MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

UNAUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2022

This announcement is made by Mongolia Energy Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.49(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reference is made to the Company's announcements dated 23 June 2022 and 28 June 2022 (the "**Announcements**") in relation to, among other things, the delay in publication of the Company's audited financial results for the year ended 31 March 2022. Unless otherwise defined, capitalized terms used in this announcement shall have the same meaning ascribed to them in the Announcements.

UNAUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2022

As stated in the Announcements, the Company was unable to publish the Annual Results by 30 June 2022 as the independent auditor of the Company requires more time to complete the audit on the Annual Results. In order to keep the Shareholders and the public informed of the Group's business operation and financial position, the Board would like to provide the preliminary unaudited consolidated financial information of the Group for the year ended 31 March 2022 together with comparative figures for the year ended 31 March 2021 (the "**Unaudited Financial Information**").

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	4	**1,562,718**	858,417
Cost of sales		**(947,966)**	(549,576)
Gross profit		**614,752**	308,841
Other income	5	**11,658**	81,898
Other gains and losses	6	**6,134**	1,715
Administrative expenses		**(163,182)**	(157,492)
Changes in fair value on derivative component of convertible notes		**185,015**	(1,070,118)
Impairment losses (reversal of impairment losses) on property, plant and equipment	3	**(399,214)**	990,509
Impairment losses (reversal of impairment losses) on intangible assets	3	**(39,208)**	132,185
Impairment losses (reversal of impairment losses) on right-of-use assets	3	**(460)**	1,119
Impairment losses (reversal of impairment losses) on financial assets		**(1,241)**	230
Finance costs	7	**(543,367)**	(525,129)
Loss before taxation	8	**(329,113)**	(236,242)
Income tax expense	9	**(79,850)**	(50,663)
Loss for the year attributable to owners of the Company		**(408,963)**	(286,905)
Loss per share attributable to owners of the Company	11		
– basic loss per share (HK$)		**(2.17)**	(1.53)
– diluted loss per share (HK$)		**(2.17)**	(1.53)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022	2021
	HK$'000	*HK$'000*
Loss for the year	**(408,963)**	(286,905)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translating foreign operations	**29,408**	20,130
Total comprehensive expense for the year attributable to owners of the Company	**(379,555)**	(266,775)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 *HK$'000*	2021 *HK$'000*
Non-current assets			
Property, plant and equipment		**2,083,792**	2,394,590
Right-of-use assets		**9,592**	8,055
Intangible assets		**229,872**	279,145
Exploration and evaluation assets		**1,559**	1,262
Interest in an associate		**–**	–
Other asset		**1,150**	1,150
Deferred tax assets		**92**	5,647
		2,326,057	2,689,849
Current assets			
Trade and bills receivables	*12*	**665,882**	274,369
Inventories		**268,822**	208,357
Other receivables, prepayments and deposits		**202,810**	155,913
Prepaid taxation		**1,484**	1,412
Financial asset at fair value through profit or loss ("**FVTPL**")		**50,752**	50,752
Amount due from an associate		**–**	–
Cash and cash equivalents		**63,906**	57,577
		1,253,656	748,380
Current liabilities			
Trade payables	*13*	**246,803**	173,861
Other payables and accruals		**300,931**	99,213
Contract liabilities		**30,605**	2,823
Tax liabilities		**34,494**	39,877
Advances from a Director	*14*	**1,707,679**	1,811,276
Interest-bearing bank borrowing	*14*	**66,630**	–
Lease liabilities		**6,295**	2,939
Deferred income		**1,718**	1,648
		2,395,155	2,131,637
Net current liabilities		**(1,141,499)**	(1,383,257)
Total assets less current liabilities		**1,184,558**	1,306,592

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Non-current liabilities			
Convertible notes		**3,501,682**	3,564,399
Loan note	*14*	**387,451**	316,613
Deferred income		**3,980**	5,465
Deferred tax liabilities		**42,583**	26,216
Lease liabilities		**1,077**	2,336
Provision for rehabilitation		**24,221**	–
		3,960,994	3,915,029
Net liabilities		**(2,776,436)**	(2,608,437)
Financed by:			
Capital and reserves			
Share capital		**3,763**	3,763
Reserves		**(2,780,199)**	(2,612,200)
Capital deficiencies attributable to owners of the Company		**(2,776,436)**	(2,608,437)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company is a public limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the principal place of business of the Company is 17th Floor, 118 Connaught Road West, Hong Kong.

The Company acts as an investment holding company and its subsidiaries (together with the Company collectively referred to as the "**Group**") are principally engaged in mining, processing and sale of coal.

The consolidated financial statements are presented in Hong Kong dollar ("**HK$**"). The functional currency of the Company is United States dollar ("**US$**") as US$ better reflects the underlying transactions, events and conditions that are relevant to the Group's ongoing business. For the convenience of the financial statements users, the consolidated financial statements are presented in HK$, as the Company's shares are listed on the Stock Exchange.

