–	12,760
– rights issue *(Note 30(a)(iv))*	–	128,667	–	–	–	–	128,667
– exercise of share options *(Note 30(b))*	–	555	–	(221)	–	–	334
Share issue expenses	–	(6,285)	–	–	–	–	(6,285)
Lapse of share options	–	–	–	(23)	–	23	–
Currency translation difference	–	–	–	–	32	–	32
Disposal of subsidiaries	–	–	–	–	(32)	–	(32)
Loss for the year	–	–	–	–	–	(1,383)	(1,383)
Balance at 31 March 2006	**17,711**	**158,856**	**199,594**	**1,707**	**–**	**19,464**	**397,332**

(b) **Company**

	Convertible notes *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Employee share-based compensation reserves *HK$'000*	Retained earnings/ (accumulated losses) *HK$'000*	Total *HK$'000*
Balance at 1 April 2004	–	1,718,244	1,040,649	–	(2,669,973)	88,920
Distributable reserves arising from capital reduction *(Note 30(a)(i))*	–	–	110,674	–	–	110,674
Transfer to distributable reserves *(Note 30(a)(i))*	–	(1,718,244)	1,718,244	–	–	–
Transfer to accumulated losses *(Note 30(a)(i))*	–	–	(2,669,973)	–	2,669,973	–
Rights issue of shares *(Note 30(a)(ii))*	–	26,212	–	–	–	26,212
Share issue expenses	–	(3,053)	–	–	–	(3,053)
Loss for the year, as previously reported	–	–	–	–	(29,565)	(29,565)
Effect of change in accounting policy – share–based compensation expenses *(Note 2.1)*	–	–	–	191	(191)	–
Loss for the year, as restated					(29,756)	
Balance at 31 March 2005, as restated	–	23,159	199,594	191	(29,756)	193,188
Balance at 1 April 2005, as per above	–	23,159	199,594	191	(29,756)	193,188
Convertible notes – equity component *(Note 28)*	21,468	–	–	–	–	21,468
Deferred tax on equity component of convertible notes *(Note 29)*	(3,757)	–	–	–	–	(3,757)
Share-based compensation expenses	–	–	–	1,760	–	1,760
Issue of shares						
– placing of shares *(Note 30(a)(iii))*	–	12,760	–	–	–	12,760
– rights issue *(Note 30(a)(iv))*	–	128,667	–	–	–	128,667
– exercise of share options *(Note 30(b))*	–	555	–	(221)	–	334
Share issue expenses	–	(6,285)	–	–	–	(6,285)
Lapse of share options	–	–	–	(23)	23	–
Loss for the year	–	–	–	–	(34,469)	(34,469)
Balance at 31 March 2006	**17,711**	**158,856**	**199,594**	**1,707**	**(64,202)**	**313,666**

At 31 March 2006, the Company has distributable reserves of HK$135,392,000 (2005: HK$169,838,000 as restated), including contributed surplus of HK$199,594,000 which is distributable subject to conditions set out below:

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company shall not be distributed to the shareholders if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

32 Contingent liabilities

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(a) Guarantees in respect of credit facilities granted to subsidiaries	–	–	151,724	183,202

(b) In March 2004, a PRC government institute filed a claim to the PRC court against the Company and certain of the former subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents in the PRC and has claimed against the Group for an aggregate amount of RMB5 million (equivalent to approximately HK$4.8 million) and an injunction for further usage of such information. By an order issued by the respective PRC court, the Company and certain of the former subsidiaries were required to freeze their asset value to the extent of the same amount in connection with the above claim. The litigation is still in progress as at 31 March 2006. The Directors consider that such court order will not materially and adversely affect the financial position or operating results of the Group. Accordingly, no provision has been made in the financial statements for the year ended 31 March 2006.

33 Commitments

(a) Commitments under operating leases

At 31 March 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Not later than one year	977	1,445
Later than one year and not later than five years	312	860
	1,289	2,305

(b) Future minimum rental payments receivable

The Group's operating leases are for terms of 1 to 5 years. The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Not later than one year	12,733	14,129
Later than one year and not later than five years	6,778	17,587
	19,511	31,716

34 Notes to consolidated cash flow statement

(a) Reconciliation of (loss)/profit for the year to cash used in operations

	2006	**2005**
	HK$'000	*HK$'000*
		(Restated)
(Loss)/profit for the year	(1,391)	9,009
Income tax expense	811	5,876
Share of loss of a jointly controlled entity	3	–
Dividend income	–	(798)
Interest income	(1,954)	(718)
Interest expense	7,430	4,255
Depreciation	1,453	1,109
Exchange loss on translation of property, plant and equipment	(32)	–
Amortisation of intangible assets	–	202
Fair value loss – financial assets at fair value through profit or loss	19,422	–
Gain on disposal of subsidiaries	(26,929)	–
Impairment loss of intangible assets	–	2,928
Provision for amounts due from associated companies	1,112	5,812
Recovery of doubtful debts, net	–	(657)
Reversal of impairment losses of long term receivable	(7,545)	–
Reversal of impairment losses of other investments, net	–	(2,075)
Share-based compensation expenses	1,760	191
Surplus on revaluation of investment properties	–	(29,554)
Operating loss before working capital changes	(5,860)	(4,420)
Increase in accounts receivable, other receivables, prepayments and deposits, and amounts due from related companies	(7,113)	(4,367)
(Decrease)/increase in creditors, deposits and accruals	(1,006)	7,063
Cash used in operations	(13,979)	(1,724)

(b) Acquisition of subsidiaries

	2005
	HK$'000
Net assets acquired:	
Debtors, deposits and prepayments	246
Bank balances and cash *(Note (i))*	120
Creditors, deposits and accruals	(666)
	(300)
Intangible assets *(Note (ii))*	3,130
	2,830
Satisfied by:	
Cash consideration	2,830
Consideration payable	(283)
	2,547
Bank balance and cash acquired	(120)
Cash outflow on acquisition of subsidiaries	2,427

There were no acquisitions of subsidiaries in the year ended 31 March 2006.

Notes:

(i) The net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary, representing bank balances and cash acquired, amounted to HK$120,000.

(ii) The intangible assets represent operating licenses on VAS services in the PRC. An impairment charge of HK$2,928,000 was recognised in the income statement for the year ended 31 March 2005 pursuant to the impairment review carried out by the Directors.

(c) Disposal of subsidiaries

	2006
	HK$'000
Net assets disposed of:	
Property, plant and equipment *(Note 14)*	2,642
Investment properties *(Note 15)*	3,900
Accounts receivable	3,014
Other receivables, prepayments and deposits	3,130
Bank balances and cash	10,675
Creditors, deposits and accruals	(7,886)
	15,475
Gain on disposal of subsidiaries *(Note 6)*	26,929
	42,404
Satisfied by:	
Sales consideration settled in shares	42,404
Cash outflow on disposal of subsidiaries	10,675

There were no disposals of subsidiaries in the year ended 31 March 2005.

(d) Analysis of changes in financing during the year

	Share capital (including share premium)	Short term loans	Convertible notes	Minority interests	Restricted bank balances	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 31 March 2004	1,834,743	172,763	–	156	(6,253)	2,001,409
Net cash inflow from financing	26,071	10,439	–	–	5,713	42,223
Capital reorganisation	(1,828,918)	–	–	–	–	(1,828,918)
Minority interests' share of losses	–	–	–	(91)	–	(91)
Balance at 31 March 2005	31,896	183,202	–	65	(540)	214,623
Net cash inflow/(outflow) from financing	156,476	(31,478)	195,500	–	540	321,038
Exercise of share options	221	–	–	–	–	221
Minority interests' share of losses	–	–	–	(8)	–	(8)
Balance at 31 March 2006	**188,593**	**151,724**	**195,500**	**57**	**–**	**535,874**

35 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

(a) Transactions with associated companies

	Note	2006 HK$'000	2005 HK$'000
Technical service fee charged to a subsidiary of Asia V-Sat Co. Ltd. ("AVSAT"), an associated company	*(i)*	603	1,510
Advances to certain subsidiaries of AVSAT	*(ii)*	509	–

Notes:

(i) Technical service fee was charged to a subsidiary of AVSAT for the provision of project management services and technical consultancy services in connection of the call centre operations, which is based on 50% of the contract amounts entered into between the associated company and the external customers at mutually agreed terms. The amounts have been included in the results of discontinued operations under HKFRS 5.

(ii) Advances to certain subsidiaries of AVSAT were made for working capital purposes. The amounts are unsecured, interest free and repayable on demand.

(b) Transactions with related companies with common director

	Note	2006 HK$'000	2005 HK$'000
Reimbursement of rental and office administrative expenses from a subsidiary of IEC	*(i)*	487	495
Interest income from certain subsidiaries of IEC	*(ii)*	482	446
Professional fee paid to Tai Fook Capital Limited ("TFCL")	*(iii)*	703	355
Commission paid to Tai Fook Securities Company Limited ("TFSCL")	*(iv)*	4,500	–
Underwriting commission paid to Golden Infinity Co., Ltd. ("Golden Infinity")	*(v)*	2,057	668

Notes:

(i) The reimbursement of rental expenses from the subsidiary of IEC for sharing the Group's office premises and utilities were calculated in proportion to the office space occupied. Administrative expenses were charged on actual incurred basis taking into account the headcount and/or office space occupied.

(ii) The interest income was charged on loans granted on certain subsidiaries of IEC at mutually agreed terms.

(iii) Professional fee was paid to TFCL, a subsidiary of Tai Fook Securities Group Limited ("TFSGL"), a company of which Mr. Lo is also the deputy chairman and a substantial shareholder. The professional fee was charged at mutually agreed terms.

(iv) Placing agent commission on convertible notes was paid to TFSCL, a subsidiary of TFSGL. The commission was charged at mutually agreed terms.

(v) Underwriting commissions were paid to Golden Infinity, a company wholly owned by Mr. Lo, in connection with the Company's rights issues based on mutually agreed terms.

(c) Key management personnel compensation

	2006	**2005**
	HK$'000	*HK$'000*
Basic salaries, other allowances and benefits in kind	4,376	5,516
Discretionary bonus	394	340
Share option benefits	568	59
Contributions to pension schemes	91	134
	5,429	6,049

(d) Balances with related parties

	2006	**2005**
	HK$'000	*HK$'000*
Amount due from Cyber On-Air (Asia) Limited	7,000	7,000
Amount due from Anbo Global Company Limited	1,000	1,000
Amount due from Cyber On-Air Limited	500	500
Others	217	(32)
	8,717	8,468

Details of the balances with related parties were disclosed in Note 23.

36 Subsequent events

(a) On 4 July 2006, the Directors made a public announcement disclosing the following transactions:–

(i) Business Aviation Asia Limited ("BAA"), an indirect wholly-owned subsidiary of the Group, disposed of its 59.9% interest in the issued share capital of BAA Jet Management Limited ("BAA Jet Management"), a wholly-owned subsidiary of BAA to The Offshore Group Holdings Limited ("Offshore Group"), an independent third party; and

(ii) BAA, Offshore Group and BAA Jet Management entered into a shareholders' loan agreement for which the shareholders of BAA Jet Management agree to provide an aggregate amount of shareholders loan to BAA Jet Management to the extent of HK$10 million in proportion to their shareholdings in BAA Jet Management for its additional working capital.

(b) On 6 July 2006, the Directors made a public announcement disclosing that BAA entered into a joint venture agreement with two independent third parties for the establishment of a joint venture company (the "Joint Venture Company"). The Joint Venture Company is a sino-foreign joint venture proposed to be incorporated in the PRC and owned as to 49% by BAA. The registered capital of the Joint Venture Company will be RMB100 million which shall be contributed by the joint venture partners in cash in proportion to their respective shareholdings in the Joint Venture Company. The Joint Venture Company will be principally engaged in the provision of aircraft charter and management services.