In preparing the consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity of the Group. The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flows projections cover a period of not less than 12 months from 31 March 2022. The cash flows projections have been determined using estimation of future cash flows to be generated from the Group's operating activities and its working capital needs. Also, Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder who has significant influence over the Group and being the Chairman and Director of the Company, has provided facilities amounting to HK$1,900.0 million by way of advances to the Group. As at 31 March 2022, advances from a Director of HK$1,707.7 million comprised principal amount and accrued interest of HK$968.4 million and HK$739.3 million respectively. Excluding the accrued interest of HK$739.3 million, the balance of the unutilised facilities of HK$931.6 million remains valid until 31 March 2023 and Mr. Lo does not intend to demand repayment of the principal amount of the loan and the accrued interest until the Company has sufficient cash to make repayment.

While recognising that the Group had net liabilities of approximately HK$2,776.4 million and had net current liabilities of approximately HK$1,141.5 million at 31 March 2022 and incurred a loss of approximately HK$409.0 million for the year then ended, the Directors are of the opinion that, taking into account of the finance from Mr. Lo and the internally generated funds, the Group will be able to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the finance were available. As such the Group would be unable to meet its financial obligations as and when they fall due. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The application of the amendments in the current year had no impact on the consolidated financial statements.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The application of the amendments in the current year had no impact on the consolidated financial statements.

3. RECOVERABLE AMOUNT ASSESSMENT ON KHUSHUUT RELATED ASSETS

At the end of the reporting period, the Group engaged a qualified professional valuer (the "**Independent Valuer**"), who is not connected with the Group, to determine the recoverable amount of its property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations (collectively referred to as "**Khushuut Related Assets**"). For the purposes of recoverable amount assessment to assess whether there has been reversal or further impairment, the Khushuut Related Assets are treated as a cash-generating unit, which represents the Group's coking coal mining operation in Western Mongolia. The recoverable amount of the Khushuut Related Assets has been determined based on a value-in-use calculation.

The determination of recoverable amount in the valuation model is most sensitive to the following key assumptions:

Production volume of coking coal

Estimated production volume of coking coal is based on production profile associated with capacity of machinery and facilities as part of the long-term planning process.

Coal prices

Forecast coal prices are based on management's estimates and are derived from price index in China market and long-term views of global supply and demand in a changing environment, particularly with respect to climate risk, building on past experience of the mining industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and types of coals.

Discount rate

In calculating the value in use, a real post-tax discount rate of 20.71% was applied to the discounted cash flows expressed in real terms. This discount rate is derived from the Group's post-tax weighted average cost of capital ("**WACC**"), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on its interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

As the recoverable amount of Khushuut Related Assets determined by the Independent Valuer is lower than their carrying values, an impairment losses amounting to HK$438,882,000 (2021: reversal of impairment losses HK$1,123,813,000) was recognised in the consolidated statement of profit or loss in the current year against the respective assets on a pro-rata basis with reference to their carrying values as follows:

Carrying values for the year ended 31 March 2022:

	Carrying values before impairment losses	**Impairment losses**	**Carrying values after impairment losses**
	HK$'000	***HK$'000***	***HK$'000***
Property, plant and equipment	**2,467,706**	**(399,214)**	**2,068,492**
Intangible assets	**268,546**	**(39,208)**	**229,338**
Right-of-use assets	**2,850**	**(460)**	**2,390**
Total	**2,739,102**	**(438,882)**	**2,300,220**

Carrying values for the year ended 31 March 2021:

	Carrying values before reversal of impairment losses	Reversal of impairment losses	Carrying values after reversal of impairment losses
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	1,393,620	990,509	2,384,129
Intangible assets	146,359	132,185	278,544
Right-of-use assets	688	1,119	1,807
Total	1,540,667	1,123,813	2,664,480

The reason for such an impairment loss being recognised in profit or loss for the year ended 31 March 2022 was mainly due to discount rate, production volume of coking coal and change in predicted average growth rate of the coking coal price for the forthcoming four-year period (2021: change in predicted average growth rate of the coking coal price for the forthcoming four-year period). This has had significant impact on the value-in-use assessment performed by the Directors in both years with an increase in cash flows expected to be received.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in mining, processing and sale of coal. Revenue represents revenue arising from the sale of coal to external customers located in the People's Republic of China (the "**PRC**") and Mongolia, and is recognised at a point in time when coal is delivered to and accepted by the customers.

The Group's operating activities are focusing on the coal mining business. Information reported to the chief operating decision maker (i.e. the Executive Directors) for the purpose of resource allocation and performance assessment focuses on types of goods delivered. This is also the basis of organisation whereby the management has chosen to organise the Group.