37 Particulars of principal subsidiaries

Details of the Group's principal subsidiaries at 31 March 2006 are as follows:

	Name	Place of incorporation	Particulars of issued/registered share capital	Effective interest held	Principal activities
	BAA Jet Management Limited (formerly known as "Executive Jet Management Asia Limited")	Hong Kong	1 share of HK$1.00	100%	Provision of aircraft charter services
	Beaubourg Holdings Inc.	British Virgin Islands	1 share of US$1.00	100%	Investment holding
1	Blue Velvet Venture Limited	British Virgin Islands	1 share of US$1.00	100%	Investment holding
	Business Aviation Asia Limited	Hong Kong	1 share of HK$1.00	100%	Investment holding
1	Cyber Network Technology Limited	British Virgin Islands	1 share of US$1.00	100%	Investment holding
1	Gamerian Limited	British Virgin Islands	1 share of US$1.00	100%	Investment holding
	Glory Key Investments Ltd.	British Virgin Islands	1 share of US$1.00	100%	Investment holding
	Jadesails Investments Limited	Hong Kong	10,000 shares of HK$1.00 each	100%	Property investment
1	New World CyberBase (Greater China) Limited	Hong Kong	2 shares of HK$1.00 each	100%	Management services
1	New World CyberBase Services Limited	Hong Kong	2 shares of HK$1.00 each	100%	Provision of secretarial and nominee services
	Quinway Company Limited	Hong Kong	10,000 shares of HK$1.00 each	100%	Property investment

1 Subsidiaries directly held by the Company.

3. UNAUDITED CONSOLIDATION FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The following is the unaudited consolidated income statement of the Group for the six months ended 30 September 2005 and 30 September 2006, the unaudited balance sheet of the Group as at 30 September 2006 and the audited consolidated balance sheet of the Group as at 31 March 2006, together with accompanying notes to the accounts extracted from the interim report of the Company for the six months ended 30 September 2006.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2006

		Unaudited Six Months ended 30 September	
		2006	**2005**
	Note	*HK$'000*	*HK$'000* (restated)
Continuing operations:			
Turnover	*2*	19,790	10,236
Other (charges)/revenues		(8,064)	952
Staff cost, depreciation and other operating expenses		(24,823)	(12,651)
Reversal of impairment losses of long term receivable		11,179	–
Fair value gain/(loss) – financial assets at fair value through profit or loss		7,413	(11,354)
Operating profit/(loss)	*4*	5,495	(12,817)
Finance costs	*5*	(8,952)	(3,851)
Share of profit of an associated company		67	–
Loss before income tax		(3,390)	(16,668)
Income tax credit/(expense)	*6*	673	(394)
Loss from continuing operations		(2,717)	(17,062)
Discontinued operations:			
Loss from discontinued operations	*3*	–	(6,089)
Loss for the period		(2,717)	(23,151)

		Unaudited Six Months ended 30 September	
		2006	**2005**
	Note	*HK$'000*	*HK$'000*
			(restated)
Attributable to:			
Equity holders of the Company		(2,717)	(23,144)
Minority interests		–	(7)
		(2,717)	(23,151)
(Loss)/profit per share for loss from continuing operations attributable to the equity holders of the Company during the period	*7*		
– basic (HK cents)		(0.16)	(4.18)
– diluted (HK cents)		0.11	(4.12)
Loss per share for loss from discontinued operations attributable to the equity holders of the Company during the period	*7*		
– basic (HK cents)		–	(1.49)
– diluted (HK cents)		–	(1.47)

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2006

	Note	Unaudited At 30 September 2006 HK$'000	Audited At 31 March 2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	139,780	143,992
Investment properties	8	385,000	385,000
Associated companies	9	45,758	–
Jointly controlled entity		15,104	15,104
Financial assets at fair value through profit or loss	10	46,737	43,674
Long term receivable	11	–	12,668
		632,379	600,438
Current assets			
Financial assets at fair value through profit or loss	10	49,436	27,946
Accounts receivable	12	1,565	4,475
Other receivables, prepayments and deposits		4,372	4,998
Amounts due from related companies		8,764	8,717
Tax prepaid		55	55
Cash and cash equivalents		100,689	171,485
		164,881	217,676
Current liabilities			
Creditors, deposits and accruals	13	18,218	16,520
Short-term loans	14	126,939	151,724
		145,157	168,244
Net current assets		19,724	49,432
Total assets less current liabilities		652,103	649,870

	Note	Unaudited At 30 September 2006 HK$'000	Audited At 31 March 2006 HK$'000
Non-current liabilities			
Convertible notes	*15*	136,100	175,528
Deferred income tax liabilities		46,543	47,216
		182,643	222,744
Net assets		469,460	427,126
Financed by:			
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*16*	35,484	29,737
Reserves		433,919	397,332
		469,403	427,069
Minority interests		57	57
Total equity		469,460	427,126

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 September 2006

	Share capital	Convertible notes	Share premium	Contributed surplus	Employee share-based compensation reserves	Retained earnings/ (accumulated losses)	Minority interests	Total
	Unaudited							
	Attributable to equity holders of the Company							
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2005	8,737	–	23,159	199,594	191	20,824	65	252,570
Issue of shares	1,160	–	12,760	–	–	–	–	13,920
Share issue expenses	–	–	(584)	–	–	–	–	(584)
Share-based compensation expenses	–	–	–	–	1,728	–	–	1,728
Loss for the period	–	–	–	–	–	(23,144)	(7)	(23,151)
Balance at 30 September 2005	9,897	–	35,335	199,594	1,919	(2,320)	58	244,483
Balance at 1 April 2006	29,737	17,711	158,856	199,594	1,707	19,464	57	427,126
Issue of shares								
– exercise of share options	80	–	1,211	–	(619)	–	–	672
– conversion of convertible notes	5,667	(5,474)	44,186	–	–	–	–	44,379
Loss for the period	–	–	–	–	–	(2,717)	–	(2,717)
Balance at 30 September 2006	35,484	12,237	204,253	199,594	1,088	16,747	57	469,460

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

		Unaudited Six Months ended 30 September	
		2006	**2005**
	Note	*HK$'000*	*HK$'000*
Net cash generated from/(used in) operating activities		11,761	(10,345)
Net cash used in investing activities		(58,444)	(1,248)
Net cash (used in)/generated from financing activities		(24,113)	13,876
(Decrease)/increase in cash and cash equivalents		(70,796)	2,283
Cash and cash equivalents at 1 April		171,485	41,208
Cash and cash equivalents at 30 September		100,689	43,491
Analysis of cash and cash equivalent balances:			
Cash and bank balances		100,689	37,855
Cash and bank balances classified as assets of disposal group held for sale	*3*	–	5,636
		100,689	43,491

NOTES TO CONDENSED INTERIM ACCOUNTS

1 BASIS OF PREPARATION

These unaudited condensed consolidated interim accounts (the "Interim Accounts") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Accounts should be read in conjunction with the annual accounts for the year ended 31 March 2006.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31 March 2006.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS" which term collectively includes HKASs and Interpretations) that are effective for accounting periods beginning on or after 1st January 2006. The adoption of these new and revised HKFRSs has no material impact on the Group's accounting policies.

The Group has not early adopted the following new standard, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [2]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [3]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [4]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 May 2006.
3 Effective for annual periods beginning on or after 1 June 2006.
4 Effective for annual periods beginning on or after 1 November 2006.

2 SEGMENT INFORMATION

Primary reporting format – business segments

The Group is organised into two main business segments:

Property investments
Aircraft charter

There are no sales or other transactions between business segments.

	For the six months ended 30 September 2006		
		Continuing	
	Property investments	Aircraft charter	Total
	HK$'000	*HK$'000*	*HK$'000*
Turnover	10,473	9,317	19,790
Segment results	6,576	(7,630)	(1,054)
Unallocated corporate expenses			(3,979)
Other charges, net			(8,064)
Unallocated operating income			
– Reversal of impairment losses of long term receivable			11,179
– Fair value gain – financial assets at fair value through profit or loss			7,413
Operating profit			5,495
Finance costs			(8,952)
Share of profit of an associated company			67
Loss before income tax			(3,390)
Income tax credit			673
Loss for the period			(2,717)
Depreciation	–	3,666	3,666
Unallocated depreciation			50
			3,716
Capital expenditure	–	229	229
Unallocated capital expenditure			411
			640

	For the six months ended 30 September 2005					
	Property investments		Technology related services		Total	
	Continuing	Discontinued	Continuing	Discontinued	Continuing	Discontinued
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	10,236	177	–	14,004	10,236	14,181
Segment results	8,089	156	–	(6,335)	8,089	(6,179)
Unallocated corporate (expenses)/income					(10,504)	66
Unallocated operating income/(expenses)						
– Other revenues					952	24
– Fair value loss – financial assets at fair value through profit or loss					(11,354)	–
Operating loss					(12,817)	(6,089)
Finance costs					(3,851)	–
Loss before income tax					(16,668)	(6,089)
Income tax expense					(394)	–
Loss for the period					(17,062)	(6,089)
Depreciation	–	–	–	522	–	522
Unallocated depreciation					96	–
					96	522
Capital expenditure	–	–	–	1,211	–	1,211
Unallocated capital expenditure					37	–
					37	1,211

The segment assets and liabilities at 30 September 2006 are as follows:

	Property investments	Aircraft charter	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets	391,019	162,659	243,582	797,260
Liabilities	6,379	1,660	319,761	327,800

The segment assets and liabilities at 31 March 2006 are as follows:

	Property investments	Aircraft charter	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets	389,235	168,049	260,830	818,114
Liabilities	4,389	4,097	382,502	390,988

Secondary reporting format – geographical segments

The Group's two business segments are operating in two main geographical areas:

Hong Kong:	Property investments and aircraft charter
Mainland China:	Technologies related services and property investments *(Note 3)*

There are no sales or other transactions between geographical segments.

	For the six months ended 30 September			
	Turnover		Capital expenditure	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong – Continuing	19,790	10,236	640	37
Mainland China – Discontinued	–	14,181	–	1,211
	19,790	24,417	640	1,248

	30 September 2006	31 March 2006
	HK$'000	*HK$'000*
Total assets		
Hong Kong	797,207	818,061
Mainland China	53	53
	797,260	818,114

3 DISCONTINUED OPERATIONS

On 12 September 2005, the Group announced to dispose of its entire interest in the New World CyberBase Solutions (BVI) Limited and its subsidiaries to New World Mobiles Holdings Limited. The disposal was completed on 21 October 2005.

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

	Six months ended 30 September	
	2006	**2005**
	HK$'000	*HK$'000*
Turnover	–	14,181
Other revenues	–	24
Staff cost, depreciation and other operating expenses	–	(20,294)
Loss before income tax	–	(6,089)
Income tax expenses	–	–
Loss for the period	–	(6,089)
Net cash used in operating activities	–	(4,095)
Net cash used in investing activities	–	(1,179)
Total net cash outflow	–	(5,274)

4 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after crediting and charging the following:

	Six months ended 30 September	
	2006	**2005**
	HK$'000	*HK$'000*
Crediting		
Gross rental income and management fee from investment properties	10,473	10,236
Gain on disposal of interest in subsidiaries	2,703	–
Charging		
Depreciation	3,716	96
Operating lease rentals in respect of land and buildings	428	219
Direct outgoings in respect of investment properties	3,381	1,676
Provision for amount due from associated companies	13,291	1,112
Staff costs	5,489	2,200

5 FINANCE COSTS

	Six months ended 30 September	
	2006	**2005**
	HK$'000	*HK$'000*
Interest expense:		
– short-term bank loan	3,583	2,685
– short-term other loan	–	1,166
– convertible notes wholly repayable within five years	5,369	–
	8,952	3,851

6 INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax and overseas profits tax have not been provided for as the Group has no estimated assessable profit for the period. (2005: Nil).

The amount of taxation credited/(charged) to the consolidated profit and loss account represents:

	Six months ended 30 September	
	2006	**2005**
	HK$'000	*HK$'000*
Current income tax	–	–
Deferred income tax credit/(expense)	673	(394)
	673	(394)

7 (LOSS)/PROFIT PER SHARE

The calculation of basic (loss) per share is based on the (loss) for the period attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted profit/(loss) per share is based on the weighted average number of ordinary shares in issue during the period, as used in the calculation of basic loss per share and the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 September 2006	2005
	HK$'000	*HK$'000*
Earnings/(loss)		
(Loss) from continuing operations attributable to the equity holders of the Company (net of minority interests), as used in the calculation of basic (loss) per share	(2,717)	(17,055)
Interest expense on convertible notes	5,369	–
Adjusted profit/(loss) from continuing operations attributable to the equity holders of the Company, as used in the calculation of diluted profit/(loss) per share	2,652	(17,055)
(Loss) from discontinued operations attributable to equity holders of the Company	–	(6,089)

	Number of shares Six months ended 30 September 2006	2005
	(thousand)	*(thousand)* (restated)
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue for basic (loss) per share	1,654,908	408,376
Effect of dilutive potential ordinary shares:		
Convertible notes	827,778	–
Share options	2,559	5,781
Weighted average number of ordinary shares in issue for diluted profit/(loss) per share	2,485,245	414,157

The weighted average number of ordinary shares for the period ended 30 September 2005 is adjusted to reflect the change in the number of ordinary shares as a result of the rights issue of the Company which completed on 13 February 2006 (Note 16(a)(ii)).

8 CAPITAL EXPENDITURE

	Investment properties *HK$'000*	Property, plant and equipments *HK$'000*
Cost or valuation		
Net book value as at 1 April 2006	385,000	143,992
Additions	–	640
Disposal	–	(179)
Disposal of subsidiaries	–	(957)
Depreciation	–	(3,716)
Net book value as at 30 September 2006	385,000	139,780
Net book value as at 1 April 2005	388,900	2,415
Additions	–	1,248
Depreciation	–	(648)
Reclassification to assets of disposal group classified as held for sale	(3,900)	(2,693)
Net book value as at 30 September 2005	385,000	322

9 ASSOCIATED COMPANIES

	30 September 2006 *HK$'000*	31 March 2006 *HK$'000*
Share of net assets *(Note a)*	67	–
Amounts due from associated companies *(Note b)*	58,982	26,431
Less: Provision	(13,291)	(26,431)
	45,691	–
	45,758	–

Notes:

(a) The Group's share of net assets of the associated companies represents the Group's cost of investments plus its share of post-acquisition results and revenues in the associated companies under the equity method of accounting, the Group's share of losses of the associated companies is restricted to the cost of investment.