Segment revenue and result

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

For the year ended 31 March 2022

	Coal mining *HK$'000*	**Total** *HK$'000*
Segment revenue *(Note (a))*	**1,562,718**	**1,562,718**
Segment profit	**89,984**	**89,984**
Unallocated expenses *(Note (b))*		**(62,674)**
Other income		**–**
Other gains and losses		**(318)**
Changes in fair value on derivative component of convertible notes		**185,015**
Impairment loss on financial asset		**(14)**
Finance costs		**(541,106)**
Loss before taxation		**(329,113)**

For the year ended 31 March 2021

	Coal mining *HK$'000*	Total *HK$'000*
Segment revenue	858,417	858,417
Segment profit	1,376,102	1,376,102
Unallocated expenses *(Note (b))*		(56,786)
Other income		40,825
Other gains and losses		(1,250)
Changes in fair value on derivative component of convertible notes		(1,070,118)
Impairment loss on financial asset		(9)
Finance costs		(525,006)
Loss before taxation		(236,242)

Notes:

(a) As at 31 March 2022, all outstanding contracts for sale of coal have an original expected duration of less than one year. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

Contract liabilities as at 1 April 2021 of HK$2,823,000 have been recognised as revenue from performance obligation satisfied during the year. For contract liabilities as at 31 March 2022 of HK$30,605,000, as the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

(b) Unallocated expenses mainly include staff costs for corporate office, office rental and legal and professional fees for both years.

The accounting policies of the operating segment are the same as the Group's accounting policies described in annual report. Segment profit represents the profit from the coal mining operation without allocation of expenses not directly related to the operating segment, unallocated other income, certain finance costs, certain other gains and losses, changes in fair value of derivative component of convertible notes and impairment loss on financial asset. This is the measure reported to the chief operation decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

As at 31 March 2022

	HK$'000
ASSETS	
Segment assets – coal mining	**3,500,318**
Financial asset at FVTPL	**50,752**
Cash and cash equivalents	**1,718**
Other unallocated assets *(Note (a))*	**26,925**
Consolidated total assets	**3,579,713**
LIABILITIES	
Segment liabilities – coal mining	**727,754**
Convertible notes	**3,501,682**
Loan note	**387,451**
Advances from a Director	**1,707,679**
Other unallocated liabilities *(Note (b))*	**31,583**
Consolidated total liabilities	**6,356,149**

As at 31 March 2021

	HK$'000
ASSETS	
Segment assets – coal mining	3,355,777
Financial asset at FVTPL	50,752
Cash and cash equivalents	10,677
Other unallocated assets *(Note (a))*	21,023
Consolidated total assets	3,438,229
LIABILITIES	
Segment liabilities – coal mining	342,387
Convertible notes	3,564,399
Loan note	316,613
Advances from a Director	1,811,276
Other unallocated liabilities *(Note (b))*	11,991
Consolidated total liabilities	6,046,666

Notes:

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

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

Other segment information

For the year ended 31 March

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

Coal mining

	2022 **HK$'000**	2021 *HK$'000*
Capital additions	**124,307**	59,767
Amortisation of intangible assets	**14,667**	7,142
Depreciation of right-of-use assets	**2,445**	2,489
Interest income	**409**	(200)
Depreciation of property, plant and equipment	**59,237**	33,060
Impairment losses (reversal of impairment losses) on property, plant and equipment	**399,214**	(990,509)
Impairment losses (reversal of impairment losses) on intangible assets	**39,208**	(132,185)
Impairment losses (reversal of impairment losses) on right-of-use assets	**460**	(1,119)

Geographical information

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

Information about the Group's revenue from external customers is presented based on locations of customers:

	Revenue	
	2022	2021
	HK$'000	*HK$'000*
Mongolia	**13,985**	2,511
The PRC	**1,548,733**	855,906
	1,562,718	858,417

Information about its non-current assets is presented based on geographical locations of the assets:

	Non-current assets	
	2022	2021
	HK$'000	*HK$'000*
Hong Kong	**7,548**	4,910
Mongolia	**2,237,388**	2,596,189
The PRC	**81,029**	83,103
	2,325,965	2,684,202

Note: Non-current assets exclude deferred tax assets.

Information about major customers

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

	2022	2021
	HK$'000	*HK$'000*
Customer A	**829,132**	528,915

5. OTHER INCOME

	2022	2021
	HK$'000	*HK$'000*
Interest income	**409**	202
Government grants	**3,779**	6,395
Sundry income *(Note)*	**7,470**	75,301
	11,658	81,898

Notes:

(a) During the year ended 31 March 2021, a subsidiary of the Group entered into a settlement agreement with an ex-exploration contractor in respect of the prepayment previously written off, amounting to RMB30,000,000 (equivalent to HK$34,191,000). The ex-exploration contractor has fully settled in cash during the current year.