(b) The amounts due from associated companies are unsecured, interest free and repayable on demand.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2006 *HK$'000*	31 March 2006 *HK$'000*
Non-current assets		
Equity securities of companies listed in Hong Kong	45,587	42,524
Unlisted equity securities	1,150	1,150
	46,737	43,674
Current assets		
Equity securities of companies listed in Hong Kong	49,436	27,946

11 LONG TERM RECEIVABLE

In prior years, the Group acquired approximately a 3% interest in Draper Fisher Jurvetson ePlanet Ventures L.P. ("DFJ"), an unlisted limited partnership incorporated in the United States of America principally engaged in the investments in securities.

In October 2002, the Group disposed of its entire interest in DFJ to the General Partner of DFJ, which is not a related party, at a consideration of approximately HK$23,663,000, or the market value of the portfolio upon the dissolution of the fund, whichever is the lower. The proceeds shall be settled not later than six months after the dissolution of DFJ, which was determined, subject to other terms in the partnership agreement of DFJ, to be in December 2009 or earlier.

The long term receivable was settled by the General Partner of DFJ at a proceed of approximately HK$23,663,000 during the period. The carrying amount of the long term receivable at 31 March 2006 approximates its fair value.

12 ACCOUNTS RECEIVABLE

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

	30 September 2006 *HK$'000*	31 March 2006 *HK$'000*
Current to 30 days	750	3,609
31 to 60 days	407	205
61 to 90 days	–	228
Over 90 days	408	433
	1,565	4,475
Denominated in:		
HK$	432	1,226
US$	1,133	3,249
	1,565	4,475

The carrying value of accounts receivable approximates their fair values due to the short-term maturity.

13 CREDITORS, DEPOSITS AND ACCRUALS

Included in the Group's creditors, deposit and accruals were accounts payables and their ageing analysis is as follows:

	30 September 2006 *HK$'000*	31 March 2006 *HK$'000*
Current to 30 days	1,300	2,520
31 to 60 days	1,014	645
61 to 90 days	1,360	890
Over 90 days	222	152
	3,896	4,207

The accounts payable were all denominated in HK$.

The carrying value of the accounts payable approximates their fair values due to the short-term maturity.

14 SHORT-TERM LOANS

The Group's short-term loans are denominated in HK$ and the carrying amounts of these loans approximate their fair values. The short-term loans are analysed as follows:

	Note	30 September 2006 *HK$'000*	31 March 2006 *HK$'000*
Bank loan, secured	*(a)*	126,939	151,724

Note:

(a) Secured bank loan, which carries interest at 0.65% over the bank's cost of fund (As at 31 March 2006: 1% over the Hong Kong Interbank Offer Rate), was secured by the Group's investment properties with carrying value amounted to HK$385 million and a corporate guarantee provided by the Company. A director of the Company also provides a personal guarantee to the bank to the extent of all outstanding interests in connection with the loan.

15 CONVERTIBLE NOTES

On 17 February 2006, the Company issued 2.5% convertible notes at a nominal value of HK$200 million. These convertible notes have maturity period of three years from the issue date at their nominal value of HK$200 million or can be converted into 1 ordinary share of the Company of HK$0.02 each for every HK$0.18 convertible note at the holder's option.

The fair values of the liability component and the equity conversion component were determined by an independent professional qualified valuer at issuance of the convertible notes.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves net of deferred income taxes.

The movement of convertible notes are as follows:

	Six months ended 30 September 2006 HK$'000	2005 HK$'000
At the beginning of period	175,528	–
Interest expense	5,369	–
Interest paid	(419)	–
Partial conversion	(44,378)	–
At the end of period	136,100	–

The fair value of the liability component of the convertible notes at 30 September 2006 amounted to HK$130,420,000. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 9.0% p.a..

Interest expense on the convertible note is calculated using the effective interest method by applying the effective interest rate of 7.3% p.a. to the liability component.

16 SHARE CAPITAL

(a) Authorised and issued share capital

	30 September 2006 HK$'000	31 March 2006 HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.02 each	300,000	300,000

	Note	**Number of ordinary shares at HK$0.02 each**	*HK$'000*
Issued and fully paid:			
Balance at 1 April 2005		436,872,087	8,737
Issue of shares			
– Placing of shares	*(i)*	58,000,000	1,160
– Rights issue	*(ii)*	989,744,174	19,795
– Exercise of share options		2,245,000	45
Balance at 31 March 2006		1,486,861,261	29,737
Issue of shares			
– Exercise of share options		3,985,000	80
– Conversion of convertible notes		283,333,331	5,667
Balance at 30 September 2006		1,774,179,592	35,484

Notes:

(i) On 19 May 2005, the Company completed a placing of 58,000,000 shares at a subscription price of HK$0.24 per share. Accordingly, 58,000,000 shares of HK$0.02 each were issued at a premium of HK$0.22 each. The premium on issue of shares of HK$12,760,000 was credited to the share premium account. These new shares rank pari passu in all respect with the existing shares.

(ii) On 13 February 2006, the Company completed a rights issue of 989,744,174 shares at a subscription price of HK$0.15 per share. Accordingly, 989,744,174 shares of HK$0.02 each were issued at a premium of HK$0.13 each. The premium on issue of shares of approximately HK$128,667,000 was credited to the share premium account. These new shares rank pari passu in all respect with the existing shares.

(b) Share options

Movements of share options granted to directors and employees under the share option schemes of the Company during the period and their weighted average exercise prices are as follows:

	At 30 September 2006		**At 31 March 2006**	
	Weighted average exercise price per share *HK$*	**Number of share options**	**Weighted average exercise price per share** *HK$*	**Number of share options**
At beginning of the period/year	0.1692	15,306,420	0.2742	19,031,400
Granted	–	–	0.1636	828,900
Rights issue adjustment	N/A	–	N/A	2,060,020
Exercised	0.1685	(3,985,000)	0.1691	(2,245,000)
Lapsed/cancelled	0.1685	(500,414)	0.5457	(4,368,900)
At end of the period/year	0.1695	10,821,006	0.1692	15,306,420

Share options outstanding at the end of the period have the following exercise period and exercise price:

			Number of shares subject to options	
Date of grant	**Exercise price** *HK$*	**Exercise period**	**30 September 2006**	**31 March 2006**
01-03-2005	0.1695 *(note)*	01-03-2005 to 28-02-2012	10,807,106	14,617,520
15-02-2006	0.1636	15-02-2006 to 16-04-2009	13,900	688,900
			10,821,006	15,306,420

Note:

The exercise price was adjusted from HK$0.1933 to HK$0.1695 pursuant to the rights issue of the Company on 13 February 2006.

17 CONTINGENT LIABILITIES

In March 2004, a PRC government institute filed a claim to the PRC court against the Company and certain of its former subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents in the PRC and has claimed against the Group for an aggregate amount of RMB5 million (equivalent to approximately HK$4.8 million) and an injunction for further usage of such information. By an order issued by the respective PRC court, the Company and certain of its former subsidiaries were required to freeze their asset value to the extent of the same amount in connection with the above claim. The litigation is still in progress as at 30 September 2006. The Directors consider that such court order will not materially and adversely affect the financial position or operating results of the Group. Accordingly, no provision has been made in the financial statements for the 30 September 2006.

18 RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

(a) Transactions with associated companies

		Six months ended 30 September	
		2006	**2005**
	Note	*HK$'000*	*HK$'000*
Technical service fee receivable from a subsidiary of Asia V-Sat Co., Ltd. ("AVSAT"), an associated company	*(i)*	–	603
Advance to certain subsidiaries of AVSAT	*(ii)*	–	509
Advance to BAAJM	*(iii)*	7,145	–
Advance to Moral Known	*(iv)*	18,333	–
Advance to Crestbright Properties	*(v)*	16,500	–
Advance to Crestbright Investments	*(vi)*	17,003	–

(i) Technical service fee was charged to a subsidiary of AVSAT for the provision of project management services and technical consultancy services in connection of the call centre operations, which is based on 50% of the contract amounts entered into between the associated company and the external customers at mutually agreed terms.

(ii) Advance to certain subsidiaries of AVSAT was made for working capital purposes.

(iii) Advance to BAA Jet Management Limited ("BAAJM") was made for working capital purposes.

(iv) Advance to Moral Known Investments Limited ("Moral Known") was made for capital injection in PRC property development project.

(v) Advance to Crestbright Properties Limited ("CrestBright Properties") was made for capital injection in PRC property development project.

(vi) Advance to Crestbright Investments Limited ("Crestbright Investments") was made for investment in environmental projects in PRC.

(b) Transactions with related companies with common director

		Six months ended 30 September	
		2006	**2005**
	Note	*HK$'000*	*HK$'000*
Reimbursement of rental and office administrative expenses from a subsidiary of International Entertainment Corporation ("IEC"), a related company with common director	*(i)*	240	240
Interest income from certain subsidiaries of IEC	*(ii)*	249	237

(i) The reimbursement of rental expenses from IEC for sharing the Group's office premises and utilities were calculated in proportion to the office space occupied. Administrative expenses were charged on actual cost basis taking into account the headcount and/or office space occupied.

(ii) The interest income was charged on loans granted on certain subsidiaries of IEC at mutually agreed terms.

(c) Key management personnel compensation

	Six months ended 30 September	
	2006	**2005**
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	1,465	3,298
Employee share option benefits	–	628
Contributions to pension schemes	15	73
	1,480	3,999

(d) Amounts due from related parties

	30 September 2006	**31 March 2006**
	HK$'000	*HK$'000*
Amounts due from related companies with common director	8,764	8,717

19 SUBSEQUENT EVENTS

On 11 October 2006, the Company announced that Jadesails Investments Limited and Quinway Company Limited, both are indirect wholly-owned subsidiaries of the Company, entered into an appointment agreement with Savills (Hong Kong) Limited ("Savills") for the appointment of Savills as the sole sales agent in relation to the possible disposal of certain investment properties in Hong Kong by public tender (the "Disposal"). No formal agreement of the Disposal has been reached up to the date of this report.

On 4 December 2006, the Company announced that a wholly-owned subsidiary of the Company has, on 28 November 2006, accepted the share offer in respect of 6,000,000 shares in Hanny Holdings Limited ("Hanny") at the offer price of HK$3.8 per Hanny's shares. Total consideration received by the Group was HK$22.8 million and the Group is expected to record an unaudited gain on disposal of approximately HK$6.5 million.

Four holders of convertible notes with aggregate principal amount of HK$60 million gave notices to the Company on 20 December 2006 to convert the convertible notes at the conversion price of HK$0.18 per share. As a result of the conversion, a total of 333,333,331 ordinary shares of HK$0.02 each would be allotted and issued.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(1) Management discussion and analysis for the year ended 31 March 2004

The fiscal year ended 31 March 2004 was another challenging year for the Group. Though business in China was adversely affected by Severe Acute Respiratory Syndrome ("SARS") epidemic in the first half of the year, the Group took advantage of the market recovery in the second half of the year to expand its business to the highly potential and growing area in IT services including mobile Internet services and IT outsourcing services and achieved solid progress.

Financial Review

During the year, the Group recorded a turnover of HK$29.7 million, representing a 18% reduction from HK$36.2 million in 2003 while operating losses had been trimmed down to HK$23.4 million, 40% decrease compared with HK$39 million last year.

The turnover was originated from two business streams namely, technology related services and property investments. The drop in the turnover contribution from the technology related services accounted for the overall decrease in current year. A modest increase of 4% when compared to last year was found in the turnover of property investments following the gradual recovery of the Hong Kong property market.

Operating loss for the year was mainly attributable to the loss from the provision of technology related services of HK$23.7 million (2003: profit of HK$4.1 million). The surge of operating loss in this business segment was due to three reasons. Firstly, the business was affected by the unexpected outbreak of the SARS in the People's Republic of China (the "PRC") resulting in a shrinkage of turnover. Secondly, the Group directed more resources in setting up the infrastructure of both mobile Internet services in alignment with the Group's expansion into mobile Internet market. Thirdly, certain subsidiaries in this business segment were voluntarily liquidated in prior year, recording a one-off written back of over accrued expenses and provision for liabilities made in previous years by these subsidiaries totaling HK$17.8 million which was reflected in 2003.

Loss attributable to shareholders was reduced to HK$26.2 million (2003: HK$44.7 million), a decrease by 41% compared with last year since no deficit on revaluation of investment properties was recognized in current year (2003: HK$24 million).

New Growth by Focusing on Mobile Internet

During the year, the Group has successfully established two focus areas in the mobile Internet business, city infotainment (information and entertainment) and mobile entertainment. Being the largest mobile market in the world, PRC's number of mobile subscribers exceeds the number of fixed telephone lines users.

The mobile data services including short messaging services ("SMS"), wireless application protocol ("WAP"), multimedia messaging services ("MMS") and interactive voice response ("IVR") are booming at an unbelievable growth rate.

Our initial step in this arena was marked in the third quarter by launching a call center telephone mapping and city information enquiry services in Shanghai for China Unicom customers and kicking off the Group's first series of Location Based Service ("LBS") mobile games and mobile entertainment services in Guangzhou.

By end of the year 2003, the Group enhanced the website www.chinaquest.com with mobile access features enabling mobile users to enjoy city information and city entertainment via SMS. The services mainly focused on two types of information; city directory and public transportation, such as details on restaurants, banks, government organizations, shopping centers, supermarkets, guesthouses, hospitals, education institutes, postal and telecommunication services, leisure and entertainment facilities, etc. This enhancement successfully changed business model of this website from free services to fee-based services. Customers can also receive more value-added services such as community based information services.

In addition, adopting the most advanced LBS technology, as an extension to the Group's WAP LBS service previously launched in July 2003 in Shanghai, the Group launched its first SMS LBS city infotainment service for China Mobile users in Shanghai. The result in this area is shown by total users in the area of city infotainment reaching over 250,000.

In the area of mobile entertainment, the Group launched a stream of interactive SMS entertainment services in September 2003. With an objective to build a fun mobile entertaining community for the young and trendy mobile users, the Group launched a range of mobile games through the alliance of our partners in Europe, China and Hong Kong by end of 2003.

This service offers very comprehensive mobile entertainment to the young community, such as ringtone download, MMS DIY, mobile games and others. These services will be offered over the most advance mobile technology from SMS, to WAP, MMS and K-Java.

Mobile users can simply subscribe the SMS services from their mobile handset. The first batch of services are "Birthday Luck", "Psycho Test", "Fruit Fortune Telling" and "Humor Article".

Sustaining Growth through IT Outsourcing

Business

The Group's IT outsourcing business also contributed an important role in the Group's business. The IT outsourcing business encompasses services in the following areas: call center services, software outsourcing, data management and IT services.

The call center team provided the best-in-class service to its customers and expanded to provide higher margin services such as training, professional services, inbound and outbound customer care service outsourcing.

We have successfully renewed contracts with long-term major clients, representing a significant portion of IT outsourcing services revenue base. To sustain new business growth, the Group extended service offerings in the area of data management. An outsourcing service is to support high volume of data management requirements such as data entry, data cleansing and data storage for the local enterprise. Our wins include major banks and insurance companies. In order to maintain our high quality service level to our IT outsourcing customers, the Group has successfully continued our ISO9000 certification.

Future Growth

The Group's key growth area will be in the mobile Internet business sector; relying on the expansion of service offerings through cross platform from MMS to WAP, and IVR technology. The first step is the launch of an interactive mobile entertainment web platform www.ijcool.com in May 2004. The website is established as a forum for mobile users to enjoy interactive entertainment through a mobile Internet environment.

Furthermore, the Group will continue to expand the business of mobile Internet service by geographic extension. City infotainment services are scheduled to be launched in other key cities such as Beijing and Guangzhou. Community groups will be established through the expansion of more city infotainment service on topics in four distinguished aspects of daily life in the city; food & restaurants, transportation, property and fashion. The mobile Internet service will continue to be the business focus of the Group.

A new growth area for IT outsourcing Services will be the expansion of service offerings in value added call center services and data management while maintaining its steady growth through securing long term customer relationships and taking advantage of the global trend of companies looking to outsource to China.

The Year Ahead

Looking ahead, the expansion into the mobile Internet service and IT outsourcing service will be the Group's emphasis in response to the fast growing wireless value-added services and Internet market in the PRC. The Group will also continue to control costs and maintain operating efficiency.

With a strong commitment and focus in innovations and management of executions, in addition to a team of industry professionals, the Group is confident to improve the service quality, establishing our brand, and expanding our reach in the marketplace.

Financial Resources

Liquidity and financial resources

As at 31 March 2004, the Group's shareholders' fund amounted to HK$227.9 million (2003: HK$254.1 million) and the net asset value per share was HK$0.04 (2003: HK$0.04).

The Group's funding was derived from internal resources and revolving banking facilities provided by a bank in Hong Kong. Total net borrowings of the Group (total borrowings net of bank and cash balances) as at 31 March 2004 amounted to HK$159 million (2003: HK$141 million), of which HK$61.3 million (2003: HK$59.3 million) is payable within one year, HK$14 million (2003: HK$12.5 million) is payable in the second year, HK$36.8 million (2003: HK$43.3 million) is payable from third to fifth year and the balance is payable beyond the fifth year.

As at 31 March 2004, the cash and bank balances were HK$13.6 million (2003: HK$12.3 million), of which an amount of HK$6.3 million (2003: HK$6.1 million) has been pledged as security for banking facilities granted to the Group. Liquidity ratio slightly changed to 0.34 (2003: 0.31) due to short term loans advanced to related companies during the year.

Gearing

At the balance sheet date, the gearing ratio of the Group was 0.41 (2003: 0.36) which was calculated based on the Group's total borrowings to total assets.

Interest rate risks and foreign currency exposures

Interests on bank and other loans are chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate. The Group's operations are principally in Hong Kong and the Mainland China and all assets and liabilities are denominated either in Renminbi, Hong Kong dollars or US dollars. The Directors believe that the fluctuation in exchange rates among these currencies are minimal and accordingly no related hedging measures are adopted.

Capital commitments

As at 31 March 2004, the capital commitments of the Group amounted to HK$2.1 million (2003: HK$5.9 million), which was the contracted commitments related to uncalled portion of other investments.

Pledge of assets

Investment properties with a carrying amount of HK$310 million (2003: HK$310 million) and bank balance of HK$6.3 million (2003: HK$6.1 million) were pledged to a bank as collaterals for banking facilities granted to the Group.

Contingent liabilities

In March 2004, a PRC governmental institute filed a claim to the PRC court against the Company and certain of its subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents in the PRC and total claims against the Group for an aggregate amount of RMB5 million and an injunction for further usage of such information. The litigation is in progress up to the date of this report. The directors have consulted lawyers in the PRC and considered these claims are without merits.

(2) Management discussion and analysis for the year ended 31 March 2005

Financial Review

This year's results was a big turnaround compared with last year. The Group recorded a turnover of HK$38.1 million, representing a 28% increase from HK$29.7 million in 2004. The Group achieved an operating profit of HK$19.3 million, a turnaround from an operating loss of HK$23.4 million compared with last year.

The profit attributable to shareholders for the year ended 31 March 2005 amounted to HK$15.2 million representing a turnaround from a loss attributable to shareholders of HK$26.2 million in 2004.

Two main reasons contribute to these positive results: Firstly, the recovery in the business of technology related services; in particular the growth in the mobile Internet business sector contributed to the 68% IT revenue increase. The mobile Internet business has achieved an average of 40% monthly revenue growth. Secondly, Hong Kong's property market has benefited from the re-bounce of the local economy. This consequently positively impacted the Group's investment properties, thus recording a revaluation gain of HK$29.6 million.

Mobile Internet Service As A Key Contributor to IT Revenue

Over the past 12 months of the fiscal year, the Group continued to focus on mobile Internet services market and IT outsourcing.

During the first quarter, the Group successfully launched its first nationwide value-added wireless, MMS product. The services provide content with a combination of text, sounds and images to MMS capable handsets. Content includes music, photos, games and other entertainment services.

One of the key reasons for this success was the launch of an interactive mobile entertainment website platform www.ijcool.com in May in year 2004. This website provides the first cross platform forum for mobile users to enjoy interactive entertainment through a mobile Internet environment. Another key success factor was the adoption of a web alliance strategy through which ijcool.com built up a channel network in co-operation with leading online advertising agents, music and multimedia websites. The Group has established alliance relationship with over 800 popular web portals in China covering 50 million Internet users.

The Group has had tremendous growth since the launch of the services, in which it achieved explosive popularity over a short period. In May 2005, the website had achieved an average daily hit rate of above 40 million and was ranked among the top 500 websites worldwide in terms of daily hit rates. All these results have meant that ijcool.com contributed to mobile Internet business which is one of the key contributors to the Group's new revenue growth this year.

Continue to Strengthen Market Presence

A key milestone of the Group was the acquisition of 100% equity of Nanjing Needfire in January 2005, a service provider with nationwide SMS service agreements with China Mobile. The Jiangsu-based company strengthened our product portfolio, and the professional staff complemented our current product management and development team. Lastly, the local presence and experience of this successful service provider helped us strengthen our sales coverage in the China Eastern province.

Moving forward, we believe that the key success factor is to continuously expand our product portfolio with innovative products and services. On the Mobile Entertainment front, in the last quarter of the fiscal year, we launched our first nationwide WAP service portfolio. By now, the Group has successfully rolled out a total of 14 wireless application protocol ("WAP") products. On the Infotainment front, ChinaQuest product suites, have been supported by our advanced search engine software combining with the capabilities of GIS & wireless Location Based Services (LBS) technology. During this year, we have launched a wide range of infotainment services with a comprehensive city information content for trendy "City Goers".

The year was not without obstacles. Towards the end of the year 2004, the Chinese authorities' tightened regulatory policies which affected tighter management control and requirements to the mobile service provider business. Although the Group welcomes a more regulated environment, the burden was on the businesses to invest more resources to comply with regulatory requirements from both government and mobile operators. This has unfortunately affected the rate of growth for the business towards the second half of the year. Nevertheless, the Group, with an experienced management team and quality services, we will overcome the difficulties and continue to forge ahead.

As we have encountered the growing demand of mobile Internet services, during the last quarter of this year, we have now to plan our business expansion. We are determined to extend our on the ground coverage in China, we established four new sales offices in four major cities, Shenyang, Nanjing, Chengdu and Xian. Adding to the existing offices in Hong Kong, Shanghai, Beijing and Guangzhou, the Group has a total of seven offices in mainland China today. This strategic milestone enables us to strengthen our sales and marketing coverage by synergizing our already successful virtual sales channel network with a well covered on-the ground sales & marketing network.

Lastly, the Group's IT Outsourcing Services has continued to be the infrastructure supporting our business expansion in China. This year with a fierce competitive market place we have maintained a steady business. We start to seek new business growth potentials in combining the synergy with the fast growing mobile Internet business. This will be one of our key strategic thrust to establish ourselves as one of our key differentiators in the market place in the longer term.

Moving Forward

The Group's strong presence in China continues to leverage on the fast and exciting development of the telecommunication and Internet markets. It is expected that execution of various management control systems from the operators will impact the growth rate of the business in the near future. However, the Group does not see that this will have a major impact on the continuous long term growth of this industry. The mobile subscriber base will grow to exceed 400 million and the Internet user base will exceed 100 million in China next year. The needs of wireless value added services will continue as the wireless subscriber base and the technology evolution will continue to have a natural growth pattern.

In the near future, we do expect the effect of our on-the ground coverage to take place, with our reach to customers greatly extended.

In the meantime, we see the continuous growth in MMS, WAP, interactive voice response ("IVR") and Internet markets and these trends will give the Group the market environment for business growth. The Group will continue to enrich the product portfolio, leading up to the transition into the 3G market. In addition, we will continue to expand by building up multi-access delivery channels, extending our services through the different delivery platform such as IVR, LBS and 3G. More importantly, we will increase our payment methodologies to increase the convenience for our customers, making it easier for them to enjoy our services.

Looking ahead, the expansion into the mobile Internet service continues to be one of the core focuses of the Group. With the dedication of our team, we will continue to leverage the fast and exciting development of the telecommunications and Internet markets and maintaining pace with the technology evolution into the future of the covergence of broadband fixed and wireless worlds.

IT outsourcing services will be the expansion of service offerings in value added call center services while maintaining its steady growth. The integration of multi-platform technology that spread from voice to data services has given the Group a competitive edge. The Group believes that with our growing competencies in both the consumer and enterprise markets, the integration of technology from voice to data and fixed line to wireless, will inevitably be the Group's core strength in winning market share in the area of the new integrated medium.

Financial Resources

Liquidity and financial resources

As at 31 March 2005, the Group's shareholders' fund amounted to HK$269.1 million (2004: HK$227.9 million) and the net asset value per share was HK$0.62 (2004: HK$0.78).