(b) During the year ended 31 March 2021, an extinguishment of a balance payment of HK$39.0 million for acquisition of an iron ore exploration right in 2009 was recognised. The balance payment for acquisition of iron ore exploration right was previously included in other payables and accruals. Based on an independent legal advice, the balance payment is no longer payable as any action from the counterparty on the recovery of the balance payment has been become statute-barred under the relevant law.

6. OTHER GAINS AND LOSSES

	2022	2021
	HK$'000	*HK$'000*
Changes in fair value on financial asset at FVTPL	**–**	(845)
Gain on disposal of property, plant and equipment	**1**	29
Net exchange gain	**6,133**	2,531
	6,134	1,715

7. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest on advances from a Director	**135,985**	140,782
Interest on lease liabilities	**584**	346
Interest on bank loan	**2,106**	–
Effective interest expense on convertible notes	**333,854**	326,113
Effective interest expense on loan note	**70,838**	57,888
	543,367	525,129

8. LOSS BEFORE TAXATION

	2022	2021
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**25,524**	21,670
Other staff costs:		
Salaries and other benefits (net of reimbursement from a related party	**103,753**	89,999
Retirement benefits scheme contributions (excluding contributions for Directors and net of reimbursement from a related party	**11,949**	9,593
Total staff costs	**141,226**	121,262
Less: staff costs capitalised in inventories	**(54,771)**	(31,960)
	86,455	89,302
Impairment losses (reversal of impairment losses) on:		
Trade and bills receivables	**1,227**	(239)
Amount due from an associate	**14**	9
	1,241	(230)
Depreciation of property, plant and equipment	**59,917**	33,780
Depreciation of right-of-use assets	**6,354**	6,928
Amortisation of intangible assets	**14,667**	7,142
Auditor's remuneration	**4,300**	3,750

9. INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**52,317**	–
Mongolian corporate income tax	**28,204**	53,288
	80,521	53,288
Under (over) provision in prior years:		
PRC EIT	**2,034**	641
Mongolian corporate income tax	**(25,087)**	–
Deferred taxation	**22,382**	(3,266)
	79,850	50,663

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% on the estimated assessable profits (if any) for both periods. One of the Group's subsidiaries, 新疆蒙科能源科技有限公司, is entitled to enjoy a preferential income tax rate of 15%, and will continue to benefit from this preferential income tax policy until 31 December 2030 under the "Tax incentives of Western Development Policy".

Mongolian corporate income tax was calculated at 10% to the first Mongolian Tugrik 6 billion of annual taxable income and 25% on the remaining annual taxable income for both years.

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

10. DIVIDENDS

No dividend was paid or proposed by the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

11. LOSS PER SHARE

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

	2022	2021
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, as used in the calculation of basic and diluted loss per share	**408,963**	286,905

	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**188,126**	188,126

Note:

The computation of diluted loss per share for both years ended 31 March did not assume the exercise of share options or the conversion of the Company's outstanding convertible notes since assuming the exercise of the share options or the conversion of the convertible notes would result in a decrease in loss per share.

12. TRADE AND BILLS RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables and accrued income *(Note)*	**335,219**	170,511
Bills receivables	**332,396**	104,324
	667,615	274,835
Less: allowance for credit losses	**(1,733)**	(466)
	665,882	274,369

Note:

Income was accrued on the basis that coals are delivered to and accepted by the customer. Invoice will be issued within 3 months.

The Group allows a credit period of 30–60 days to its customers upon issue of invoices, except for new customers, where payment in advance is normally required.

The following is an ageing analysis of trade receivables and accrued income and bills receivables net of allowance for credit losses:

	2022	2021
	HK$'000	*HK$'000*
1 to 30 days	**366,053**	226,011
31 to 60 days	**225,232**	24,688
61 to 90 days	**28,427**	2,471
Over 90 days	**46,170**	21,199
	665,882	274,369

13. TRADE PAYABLES

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

	2022	2021
	HK$'000	*HK$'000*
0 to 30 days	**125,294**	85,161
31 to 60 days	**26,407**	22,893
61 to 90 days	**20,349**	4,877
Over 90 days	**74,753**	60,930
	246,803	173,861

14. BORROWINGS

	2022 *HK$'000*	2021 *HK$'000*
At amortised cost		
Advances from a Director – unsecured *(Note (a))*	**1,707,679**	1,811,276
Interest-bearing bank borrowing – secured *(Note (b))*	**66,630**	–
Convertible notes – unsecured	**2,673,167**	1,819,171
Loan note – unsecured	**387,451**	316,613
	4,834,927	3,947,060
Analysed for reporting purposes as:		
Current liabilities	**1,774,309**	1,811,276
Non-current liabilities	**3,060,618**	2,135,784
	4,834,927	3,947,060

Notes:

(a) The advances are related to the facility granted by Mr. Lo as set out in Note 1. The amounts are unsecured and repayable on demand. Mr. Lo does not intend to demand repayment until the Company has sufficient cash to make repayment. The interest expense is charged at the Hong Kong Dollar Prime Rate plus 3% per annum for both years.

(b) The secured loan from a Mongolian bank is repayable within six months commencing from 21 December 2021 and carries interest at 13.2% per annum. Equivalent carrying value of coal inventory at Khovd aimag, Darvi Soum, Murun bag was pledged as collateral for outstanding bank loan amount.

15. CONTINGENT LIABILITIES

During the year ended 31 March 2013, the Company and MoEnCo disputed the services provided and the amount charged by the former mining contractor and accordingly, refused to settle the contractor's fees as claimed by the former mining contractor.

The former mining contractor issued two writs of summons on 14 February 2013 and 30 May 2013 claiming for the total sum of approximately HK$93.7 million. In May 2015, the former mining contractor applied to Court to amend its statements of claim under the two writs by amending, among others, (i) the currency of the claims from Mongolian Tugrik to United States dollars; and (ii) the amount of the claims to include the alleged contractor's fees up to October 2014. According to amended statement of claims, total claims under two writs were at approximately HK$198.9 million. The two actions were subsequently consolidated and the amount claimed has been reduced to approximately HK$50.0 million and approximately HK$50.0 million was provided for in the consolidated financial statements as at 31 March 2022 (2021: HK$50.0 million). Based on the opinion provided by legal counsel of the Company, the Directors consider that the payment of the remaining balance is not probable.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS ANALYSIS

Revenue

In the financial year ended 31 March 2022 (the "**Financial Year**"), the Group's revenue was a record high of HK$1,562.7 million (2021: HK$858.4 million). The significant increase of revenue was principally due to our comparatively weak performance in prior corresponding year. Since the outbreak of the COVID-19 in both Mongolia and China, border closures of both countries took place frequently which impacted our coal export efficiency last financial year. Although the Group was also suffering from the temporary suspension of coal export to China under the COVID-19 pandemic from end of October to early December 2021, we still managed to boost our coal export volume from Mongolia to China in the Financial Year. There were also some supply chain issues constricted the supply of coking coal in the PRC. Safety challenges and flooding affected domestic mines in China; border closures between Mongolia and China, as well as the ongoing diplomatic tensions between China and Australia compounded the situation. The confluence of these events created tightness in the market and contributed to surging prices for coking coal. During the Financial Year, the Group sold approximately 802,300 tonnes (2021: 675,800 tonnes) of clean coking coal and approximately 175,100 tonnes (2021: 77,700 tonnes) of thermal coal and approximately 24,400 tonnes (2021: 91 tonnes) of raw coal. The average selling prices of clean coking coal, thermal coal and raw coal net of sales tax were approximately HK$1,918.4 (2021: HK$1,264.7), HK$52.3 (2021: HK$47.0) and HK$454.6 (2021: HK$655.3) per tonne respectively.

Cost of Sales

Cost of sales includes mining costs, coal processing costs, transportation costs, costs on disposal of coal refuse and other relevant operating expenses. The cost of sales for the Financial Year was HK$948.0 million (2021: HK$549.6 million). The overall increase was mainly due to the increase in production volume during the Financial Year. It was divided into cash costs of HK$904.2 million (2021: HK$526.6 million) and non-cash costs of HK$43.8 million (2021: HK$23.0 million).

Gross Profit

Gross profit ratio for the Financial Year was approximately 39.3% (2021: 36.0%). The gross profit ratio was benefited from the increase in average selling prices during the Financial Year. However, this positive factor was offset by a new order issued by the Government of Mongolia on the royalty calculation. From 1 July 2021 onwards, the royalty payable is to be calculated based on the reference price as determined by the Government of Mongolia, and the reference to the contract sales price was no longer adopted. The reference price adopted by the Government of Mongolia on our coal product did not reflect the unwashed nature of our coal thus the royalty charged was higher than previous years.

Other Income

The significant drop in other income during the Financial Year was due to one-off gains from a settlement agreement with an ex-exploration contractor in respect of legal claims on prepaid contract deposit of approximately HK$34.2 million and an extinguishment of a balance payment of HK$39.0 million for acquisition of an iron ore exploration right were recognized in prior corresponding year.

Recoverable Amount Assessment on Khushuut Related Assets ("Mine Assets")

At the end of the Financial Year, an independent qualified professional valuer was engaged by the Group to determine the recoverable amount of the Mine Assets. The recoverable amount of the Mine Assets is based on the discounted cash flow model that incorporates best estimates made by the management of the Group on price trend of coking coal, coking coal grades, production capacity and rates, future capital expenditure, inflation rate and production costs over the mine life of the Khushuut mine, etc. The cash flow projection covers the expected life of the whole operation. Major assumptions including selling prices trend, operating and capital costs, sales volume, inflation rates and discount rate are particularly important; and the determination of the recoverable amount is relatively sensitive to changes in these important assumptions.