The Group's funding was derived from internal resources and credit facilities from a bank and other companies. Total net borrowings of the Group (total borrowings net of bank and cash balances) as at 31 March 2005 amounted to HK$141.5 million (2004: HK$159.2 million). In respect of the secured bank loan of approximately HK$134.4 million as at 31 March 2005, it was refinanced by another bank with better terms during the year and only approximately HK$7.0 million together with accrued interest would be repayable within one year from the date of inception of the loan and the remaining balance would be repayable thereafter subject to annual review by the bank. Due to this arrangement, the secured bank loan is booked as current liability in the accounts, however, this does not represent the total bank loan has to be repaid within one year from 31 March 2005. Besides, the Group has been able to repay principal balances plus interests on time and the carrying value of the Group's investment properties pledged to secure the bank loan amounted to approximately HK$385.0 million as at 31 March 2005 which is well in excess of the balance of the secured loan. Therefore, the directors consider that the Group does not face any immediate repayment pressure of a large portion of the secured bank loan.

In March 2005, the Company raised a net proceeds of approximately HK$26.1 million by way of a rights issue of 145,624,029 shares at a price of HK$0.2 per share. The net proceeds from the rights issue is used and earmarked for the Group's general working capital.

As at 31 March 2005, the cash and bank balances were HK$41.7 million (2004: 13.6 million). As at 31 March 2004, bank balances of HK$6.3 million was pledged as security for banking facilities granted to the Group, which was duly released in the current financial year. Undrawn banking facilities of the Group as at 31 March 2005 was approximately HK$37.1 million (2004: HK$10.5 million). Liquidity ratio dropped to 0.28 (2004: 0.34) due to full portion of secured bank loan was classified as current liability for accounting purpose.

On 19 May 2005, the Company completed a placing of 58,000,000 shares at a subscription price of HK$0.24 per share (the "Placing"). Details of the Placing have been published in an announcement of the Company dated 21 April 2005. The net proceeds from the Placing was approximately HK$13 million.

Gearing

At the balance sheet date, the gearing ratio of the Group was slightly improved to 0.38 (2004: 0.41) which was calculated based on the Group's total borrowings to total assets.

Interest rate risks and foreign currency exposures

Interests on bank and other loans are chargeable mainly based on certain agreed interest margins over the Hong Kong Interbank Offer Rate ("HIBOR"). The Group's operations are principally in Hong Kong and the Mainland China and all assets and liabilities are denominated either in Renminbi, Hong Kong dollars or US dollars. The directors believe that the fluctuation in exchange rates among these currencies are minimal and accordingly no related hedging measures are adopted.

Pledge of assets

Investment properties with a carrying amount of HK$385 million (2004: HK$310 million) were pledged to a bank as collaterals for banking facilities granted to the Group.

Contingent liabilities

The Group has a contingent liability in respect of claim filed by a PRC governmental institute against the Company and certain of its subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents in the PRC amounting to RMB5.0 million (equivalent to approximately HK$4.7 million). By order issued by a PRC court, the Group was required to freeze its assets value to the extent of RMB5.0 million (equivalent to approximately HK$4.7 million) in connection with the above claim. During the year, the court has taken action to freeze certain bank balances of certain subsidiaries of the Group in the amount of RMB573,000 (equivalent to HK$540,000). The litigation is still in progress up to the date of this report. While the outcomes of such contingencies cannot be determined at present, the directors believe that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

Investment activities

As at 31 March 2005, the market value of the Group's listed investments in Hong Kong over its book value amounted to HK$26.3 million (2004: HK$59.4 million) which was not reflected in the accounts.

(3) Management discussion and analysis for the year ended 31 March 2006

Financial Review

The Group completed its transformation into an investment holding business during the year ended 31 March 2006, recording a turnover from continuing operations of HK$24.1 million, representing an increase of 28.1% from HK$18.8 million in 2005. The Group registered an operating loss of HK$12.6 million while there was an operating profit of HK$39.9 million in 2005.

The loss attributable to shareholders for the fiscal year 2006 amounted to HK$1.4 million as compared to the profit attributable to shareholders of HK$9.1 million in 2005.

The continuing operations are property investment business and the newly commenced aircraft charter and management business. Benefited from the continued recovery of the regional economy, the demand for office and retail space increased and the Group's revenue from its investment properties improved slightly. However, the initial set up costs incurred in the newly established aircraft charter and management business offset the gains and resulted in an overall operating loss.

Technology related services of the Group were disposed of in October 2005. The results of discontinued operations in this report included the operating results of technology related services up to the date of the disposal and the gain on the disposal of this business segment.

Business Review

Through a series of restructuring, the Group has in the past year transformed itself into an investment holding company with a focus in, but not limited to, property investment and private jet services. Private jet services will include aircraft charter and management business. Geographically, the Group has over the years built its reputation and brand in Mainland China. Leveraged on its strong presence, the Group proactively explored investment opportunities in the Mainland market.

In the property sector, as at the end of the fiscal year 2006, the Group continued to own the basement and ground floors of Bank of America Tower in Central, Hong Kong. The property had a rentable area of approximately 43,900 square feet and an average occupancy of 85%. For the period under review, the property generated an income of HK$19.5 million to the Group.

In November 2005, the Group contracted to purchase two aircrafts and started the investment into the private jet services business. The Group held the view that the robust economic growth of the PRC, together with the increasing business travels to the PRC from Hong Kong and other countries as a result of the Closer Economic Partnership Arrangement (CEPA) and the frequent trade and civil exchange between the PRC and the rest of the world, would contribute to the increasing demand for air transportation to destinations in the PRC.

The Group received the G200 Aircraft in February 2006 and immediately bought it into business. Total revenue generated by the private jet services amounted to HK$4.6 million. Although the business is in the start-up stage, the Group is optimistic about its potential and believes that the operations will broaden the revenue base of the Group in the long run.

Outlook

The Group will continue to develop its property investment and private jet services in the coming year while proactively looking into other businesses with good prospects.

Taking into account the upward property market trend and demand in Hong Kong, the Group foresees a positive growth opportunity in the commercial rental market.

According to the National Bureau of Statistics of the PRC, the GDP of the PRC has been increasing at a compound annual growth rate of over 9%. Together with the flourishing trade and tourist activities, the Group expects the demand for office and retail units to increase. The renewed austerity measures announced by the PRC authorities not long ago are expected to effectively regulate the first-tier property markets and transfer the momentum to the second tier cities. Moreover, it is believed the Federal Reserve of the US is not likely increase the interest rate again in the near future. These factors will all fuel the development of the property market. The Group will seek investment opportunities in secondary cities in the PRC to broaden its property portfolio.

As for the private jet services, the Group expects the demand for private jet services to continue to grow as air passengers, being primarily executives of multinational corporations, wealthy businessmen and high net worth people who have a demand for more flexible flight times, shorter waiting time for flights and air checking, better catering services, as well as better protection of privacy, will not mind paying a slightly higher fare for better flying quality and services. The Group believes that the growth strategy for the business will be to seek strategic partners and investors. Thus, after the balance sheet date, the Group further strengthened the private jet business by disposing of 59.9% interest in BAA Jet Management Limited to a strategic investor. Furthermore, the Group entered into a joint venture agreement with independent third parties to establish a sino-foreign joint venture in PRC. The Group will own 49% beneficial interest in this joint venture and the joint venture will be principally engaged in the provision of aircraft charter and management services. The details of these transactions were announced by the Company on 4 July 2006 and 6 July 2006 respectively.

As an investment holding company, the Group will also look into other areas should opportunities arises, so as to broaden its revenue base. Technology is one area the Group may consider, as it has been exploring the sector since its inception. It not only has the expertise and technology know-how, but also a track record in developing technology business in the PRC market. Leveraging on its network and experience in the PRC market, the Group will also consider exploring other sectors, such as natural resources, as it sees appropriate. The Group will inform the shareholders and the market in due course for its new developments.

In the past year, after careful consideration of the changing market landscape and arising opportunities, the Group has made decisive steps to enter into business areas with promising prospects. In the future, as always, it will be the Group's commitment and top priority to create value for its shareholders.

Financial Resources

Liquidity and financial resources

As at 31 March 2006, the Group's equity holders' fund amounted to HK$427.1 million (2005: HK$226.2 million) and the net asset value per share was HK$0.29 (2005: HK$0.52).

The Group's funding was derived from internal resources and corporate financing activities. Total net borrowings of the Group (total borrowings net of bank and cash balances) as at 31 March 2006 amounted to HK$155.8 million (2005: HK$141.5 million). In respect of the secured bank loan of approximately HK$151.7 million as at 31 March 2006, it was subject to annual review by the bank. Due to this arrangement, the secured bank loan is booked as current liability in the financial statements, however, does not represent the total bank loan amount has to be repaid within one year from 31 March 2006. Besides, the Group has been able to repay principal balances plus interests on time and the carrying value of the Group's investment properties pledged to secure the bank loan amounted to approximately HK$385 million as at 31 March 2006 is well in excess of the balance of the secured loan. Therefore, the Directors consider that the Group does not face any immediate repayment pressure of a large portion of the secured bank loan.

On 19 May 2005, the Company completed a placing of 58,000,000 ordinary shares at a subscription price of HK$0.24 per share to independent investors under which a net proceeds of approximately HK$12.8 million was raised for the Group's working capital. The closing price of the share as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited on 19 May 2005 was HK$0.35.

In February 2006, the Company completed a rights issue of 989,744,174 shares at a subscription price of HK$0.15 per share. Accordingly, a net proceeds of approximately HK$143 million was raised.

The Company also issued 2.5% redeemable convertible notes at a nominal value of HK$200 million in February 2006. The net amount received by the Company was approximately HK$195.5 million.

As at 31 March 2006, the cash and bank balances were HK$171.5 million (2005: 41.7 million). Undrawn banking facilities of the Group as at 31 March 2006 were approximately HK$12.8 million (2005: HK$37.1 million). Liquidity ratio was improved to 1.29 (2005: 0.28) due to fund raising exercises shown above.

Gearing

At the balance sheet date, the gearing ratio of the Group was stood at 0.40 (2005: 0.38) which was calculated based on the Group's total borrowings to total assets.

Financial risk management

Details of the financial risk management adopted by the Group are set out in note 3 to the financial statements.

Pledge of assets

Investment properties with a carrying amount of HK$385 million (2005: 385 million) were pledged to a bank as collaterals for banking facilities granted to the Group.

Contingent liabilities

In 2004, a PRC governmental institute has bought a litigation against the Company and certain of its former subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents by the former subsidiaries in the PRC amounting to RMB5 million (equivalent to approximately HK$4.8 million). The litigation is still in progress up to the date of this report. While the outcomes of such contingencies cannot be determined at present, the Directors believe that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

(4) Management discussion and analysis for the six months ended 30 September 2006

Financial review

For the six months ended 30 September 2006, the Group's turnover was approximately HK$19.8 million, representing an increase of approximately 93.3% as compared to last corresponding period. The Group posted an operating profit of HK$5.5 million while last corresponding period was recorded as operating loss of HK$12.8 million.

The almost double in turnover was due to aircraft charter business only commenced in the second half of 2005/06 financial year. Therefore, there was no comparative figure for the corresponding financial period. By eliminating this factor, the turnover was comparable to last corresponding period.

The modest loss in the first half of the fiscal year 2006/07 was attributable to the loss in the start up aircraft charter business and the higher interest rate environment. A favorable external investment environment helped to contain the loss situation. A net fair value gain of HK$7.4 million from our portfolio of listed and unlisted investments and the reversal of impairment losses of HK$11.2 million from a long term receivable helped to partially offset the overall loss.

Loss attributable to shareholders was HK$2.7 million (2005: Loss of HK$23.1 million).

Business review

During the first six months of the fiscal year, the business of the Group focused on two segments: property investment and aircraft charter business.

In the property sector, the Group continued to own the basement and ground floors of Bank of America Tower in Central, Hong Kong. This business segment continued to provide a stable and reliable stream of revenue to the Group. For the period under review, the property generated a revenue of HK$10.5 million.

The Group currently owns a G200 private jet to carry on the aircraft charter business. Another brand new G450 aircraft will be delivered to the Group in the third quarter of 2007. The aircraft charter business generated a revenue of HK$9.3 million for the first six months of 2006/07. In order to facilitate the continuing development of the private jet services business, the Group entered into a joint venture agreement with independent third parties including Shenzhen Airlines to form a joint venture company in PRC to provide aircraft charter and management services. Through this joint venture, it will facilitate the Group's expansion of its business in the private jet services in the PRC and Hong Kong. Apart from this, the Group also disposed of 59.9% interest in BAA Jet Management Limited (a former wholly-owned subsidiary engaging in aircraft charter and management business) with an aim to broaden its shareholders' base. It is envisaged that the new shareholder would bring in new business opportunities and fresh funding to nourish the business of this company.

As stated in the 2006 Annual Report, the Group realigned its business focus into investment holding and proactively looking into other business with good prospects. During the period, the Group has made investment in three new associated companies. Two of them are intended to develop property projects in Hangzhou, PRC. The remaining one is dedicated to environmental projects in PRC. Since all these projects are in their preliminary stage of development, more details will be provided when the time is ripe.