Key changes in assumptions used in the discounted cash flow model as at 31 March 2022 and 31 March 2021 are set out below:

	Notes	**2022**	2021
Discount rate	*(a)*	**20.71%**	21.06%
Average current coking coal price per tonne	*(b)*	**US$318**	US$137
Inflation rate	*(c)*	**2.00%**	1.99%
Predicted average annual growth rate of the coking coal price for the forthcoming four-year period since year ended	*(d)*	**–13.6%**	3.93%

Other non-quantitative major assumption changes:

(1) A coal washing plant at the Khushuut mine site planned to be built in 2023 and completed in 2025 is no longer required. A memorandum of understanding (the "**MOU**") was signed after the Financial Year with an independent third party who is building a washing plant in Xinjiang. Under the MOU, the Group is going to supply raw coal to this new washing plant for processing.

(2) A plan to sell both raw and clean coal to the PRC customers since 2025 has been changed to sell clean coal only. The related change will lead to the extension of the mine life.

Notes:

(a) The discount rate is derived from the Group's weighted average cost of capital ("**WACC**") with appropriate adjustments made to reflect the risks specific to the Khushuut Coal Mine. The computation of WACC takes into account both cost of debt and equity, and weighted based on the Group's and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors and based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of comparable peer companies. The change of discount rate from last year was a combined result of the updates on the WACC including the risk-free rate and other risk premium factors. The risk-free rate adopted was the yield of China 10-year government bond as at 31 March 2022. The risk premium factors are to reflect the business risks of the Khushuut Coal Mine;

(b) The average current coking coal price was updated based on latest sales contracts;

(c) Inflation rate was updated by reference to external market research data; and

(d) The average annual growth rate was updated based on the latest publicly available market data. For the remaining year of the discounted cash flow model, the growth rate is the same as the inflation rate.

In pursuant to the recoverable amount assessment, an impairment amounted to HK$438.9 million was made in the Financial Year (2021: reversal of impairment loss of HK$1,123.8 million).

MARKET REVIEW

Coking coal, also known as metallurgical coal, is principally used in steel industry. It is a vital ingredient in the steel making process. Our coking coal demand is predominantly in China; therefore, the steel market performance in China in turn affects our production and planning.

Despite the raging COVID-19 pandemic across the globe, China's economy recorded an outstanding growth of 8.1% in gross domestic product ("**GDP**") in 2021, which was the fastest rate in a decade. According to the data of the National Bureau of Statistics of China ("**NBS**"), China's economy continued to recover from the pandemic for the first half of last year. It achieved 18.3% surge in GDP in the first quarter of 2021 but the growth slowed down to 4% in the final quarter. The main driver of the increase was the global demand for China's export products. According to the NBS, China's GDP per capita was around US$12,551, almost reaching the standard of a "high-income country" as defined by the World Bank, meeting a target of lifting its people out of poverty.

The global crude steel production was 1,950.5 million tonnes in 2021, a growth of 3.7% compared with the previous year, according to the recent data of the World Steel Association. China remained the biggest crude steel producing country in the world during this period, producing 1,032 million tonnes and accounting for 53% of the world's crude steel production, but a decline of 3% compared with the same period in 2020. Steel demand in China saw a major slowdown in 2021 due to the tough government measures on real estate developers. Steel products produced are mostly for domestic use including properties, infrastructures, and manufacturing, and the remaining is for exports, mostly to developing countries in Southeast Asia.

Coal industry of China also recorded a stellar performance last year. According to the data of the NBS, the income of the enterprises above the designated size from the coal mining and washing sectors reported a rise of 58.3% and a surge in profit of 212.7%, compared with the same period of the previous year.

China is the world's largest coal producer and consumer. As it was the state policy to encourage miners ramping up their fossil fuel output to safeguard the country's energy supplies and to meet the demand for electricity, China produced 4.07 billion tonnes of raw coal in 2021, a year-on-year increase of 4.7%, according to the data of the NBS. Apart from an internal increase of production, coal import also recorded a surge, notwithstanding the import restriction for Australian coal. According to the General Administration of Customs of China ("**GAC**"), China imported a total of 323.22 million tonnes of coal last year, which was a year-on-year increase of 6.6%. It was the result of increased purchase of coal from other countries. Indonesia, Russia, Mongolia, the Philippines and Canada were China's top coal suppliers. China's coal consumption in 2021 rose 4.6% year-on-year. The power sector consumption increased 10% and it accounted for 56.4% of the total. Usage of coal in building material and chemical industries rose 10.2% and 6.9% respectively, while steel sector recorded a drop of 8.2%. As China needs to stabilize economic growth, and coal power supply is critical, it is expected that the demand for coal would remain strong this year.

In respect of coking coal, according to the data from the GAC, the import volume for 2021 was 54.7 million tonnes, a slump of 24.6% year-on-year. The decline in coking coal import was mainly due to the Australian coal import restrictions, and the transportation disruption in Mongolia under the impact of COVID-19 which reduced the export of coking coal. The deficiency in coking coal import from Australia and Mongolia was partially made up by seaborne coking coal from the United States, Canada and Russia. The United States exported 10.24 million tonnes of coking coal into China last year which was a ten-fold increase from the previous year. The coking coal import from Australia was approximately 11.3% while the Mongolian coking coal was 25.7% (approximately 14.04 million tonnes) of the total coking coal import into China in 2021.

In Mongolia, the mining sector makes up almost a quarter of the country's GDP and over 90% of its export. China is the key trade partners of Mongolia last year, the export value almost accounted for 82.7% of Mongolia's total export in 2021. However, export of Mongolian coal through main border crossings were very unstable since the outbreak of the COVID-19 pandemic. Mongolia's coal export plunged 45.1% year on year to 15.7 million tonnes in 2021, according to the data of Mongolian Customs General Administration.

BUSINESS REVIEW

Coal Sales

We recorded a revenue of HK$1,562.7 million from the sales of coking coal and thermal coal to our customers in China and Mongolia in the Financial Year, a rise of 82.0% compared with the previous financial year.

Coal Production

During the Financial Year, approximately 8,702,400 bank cubic meters ("**BCM**") of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works (2021: 5,018,000 BCM). Production of coking coal (before processing) and thermal coal were approximately 1,390,500 tonnes and 445,900 tonnes respectively (2021: 905,200 tonnes and 324,100 tonnes).

Coal Processing

During the Financial Year, approximately 1,296,100 tonnes of ROM coal (2021: 796,500 tonnes) were processed by the dry coal processing plant, producing approximately 1,036,200 tonnes of raw coking coal (2021: 782,300 tonnes). The average recovery rate was 79.9%. The raw coking coal would then stand for export to Xinjiang for further washing before delivery to our customers. In Xinjiang, approximately 1,231,700 tonnes of raw coking coal (2021: 905,300 tonnes) were processed by the washing plant, producing approximately 870,100 tonnes of clean coking coal (2021: 723,000 tonnes). The average recovery rate was 70.6%.

Coal Shipping

Apart from the field work contractors, we hired external coal trucking companies with heavy-duty trucks to provide coal transportation services for our coal export.

During the Financial Year, approximately 1,285,700 tonnes of raw coking coal were shipped from Mongolia to Xinjiang.

Customers and Sales

No master coal contract was signed during the Financial Year. The actual sales including price and the quantity of coal to be delivered were negotiated and mutually agreed from time to time between us and the customers, monthly in general, during this period. Clearing is based on the actual clean coking coal delivered after washing, and on this basis, we sold 435,800 tonnes of clean coking coal to our major customer during the Financial Year. It accounted for approximately 53.1% of our revenue in the Financial Year.

In general, our production and shipment of coal are closely linked to the market and other conditions, and shipment negotiations between us and the customers from time to time. We will closely monitor the developments and adjust our operation schedule from time to time. Apart from our major customer for coking coal, we had 10 other customers in Xinjiang during the Financial Year.

FINANCIAL REVIEW

Liquidity and Financial Resources

In preparing the consolidated financial statements, the Directors have given careful consideration of the future liquidity of the Group. While recognising that the Group had net liabilities of HK$2,776.4 million and net current liabilities of approximately HK$1,141.5 million as at 31 March 2022, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future given that: (1) Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder and chairman of the Company who has significant influence over the Group, has provided facilities amounting to HK$1,900.0 million. The balance of the unutilised facilities of HK$968.4 million as at 31 March 2022 remains valid until 31 March 2023; and (2) Mr. Lo does not intend to demand immediate repayment of his advances to the Company.

The borrowings of the Group as at 31 March 2022 were the convertible notes, loan note, secured bank borrowings and advances from Mr. Lo in aggregate of HK$5,663.4 million (2021: HK$5,692.3 million). Secured bank borrowings and advances from Mr. Lo which are unsecured, are classified as current liabilities while the convertible notes and loan note are classified as non-current liabilities.

As at 31 March 2022, the cash and bank balances of the Group were HK$63.9 million (2021: HK$57.6 million) and the liquidity ratio was 0.52 (2021: 0.35).

Property, Plant and Equipment

The decrease in the carrying values of the property, plant and equipment was due to the impairment loss amounting to HK$399.2 million (2021: reversal of impairment loss of HK$990.5 million). During the Financial Year, the Group had incurred capital expenditures of approximately HK$128.7 million (2021: HK$57.7 million).