Future outlook

In October 2006, the Group appointed an independent property agent as the sole sales agent to sale our investment properties by public tender. The outcome of the disposal of investment properties will only be confirmed in the first half of 2007. As an investment holding company, the Group holds strategic investments in a number of listed and unlisted companies. The Group will continue to review its investment portfolio to achieve a balanced and satisfied return for its shareholders. Furthermore, the Group will act decisively whenever new investment opportunities arise.

Financial resources

Liquidity and financial resources

As at 30 September 2006, the Group's shareholders' fund amounted to HK$469.5 million (31 March 2006: HK$427.1 million) and the net asset value per share was HK$0.26 (31 March 2006: HK$0.29).

The Group's funding was derived from internal resources and corporate financing activities. Total net borrowings of the Group (total borrowings net of bank and cash balances) as at 30 September 2006 amounted to HK$162.4 million (31 March 2006: HK$155.8 million). In respect of the secured bank loan of approximately HK$126.9 million as at 30 September 2006, it is subject to annual review by the bank. Due to this arrangement, the secured bank loan is booked as current liability in the financial statements, however, does not represent the total bank loan amount has to be repaid within one year from 30 September 2006. Besides, the Group has been able to repay principal balances plus interests on time and the carrying value of the Group's investment properties pledged to secure the bank loan amounted to approximately HK$385 million as at 30 September 2006 is well in excess of the balance of the secured loan. Therefore, the Directors consider that the Group does not face any immediate repayment pressure of a large portion of the secured bank loan.

As at 30 September 2006, the cash and bank balances were HK$100.7 million (31 March 2006: 171.5 million). Undrawn banking facilities of the Group as at 30 September 2006 was approximately HK$71.1 million (31 March 2006: HK$12.8 million). Liquidity ratio as at 30 September 2006 was 1.14 (31 March 2006: 1.29).

During the six months period ended 30 September 2006, aggregate convertible notes with principal amount of HK$51 million were converted into the ordinary shares of the Company at the conversion price of HK$0.18 per share. As a result of the conversion, a total of 283,333,331 ordinary shares of HK$0.02 each were allotted and issued. The aggregate outstanding principal of the Convertible Notes as at 30 September 2006 was HK$149 million.

Gearing

As at 30 September 2006, the gearing ratio of the Group was 0.33 (31 March 2006: 0.4). The gearing ratio was calculated based on the Group's total borrowings to total assets.

Financial risk management

The Group mainly operates in Hong Kong with most of the transactions settled in HK$ and United States dollar (US$) and Renminbi. The Group's assets and liabilities, and transactions arising from its operations that are exposed to foreign exchange risk are primarily with respect to Renminbi and US$. The Group has not used any forward contracts or currency borrowings to hedge its exposure as foreign exchange risk is considered minimal.

The Group's income and operating cash flow are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the cash and cash equivalents. The Group's exposure to changes in interest rates is mainly attributable to its short-term loans and convertible notes. Short-term loans carry interest at floating rates expose the Group to cash flow interest rate risk. Convertible notes issued at fixed rate expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Pledge of assets

Investment properties with a carrying amount of HK$385 million (31 March 2006: 385 million) were pledged to a bank as collaterals for banking facilities granted to the Group.

Contingent liabilities

In 2004, a PRC governmental institute has bought a litigation against the Company and certain of its former subsidiaries for the infringement of rights to derive benefits from using the city mapping information contents by the former subsidiaries in the PRC amounting to RMB5 million (equivalent to approximately HK$4.8 million). The litigation is still in progress up to the date of this report. While the outcome of such contingencies cannot be determined at present, the Directors believe that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

Employees scheme

As at 30 September 2006, the Group employed 11 full-time employees in Hong Kong. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on periodic basis. Apart from retirement schemes, year-end bonuses and share options are awarded to the employees according to the assessment of individual performance and industry practice. Appropriate training programs are also offered for staff training and development.

5. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2006, being the date of which the latest audited financial statements of the Group were made up.

6. INDEBTEDNESS

At the close of business on 30 April 2007, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had short-term secured bank borrowings of approximately HK$126.8 million. The Group's short-term secured bank borrowings are secured by (i) legal charges on investment properties of the Group with a book value of approximately HK$350 million as at 30 April 2007; (ii) a corporate guarantee given by the Company; and (iii) a personal guarantee from a director to the extent of all outstanding interest in connection with the bank borrowings.

At the close of business on 30 April 2007, as authorised and approved by the Company's shareholders at the Special General Meeting on 18 April 2007, the Group had agreed to issue convertible bond of HK$142.5 million (with a 3% per annum coupon rate with 3-year maturity) and loan notes of HK$787.5 million (with a 5% per annum coupon rate with 3-year maturity) as deferred and partial payment of the consideration in the sum of HK$1.2 billion upon completion of the Initial Acquisition. Details of the Initial Acquisition and the convertible bond and loan notes can be found in the circular of the Company dated 22 March 2007.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 30 April 2007, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, material guarantees or material contingent liabilities.

7. BUSINESS PROSPECTS

Trend of business of the Group

The Group engages in aircraft charter business and the property investments in Hong Kong. Apart from the aircraft charter business and property investments, it has been the business strategy of the Group to continue seeking other investment opportunities to diversify the investment portfolio of the Group.

Trading and financial prospects of the Enlarged Group

The Directors consider that the Company's growth momentum will be maintained by diversifying into the natural resources area, including acquisition of coal resources and reserves as a search for sources of energy amongst nations and enterprises is a global phenomenon. With coal, aside from the energy prospects, there is further opportunity to extract various other by-products as international commodities. The PRC market is a global consumer of coal and for which there is a shortage of this irreplaceable form of energy. For example, prices for coal and coal products have been rising in the PRC. In view of the continued economic growth and accelerated industrialization and urbanization in the PRC and the development of the global economy, coal and other natural resources will have its sustained demand. In view of the prospects relating to natural resources generally and the PRC specifically, the Company believes that coal mining investment projects will be a successful strategy for the Company's business.

Through the purchase of the Initial Mine Areas in western Mongolia under the Initial Acquisition, the Group is in a strong position to capitalize on the demands of China, including for coal, coal products and energy along with other resources.

Subject to the completion of the Initial Acquisition and Completion of the Further Acquisition, the aggregate mine areas acquired by the Group will be around 66,000 hectares (2/3rd the size of the HKSAR)

The Group is also in preliminary stage of planning to build coal fired generation facilities (that is, power plants) and power lines for interconnection with electricity grid to Xinjiang which is consistent with the energy focus of the Group.

8. WORKING CAPITAL

The Directors are of the opinion that the Group as enlarged by the Initial Acquisition and/or the Further Acquisition will, following the completion of the relevant acquisition(s) and taking into account the Exploration Expenses of Initial Acquisition, the internal financial resources, and the present facilities from an independent financial institution, and an institution related to CTF (one of the subscriber under the Subscriptions), and where appropriate, the net proceeds from the Subscriptions and the Placing, have sufficient working capital for its requirements in next 12 months from the Latest Practicable Date.

The Directors have also included a paragraph about the possible significant and continuous capital investment by the Group under section D - "Risk Factors" in the letter from the Board of this circular.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following are illustrative unaudited pro forma statements of assets and liabilities of the Enlarged Group which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the completion of the Further Acquisition and the Exploration over the Further Mine Areas as if they have taken place on 30 September 2006. At the Latest Practicable Date, since the directors consider that the quantity and quality of coal resources, other ferrous and non-ferrous resources cannot be determined reliably, two scenarios are presented:

– Scenario (1): Assuming that there are 1 billion tonnes of demonstrated Coal Resources (the lowest bound), which are determined by the Exploration Company in accordance with the International Standards and are accepted by the Company and other ferrous and non-ferrous resources are insignificant; and

– Scenario (2): Assuming that there are 2 billion tonnes of demonstrated Coal Resources (the upper bound), which are determined by the Exploration Company in accordance with the International Standards and are accepted by the Company and other ferrous and non-ferrous resources are insignificant.

These unaudited pro forma statements of assets and liabilities have been prepared for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of the financial position of the Enlarged Group had the Further Acquisition and the Exploration over the Further Mine Areas been completed as at 30 September 2006 or at any future date.

Scenario 1: 1 billion tonnes of demonstrated Coal Resources (the lowest bound)

	The Group as at 30 September 2006 *HK$'000* *(Note 1)*	Pro forma adjustments *HK$'000*	*Note*	The pro forma Enlarged Group *HK$'000*
Non-current assets				
Property, plant and equipment	139,780			139,780
Investment properties	385,000			385,000
Associated companies	45,758			45,758
Jointly controlled entity	15,104			15,104
Financial assets at fair value through profit or loss	46,737			46,737
Intangible – "Exploration and evaluation assets"				
Exploration Rights	–	1,142,000	*2(i)*	1,142,000
Exploration Expenses	–	144,000	*3*	144,000
	632,379			1,918,379
Current assets				
Financial assets at fair value through profit or loss	49,436			49,436
Accounts receivable	1,565			1,565
Other receivables, prepayments and deposits	4,372			4,372
Amounts due from related companies	8,764			8,764
Tax prepaid	55			55
Cash and cash equivalents	100,689	(144,000)	*4*	(43,311)
	164,881			20,881
Current liabilities				
Creditors, deposits and accruals	18,218			18,218
Short term loans	126,939			126,939
	145,157			145,157
Net current assets/(liabilities)	19,724			(124,276)
Total assets less current liabilities	652,103			1,794,103
Non-current liabilities				
Convertible bonds	136,100			136,100
Loan note	–	1,142,000	*5(i)*	1,142,000
Deferred income tax liabilities	46,543			46,543
	182,643			1,324,643
Net assets	469,460			469,460

Scenario 2: 2 billion tonnes of demonstrated Coal Resources (the upper bound)

	The Group as at 30 September 2006 *HK$'000* *(Note 1)*	Pro forma adjustments *HK$'000*	*Note*	The pro forma Enlarged Group *HK$'000*
Non-current assets				
Property, plant and equipment	139,780			139,780
Investment properties	385,000			385,000
Associated companies	45,758			45,758
Jointly controlled entity	15,104			15,104
Financial assets at fair value through profit or loss	46,737			46,737
Intangible – "Exploration and evaluation assets"				
Exploration Rights	–	2,284,000	*2(ii)*	2,284,000
Exploration Expenses	–	144,000	*3*	144,000
	632,379			3,060,379
Current assets				
Financial assets at fair value through profit or loss	49,436			49,436
Accounts receivable	1,565			1,565
Other receivables, prepayments and deposits	4,372			4,372
Amounts due from related companies	8,764			8,764
Tax prepaid	55			55
Cash and cash equivalents	100,689	(144,000)	*4*	(43,311)
	164,881			20,881
Current liabilities				
Creditors, deposits and accruals	18,218			18,218
Short term loans	126,939			126,939
	145,157			145,157
Net current assets/(liabilities)	19,724			(124,276)
Total assets less current liabilities	652,103			2,936,103
Non-current liabilities				
Convertible bonds	136,100			136,100
Loan note	–	2,284,000	*5(ii)*	2,284,000
Deferred income tax liabilities	46,543			46,543
	182,643			2,466,643
Net assets	469,460			469,460

Notes to the unaudited pro forma statements of assets and liabilities of the Enlarged Group:

1. The unaudited statements of assets and liabilities as at 30 September 2006 were extracted from the unaudited published interim report of the Group for the six months ended 30 September 2006, which is set out in the Appendix I to this circular.

2. The Exploration Rights to be acquired pursuant to the Further Acquisition are measured at the fair value of consideration given, which is the Loan Note, as at 29 May 2007. The fair value of the Loan Note is determined with reference to demonstrated coal resources of (i) 1 billion tonnes and (ii) 2 billion tonnes for Scenario 1 and Scenario 2 respectively. The fair value of the Loan Note is determined as set out in note 5 below.

   The fair value of the Loan Note at the date of Completion may be different from its fair value used in the preparation of the unaudited pro forma statements of assets and liabilities as presented above. In the circumstances, the actual financial position of the Group resulting from the Further Acquisition and Exploration over the Further Mine Areas may be different from the financial position shown in this Appendix.

3. The estimated Exploration Expenses of HK$144 million as estimated by the Directors, which are initially recognised at cost and classified as intangible assets by the directors in accordance with Hong Kong Financial Reporting Standards No. 6 "Exploration for and Evaluation of Mineral Resources". Upon completion of the exploration and evaluation stage, these will be reclassified as property, plant and equipment and intangible assets according to their nature.

4. The adjustment to cash and cash equivalent reflects the estimated cash outflow on Exploration Expenses of HK$144 million.

5. The fair value of the Loan Note on initial recognition amounted to (i) HK$1,142,000,000 for coal resources of 1 billion tonnes, and (ii) HK$2,284,000,000 for coal resources of 2 billion tonnes for Scenario 1 and Scenario 2 respectively. The fair value of the Loan Note is calculated using cash flows of HK$2 billion and HK$4 billion for Scenario 1 and Scenario 2 respectively based on HK$2 per tonne and discounted at 15.03% per annum, which is the estimated market interest rate for an equivalent loan note as at the Latest Practicable Date, with a maturity period of 5 years from the date of its issue.

6. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2006, including (i) the Initial Acquisition; (ii) disposal of 6,000,000 shares in Hanny Holdings Limited at the offer price of HK$3.8 per share in December 2006; (iii) conversion of convertible notes with an aggregate principal amount of HK$60 million in December 2006; (iv) disposal of the entire issued share capital of and related loans to the subsidiaries, Modern Sparkles Investment Ltd. and Peak Elite Holdings Corp. at a total consideration of not less than HK$38.32 million in January 2007; (v) conversion of convertible notes with an aggregate principal amount of HK$89 million in January 2007; and (vi) disposal of 12,320,000 shares in New World Mobile Holdings Limited at open market value. The possible impacts to the statement of assets and liabilities of the Initial Acquisition as illustrated by the Pro Forma Financial Information set out in the circular of the Company dated 22 March 2007, are as follows:

   – Recognition of the rights to operate the initial coal mine of HK$939.569 million;

   – Increase in intangible assets of HK$80 million, being the estimated exploration expenditure;

   – Increase in cash and cash equivalents of HK$486 million being the net cash proceeds from the Placing and Subscriptions after deducting the estimated exploration expenditure of approximately HK$80 million;

   – Increase in convertible bonds of HK$83.129 million being the fair value of the liability component; and

   – Increase in loan note of HK$484.688 million being the fair value of loan note at initial recognition.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REPORT FROM REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF MONGOLIA ENERGY CORPORATION LIMITED

We report on the unaudited pro forma financial information set out on pages II-1 to II-4 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix II of the circular dated 25 June 2007 (the "Circular") of Mongolia Energy Corporation Limited (the "Company"), in connection with the proposed very substantial acquisition of further mine areas in western Mongolia with coal resources estimated between 1 to 2 billion tonnes along with other ferrous and non-ferrous resources subject to exploration for eventual commercial exploitation (the "Further Acquisition"), which is to be settled by issuance of loan note as deferred payment.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Further Acquisition and the completion of Exploration over the Further Mine Areas might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-4 in Appendix II of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited statement of assets and liabilities as at 30 September 2006 with the unaudited published interim report of the Company for the six months ended 30 September 2006 as set out in Appendix I of the Circular, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2006 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 June 2007

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Vigers Appraisal & Consulting Limited, an independent professional valuer, in connection with its valuations of the property interests held by the Group as at 31 May 2007.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants
10th Floor, The Grande Building
398 Kwun Tong Road
Kwun Tong
Kowloon

25 June 2007

The Board of Directors
Mongolia Energy Corporation Limited
Room 1502-5
New World Tower I
16-18 Queen's Road Central
Hong Kong

Dear Sirs,

RE: (1) THE WHOLE OF GROUND FLOOR, AND UNITS B1, B2, B3, B5, B6, B7, B8, B9, B10, B11, B12, B13, B15, B16, B17, B18, B19, B20, B21, B22, B23, B25, B26, B27 AND B28 ON BASEMENT FLOOR, BANK OF AMERICA TOWER, NO. 12 HARCOURT ROAD, HONG KONG, AND

(2) ROOM 1502-5 ON 15TH FLOOR, NEW WORLD TOWER, 16-18 QUEEN'S ROAD CENTRAL, HONG KONG

In accordance with your instruction for us to value the property interests of Mongolia Energy Corporation Limited (referred to as "the Company") and its subsidiaries (together referred as "the Group"), we confirm that we have inspected the properties, conducted land searches at the Land Registry, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of values of the properties as at 31 May 2007 (the "Valuation Date").

Our valuations are our opinion of market values of the properties which is defined as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing selling on an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuations have been prepared in accordance with "The HKIS Valuation Standards on Properties (First Edition 2005)" published by The Hong Kong Institute of Surveyors, the relevant provisions in the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board).

Our valuations have been made on the assumption that the properties were sold in the prevailing market in their existing state without the effect of deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the properties. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the properties.

In valuing the interest of Property 1, which is held by the Group for investment, we have adopted the investment approach, which capitalize the rent receivable from the existing tenancies and potential reversionary market rent of the property interests taking into account the market rental comparables in the market.

The interest in Property 2 has no commercial value as transfer or subletting are prohibited or otherwise due to a lack of substantial profit rent.

We have conducted land searches at the Land Registry but we have not scrutinised the original documents to ascertain ownership nor to verify any lease amendments which may not appear on the copies handed to us. All documents have been used for reference only and all dimensions, measurements and areas are therefore approximations.

We have inspected the properties to the extent for the purposes of these valuations but we have not carried out any structural survey nor have we inspected woodwork or other parts of the structures which were covered, unexposed or inaccessible to us. We are therefore unable to report whether the properties were free from any structural or non-structural defects.

We have relied to a considerable extent on the information made available to us and we have accepted advice on such matters as planning approvals, statutory notices, easements, occupancy, tenure, floor areas and all other relevant matters. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group and we have been advised by the Group that no material facts have been omitted from the information provided.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties for any expenses or taxation which might be incurred in effecting a sale. Unless otherwise stated, we have assumed that the properties were free from any encumbrances, restrictions and outgoings of an onerous nature which could serve to affect the values of the properties.

Unless otherwise stated, all monetary amounts stated herein are in the currency of Hong Kong Dollars ("HK$").

We enclose herewith our Summary of Values and Valuation Certificates.

Yours faithfully,
For and on behalf of
VIGERS APPRAISAL & CONSULTING LIMITED
Gilbert K. M. YUEN
MRICS MHKIS RPS(GP)
Executive Director

Note: Mr. Gilbert K. M. Yuen is a Registered Professional Surveyor in General Practice Division with over 20 years' valuation experience on properties in Hong Kong.

SUMMARY OF VALUES

No.	Property	Capital Value in Existing State as at 31 May 2007
1.	The whole of Ground Floor, and Units B1, B2, B3, B5, B6, B7, B8, B9, B10, B11, B12, B13, B15, B16, B17, B18, B19, B20, B21, B22, B23, B25, B26, B27, B28 on Basement Floor Bank of America Tower No. 12 Harcourt Road Hong Kong	HK$350,000,000
2.	Room 1502-5 on 15th Floor New World Tower Nos. 16-18 Queen's Road Central, Hong Kong	No Commercial Value
TOTAL		**HK$350,000,000**

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 31 May 2007
1.	The whole of Ground Floor, and Units B1, B2, B3, B5, B6, B7, B8, B9, B10, B11, B12, B13, B15, B16, B17, B18, B19, B20, B21, B22, B23, B25, B26, B27 and B28 on Basement Floor, Bank of America Tower, No. 12 Harcourt Road, Hong Kong 600/10000th parts or shares of Inland Lot No. 8294	The property comprises the whole of the Ground Floor and the Basement Floor of Bank of America Tower, which is a 39-storey (including the Basement Floor) commercial building completed in 1975. The property has a total gross area of 6,625.5 sq.m. (71,317 sq.ft.) or lettable area of 4,006 sq.m. (43,122 sq.ft.) approximately. The property is held under a Government Lease for a term of 75 years renewable for a further term of 75 years commencing from 29 September 1972. The Government rent for the whole lot is HK$8,306 per annum.	According to the information provided by the Group, as at 31 May 2007 except Units G2 and G7B2 on Ground Floor, which are vacant, remaining areas of the property are leased to various tenants with the latest tenancy expiring on 14 November 2010. The total monthly rent receivable is HK$1,716,216 exclusive of rates and management fees.	HK$350,000,000

Notes:

1. The current registered owner of the Ground Floor is Quinway Company Limited, whilst for the Basement Floor is Jadesails Investments Limited.

2. The property is subject to a legal charge to secure banking facilities and a rental assignment in favour of Citibank, N.A.

3. Pursuant to Central District Outline Zoning Plan No. S/H4/12 dated 18 February 2003, the property lies on an area zoned for “Commercial”.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Capital Value in Existing State as at 31 May 2007
2.	Room 1502-5 on 15th Floor, New World Tower, Nos. 16-18 Queen's Road Central, Hong Kong Portion of 137/5215 of The Remaining Portions of Inland Lot Nos. 294A, 295 and 31	The property comprises an office unit on the 15th Floor of New World Tower, which is a 42-storey (excluding Lower Ground Floor) commercial building completed in 1976. The property has a saleable area of 347.45 sq.m. (3,740 sq.ft.) approximately. Inland Lot Nos. 294A and 295 are held under Government Leases for a same term of 982 years commencing from 25 June 1863. Inland Lot No. 31 is held under a Government Lease for a term of 999 years commencing from 25 June 1864.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

1. The current registered owner of the property is New World Tower Company Limited ("the Landlord").

2. The property is leased from the Landlord to Virtue Team Investments Limited ("the Tenant") for a term of three years from 15 February 2007 to 14 February 2010 at a monthly rent of HK$150,528.5 exclusive of rates and management fees.

3. Pursuant to Central District Outline Zoning Plan No. S/H4/12 dated 18 February 2003, the property lies on an area zoned for "Commercial".

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and behalf, there are no other facts the omission of which would make any statement herein misleading. This circular is for information purposes only and does not constitute an offer to acquire, purchase, or subscribe for or the solicitation of an offer to acquire, purchase or subscribe for any securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register referred to therein pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, were as follows:

(i) Long positions in the Shares

Name of Director	Number of Shares	Capacity	Approximate percentage of the Company's total issued share capital
Mr. Lo Lin Shing, Simon	1,168,912,301 *(Note)*	Beneficial owner/ Interest of a controlled corporation	44.67%
Ms. Yvette Ong	1,790,000	Beneficial owner	0.06%
Mr. To Hin Tsun, Gerald	3,000,000	Beneficial owner	0.11%
Mr. Tsui Hing Chuen, William	500,000	Beneficial owner	0.01%
Mr. Lau Wai Piu	601,200	Beneficial owner	0.02%

Note: Among the 1,168,912,301 Shares, 4,960,000 Shares represent interest of Mr. Lo on an individual basis; while 1,163,952,301 Shares represent interest of Golden. Accordingly, Mr. Lo is deemed to be interested in the Shares in which Golden is interested by virtue of the SFO. The 1,163,952,301 Shares which Golden is interested in comprise, 383,952,301 Shares held by Golden and 780,000,000 Shares which will be issued to Golden upon completion of a subscription agreement dated 30 January 2007 entered into between the Company and Golden.

(ii) Long positions in underlying Shares

As at the Latest Practicable Date, the following Directors had personal interests in options to subscribe for Shares granted under the share option scheme adopted by the Company on 28 August 2002:

Name of Director	Exercise Price *(HK$)*	Exercise Period	Number of underlying Shares Interested
Mr. Lo Lin Shing, Simon	0.1695	1 March 2005 to 28 February 2012	1,157
Ms. Yvette Ong	0.1695	1 March 2005 to 28 February 2012	41
Mr. To Hin Tsun, Gerald	0.1695	1 March 2005 to 28 February 2012	744
Mr. Peter Pun	0.1695	1 March 2005 to 28 February 2012	1,116
Mr. Lau Wai Piu	0.1695	1 March 2005 to 28 February 2012	1,116

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register referred to therein pursuant to Section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Long Position in Shares/Underlying Shares	Short Position in Shares/Underlying Shares	Capacity	Approximate percentage of the Company's total issued share capital
Mr. Liu Cheng Lin	1,625,000,000 *(Note 1)*	–	Interest of a controlled corporation	62.10%
Puraway Holdings Limited	1,625,000,000 *(Note 1)*	–	Corporate	62.10%
Madam Ku Ming Mei, Rouisa	1,168,913,458 *(Note 2)*	–	Interest of spouse	44.67%
Golden Infinity Co., Ltd.	1,163,952,301 *(Note 3)*	–	Corporate	44.48%
Taifook Securities Group Limited	1,100,000,000 *(Note 4)*	1,100,000,000 *(Note 4)*	Interest of a controlled corporation	42.04%(L) 42.04%(S)
Taifook (BVI) Limited	1,100,000,000 *(Note 4)*	1,100,000,000 *(Note 4)*	Interest of a controlled corporation	42.04%(L) 42.04%(S)
Taifook Finance Company Limited	1,100,000,000 *(Note 4)*	1,100,000,000 *(Note 4)*	Interest of a controlled corporation	42.04%(L) 42.04%(S)
Taifook Securities Company Limited	1,100,000,000 *(Note 4)*	1,100,000,000 *(Note 4)*	Corporate	42.04%(L) 42.04%(S)
Mr. Law Ka Keung	341,666,666 *(Note 5)*	–	Interest of a controlled corporation	13.05%
Keswick Agents Limited	341,666,666 *(Note 5)*	–	Corporate	13.05%
Dr. Cheng Kar Shun	362,500,000 *(Note 6)*	–	Interest of a controlled corporation/ Interest of spouse	13.85%

Name	Long Position in Shares/Underlying Shares	Short Position in Shares/Underlying Shares	Capacity	Approximate percentage of the Company's total issued share capital
Dragon Noble Group Limited	312,500,000 *(Note 6)*	–	Corporate	11.94%
Mr. Han Yuanlin	210,493,478 *(Note 7)*	–	Interest of a controlled corporation	8.04%
Visionary Profits Limited	210,493,478 *(Note 7)*	–	Corporate	8.04%
Dato' Dr. Cheng Yu Tung	220,000,000 *(Note 8)*	–	Interest of a controlled corporation	8.40%
Chow Tai Fook Nominee Limited	220,000,000 *(Note 8)*	–	Corporate	8.40%
Mr. Ng Chun Ping, Brendan	194,444,442 *(Note 9)*	–	Interest of a controlled corporation	7.43%
Better Year Investments Limited	194,444,442 *(Note 9)*	–	Corporate	7.43%
The Goldman Sachs Group, Inc.	340,640,000	330,000,000	Corporate	13.02%(L) 12.61%(S)
Mr. Ho Hau Chong, Norman	482,675,000 *(Note 10)*	200,000,000	Beneficiary of a trust	18.44%(L) 7.64%(S)
Honorway Nominees Limited	482,675,000 *(Note 10)*	200,000,000	Trustee	18.44%(L) 7.64%(S)

Notes:–

1. Mr. Liu Cheng Lin (the Guarantor) is interested in the entire issued share capital of Puraway Holdings Limited (the "Puraway"). By virtue of the SFO, he is deemed to be interested in the 1,625,000,000 new Shares to be issued upon completion of the Initial Acquisition. The 1,625,000,000 new Shares to be issued to the Puraway represents 1,125,000,000 new Shares and 500,000,000 underlying Shares which may be issued upon conversion of the 3% convertible bond of the Company with maturity on the third anniversary from the date of the issue of the convertible bond, as part of the consideration deferred under the Initial Agreement.

2. Ms. Ku Ming Mei, Rouisa is the spouse of Mr. Lo and accordingly, she is deemed to be interested in 1,168,913,458 Shares under the SFO.

3. Golden is wholly-owned by Mr. Lo.

4. The Shares represent the number of Shares agreed to be underwritten by the Placing Agent pursuant to the Placement Agreement. Taifook Securities Group Limited is interested in the entire issued share capital of Taifook (BVI) Limited. Taifook (BVI) Limited is interested in the entire issued share capital of Taifook Finance Company Limited. Taifook Finance Company Limited is interested in the entire issued share capital of the Placing Agent. By virtue of the SFO, each of Taifook Securities Group Limited, Taifook (BVI) Limited and Taifook Finance Company Limited is deemed to be interested in the Shares the Placing Agent is interested in.

5. Mr. Law Ka Keung is interested in the entire issued share capital of Keswick Agents Limited ("Keswick"). By virtue of the SFO, he is deemed to be interested in the 166,666,666 Shares held by Keswick and the 175,000,000 Shares which was interested by Keswick as a sub–underwriter of the placing agreement dated 30 January 2007 entered into between Taifook Securities and the Company.

6. Dr. Cheng Kar Shun is interested in the entire issued share capital of Dragon. By virtue of the SFO, he is deemed to be interested in the 112,500,000 Shares held by Dragon and the 200,000,000 new Shares to be issued to Dragon upon completion of the Dragon Subscription Agreement. The 50,000,000 Shares are owned by Madam Ip Mei Hing, the spouse of Dr. Cheng Kar Chun.

7. Mr. Han Yuanlin is interested in the entire issued share capital of Visionary Profits Limited ("Visionary Profits"). By virtue of the SFO, Mr. Han Yuanlin is deemed to be interested in the 210,493,478 Shares held by Visionary Profits.

8. Dato' Dr. Cheng Yu Tung is interested in the entire issued share capital of CTF. Among the 220,000,000 Shares, 20,000,000 Shares represent interest of CTF and he is deemed to be interested in the 200,000,000 new Shares to be issued to CTF upon completion of the CTF Subscription Agreement by virtue of the SFO.

9. Mr. Ng Chun Ping, Brendan is interested in the entire issued share capital of Better Year Investments Limited ("Better Year"). By virtue of the SFO, he is deemed to be interested in the 194,444,442 Shares held by Better Year.

10. Honorway Nominees Limited holds the long and short positions in Shares/Underlying Shares on trust of Mr. Ho Hau Chong, Norman.

Abbreviations:–

"L" stands for long position

"S" stands for short position

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors or chief executive of the Company, there were no other persons (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(c) Since 31 March 2006 (being the date to which the latest published audited consolidated accounts of the Company were made up), none of the Directors or any proposed Director has had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group (save for the disposals of the entire issued share capital of, and the related loans to, Modern Sparkles Investment Ltd. and Peak Elite Holdings Corp. to Mr. Lo), or which are proposed to be acquired or disposed of by or leased to any member of the Group.

(d) There was no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

3. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors and their respective associates were considered to have any interests in businesses which compete or were likely to compete, either directly or indirectly, with the business of the Group, other than those business where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

6. EXPERT AND CONSENT

(i) The following are the qualifications of the experts who have given opinions and advice which are included in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Vigers	Property valuer

(ii) None of PricewaterhouseCoopers and Vigers has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(iii) Each of PricewaterhouseCoopers and Vigers has given and has not withdrawn its respective written consent to the issue of this circular, with the inclusion of its report and/or the references to its name and/or its opinion in the form and context in which they are included.

(iv) None of PricewaterhouseCoopers and Vigers had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2006, the date to which the latest published audited financial statements of the Group was made up.

7. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular, the following are contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group which are or may be material:

(i) the Further Agreement;

(ii) Supplement;

(iii) Acquisition Agreement as defined in the Company's circular dated 22 March 2007.

(iv) the Golden Subscription Agreement as defined in the Company's circular dated 22 March 2007;

(v) the Dragon Subscription Agreement as defined in the Company's circular dated 22 March 2007;

(vi) the CTF Subscription Agreement as defined in the Company's circular dated 22 March 2007;

(vii) the Placement Agreement;

(viii) the conditional sale and purchase agreement dated 26 January 2007 entered into between the Company and Mr. Lo, pursuant to which the Company agreed to sell and Mr. Lo agreed to purchase the entire amount of loan owing by Modern Sparkles Investment Ltd. to the Company and the entire issued capital of Modern Sparkles Investment Ltd;

(ix) the conditional sale and purchase agreement dated 26 January 2007 entered into between the Company and Mr. Lo, pursuant to which the Company agreed to sell and Mr. Lo agreed to purchase the entire amount of loan owing by Peak Elite Holdings Corp. to the Company and the entire issued capital of Peak Elite Holdings Corp;

(x) the placing agreement entered into between the Company and Tai Fook Securities Company Limited (now known as Taifook Securities Company Limited), the placing agent, dated 20 April 2005 in relation to the placing of 58,000,000 new Shares by the placing agent on a best effort basis;

(xi) the sale and purchase agreement dated 12 September 2005 entered into between the Company and New World Mobile Holdings Limited in relation to the disposal of the entire issued share capital of New World CyberBase Solutions (BVI) Limited ("NWCS") and the assignment of the interest-free shareholder's loan owing from NWCS to the Group;

(xii) the conditional agreement dated 11 November 2005 entered into between Glory Key Investments Ltd., as buyer and Sky Jet International Group Limited as seller in relation to the sale and purchase of a Gulfstream 200 Aircraft;

(xiii) the underwriting agreement dated 11 November 2005 entered into between the Company and Golden in relation to the underwriting of the rights issue;

(xiv) the placing agreement dated 11 November 2005 entered into between the Company and Tai Fook Securities Company Limited (now known as Taifook Securities Company Limited) in respect of the placing of convertible notes by Tai Fook Securities Company Limited; and

(xv) the shareholders' agreement dated 11 November 2005 entered into between Everbest, Beaubourg Holdings Inc., and C Jet Limited in relation to the establishment of Everbest and which took effect on 9 November 2005.

8. MISCELLANEOUS

(i) The company secretary of the Company is Mr. Tang Chi Kei, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(ii) The qualified accountant of the Company is Mr. Kwok Ying Tung, Daniel, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(iii) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company in Hong Kong is at Room 1502-5, New World Tower 1, 16-18 Queen's Road Central, Hong Kong.

(iv) The branch share registrar and transfer office of the Company in Hong Kong is Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong, Room 1502-5, New World Tower 1, 16-18 Queen's Road Central, Hong Kong, up to and including the date of the SGM:

(i) the memorandum of association and bye-laws of the Company;

(ii) the annual report of the Company for the year ended 31 March 2006;

(iii) the interim report of the Company for the six months ended 30 September 2006;

(iv) the pro forma financial information of the Enlarged Group, the text of which is set out in Appendix II to this circular;

(v) the valuation report prepared by Vigers, the text of which is set out in Appendix III to this circular;

(vi) the letters of consent referred to under the paragraph headed "Expert and consent" in this appendix; and

(vii) a copy of the material contracts referred to in the paragraph headed "Material contracts" in this appendix.

MONGOLIA ENERGY CORPORATION LIMITED
蒙古能源有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

NOTICE IS HEREBY GIVEN that a special general meeting (the "meeting") of Mongolia Energy Corporation Limited will be held on 16 July 2007 at 2:30 p.m. at Room Everest, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**"

(a) the supplement dated 29 May 2007 ("**Supplement**"), a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification, and entered into between (i) Puraway Holdings Limited, (ii) Winning Mind Holdings Limited, (iii) Mongolian Natural Resources Investment Group (MNRIG LLC), (iv) Mr. Liu Cheng Lin, (v) the Company; and (vi) Mongolian Natural Resources Investment Group (Hong Kong) Company Limited, which are the same parties to the acquisition agreement dated 30 January 2007 (the "**Initial Acquisition Agreement**"), whereby all parties to the Supplement and the Initial Acquisition Agreement agreed to change one condition precedent for completion under the Initial Acquisition Agreement, namely Clause 3.1(ii) to "the Coal Mine having 300 million tonnes of resources along with an undertaking to be provided by the Guarantor to the Company as at Completion that the Coal Mine shall have 300 million tonnes of Reserves, comprising 200 million tonnes of Proved Reserves and 100 million tonnes of Probable Reserves to the satisfaction of the Technical Adviser within 120 days from the undertaking." be and is hereby approved, confirmed and ratified and the transactions contemplated under the Supplement be and are hereby approved; and

(b) the directors of the Company ("**Directors**") be and they are hereby authorized to do such acts and things, to sign and execute all such further documents and to take such steps as the Directors may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Supplement or any transactions contemplated thereby."

2. “**THAT**”

(a) the acquisition agreement dated 29 May 2007 (the “**Further Agreement**”), a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification, and entered into between (i) Shine Ocean International Limited (the “**Seller**”); (ii) Mongolia Energy Corporation Singapore (Pte) Ltd (the “**Purchaser**”); (iii) MBGHL LLC (the “**Mining Company**”); (iv) Mr. Liu Cheng Lin (the “**Guarantor**”); (v) Mongolia Energy Corporation Limited (the “**Company**”); and (vi) Mega Bright Group Holdings Limited (the “**Holding Company**”) whereby the Seller has agreed to sell (through the Mining Company) and the Purchaser, has agreed to purchase, the mine areas of around 32,000 hectares in western Mongolia (“**Further Mine Areas**”) by way of transfer of the Exploration Licences (as defined in this circular (the “**Circular**”) with coal resources and along with other ferrous resources and non-ferrous resources at a nominal consideration of US$1 dollar upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and the transactions contemplated under the Further Agreement be and hereby approved;

(b) the payment of the Resources Fees (as defined in the Circular) as set out in the Circular after completion of acquisition of the Further Mine Areas under the Further Agreement upon demonstration of the resources by the Exploration Company (as defined in the Circular) by way of Loan Note (with a 3% per annum coupon rate and 5-year maturity) as deferred payment, on and subject to the terms of the Further Agreement, be and is hereby approved;

(c) the issue of the Loan Note as set out in (b) above, on and subject to the terms of the Further Agreement, be and is hereby approved;

(d) the payment of the Exploitation Payments (as defined in the Circular) as set out in the Circular after completion of acquisition of the Further Mine Areas under the Further Agreement and at the discretion of the Company to conduct commercial exploitation of the resources demonstrated, on and subject to the terms of the Further Agreement, be and is hereby approved; and

(e) the Directors be and they are hereby authorized to do such acts and things, to sign and execute all such further documents and to take such steps as the Directors may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Further Agreement or any transactions contemplated thereby”

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

Hong Kong, 25 June 2007

* *For identification purposes only*