Trade and Bills Receivables

The Group allows a credit period of 30 to 60 days for trade receivables and the maturity dates for bills receivables should be within 180 days or less. As at 31 March 2022, the majority of the trade receivables were within our credit period. For the bills receivables, they were non-interest bearing bank acceptance bills with settlement being guaranteed by the licensed banks in the PRC.

Other Receivables, Prepayments and Deposits

It mainly comprised prepaid value added tax of HK$169.0 million (2021: HK$129.8 million) to be refunded by the Government of Mongolia.

Financial Assets at Fair Value Through Profit or Loss

As at 31 March 2022, the fair value of the financial assets at fair value through profit or loss was HK$50.8 million (2021: HK$50.8 million), which was approximately 1.4% (2021: 1.5%) of the total assets of the Group. It represents the Group's interest in Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "**Jade Bird**"), a company listed in Hong Kong. The principal activities of Jade Bird and its subsidiaries are engaging in the technology research, development, marketing and sale of embedded system products and related products in security and fire alarm systems. The Group's investment is approximately 5.58% (2021: 5.58%) of the total issued share capital of Jade Bird. During the Financial Year, the Group did not receive any dividend from Jade Bird.

Other Payables and Accruals

The major components were balance payments of capital expenditures due to construction companies.

Charge on Group's Assets

Secured bank borrowings with outstanding balances of HK$66.6 million at 31 March 2022 (2021: Nil) was secured by equivalent carrying amount of coal inventory located at Mongolia as collateral. There was no other charge on the Group's assets as at 31 March 2022 (2021: Nil). As at 31 March 2022, the gearing ratio of the Group was 1.6 (31 March 2021: 1.7) which was calculated based on the Group's total borrowings to total assets.

Foreign Exchange

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

Contingent Liabilities

As at 31 March 2022, there were no material changes to the nature of the Group's contingent liabilities and they were all related to the legal claims made by a former mining contractor in 2013.

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

During the Financial Year, neither the Company nor any of its subsidiaries has purchased, sold, or redeemed any of the Company's listed securities.

OUTLOOK

The globe was on the road of recovery in 2021; however, the pace was slower than expected. Since the beginning of 2022, the Omicron variant sneaked in and has been raging across the world. Though the variant is not as lethal as its predecessors, it spreads quickly around the world, causing serious casualties on the elderly and the weak. It blocks the recovering economy. The geopolitical tension also intensifies in 2022 between the world's superpowers. The outbreak of war between Russia and Ukraine brings further uncertainties to the outlook.

Direct consequences of these events are the surge of energy and commodity prices, shortages of food supply, and further disruptions on the supply chains. As most western countries advocate for sanctions against Russia, these will have substantial impacts on the world economy and financial markets, with significant spillovers to other countries. According to the forecasts of the International Monetary Fund (IMF), global growth is expected to slow down to 3.6% in 2022. The estimation reflects the uncertainties caused by these factors. The World Bank even adjusted the global growth to 2.9% in 2022 as a result from the pandemic and the Ukraine war. It also warns that the economy could slip into a period of stagflation and many countries may face recession.

Under the uncertainties brought about by the ongoing conflicts between Russia and Ukraine, the World Steel Association revised down its 2022 global steel demand growth forecast to 0.4% year-on-year, following a 2.7% increase in the preceding year. In respect of China, crude steel production and demand have been weak from the beginning of this year. According to the data of the NBS, its first quarter crude steel production stood at 243.4 million tonnes, down 10.5% from the same period a year earlier. Many steel mills in China have implemented production cut. The industry expects the steel production control policy will continue. In long run, it will affect the demand of coking coal.

China's coal demand is based on development of four major energy sectors including power, steel, building materials and chemical sectors, which account for 80% of the total coal consumption. This is particularly so with the state policy to secure sufficient power supply for the country and to prioritise investment in infrastructure. As a result of trade conflicts between Australia and China, and the curb in domestic coal production, the coking coal demand surged and price elevated. Coking coal supply to China will continue to rely on Mongolia and other countries in 2022 though the price may adjust downward when Mongolia ramps up its coking coal export.

China had a shining growth in 2021; however, there are negative factors looming. These include the property downturn, shrinking demand, diminished support from exports and the COVID-19 impact. These impacts further weaken the steel market and China's economy as a result of the lockdowns. In order to stabilize its economic performance, China is determined to boost its economy, keeping major economic indicators within an appropriate range by adopting a package of measures. Thirty-three measures in six aspects which mainly include fiscal and related policies will be implemented to keep the operation of market entities and employment stable. Government approval procedures will be improved. A number of infrastructure projects including transportation facilities, renovation of old residential communities, and multipurpose utility tunnels will get off the ground. A new round of rural road construction and renovation will be launched. The implementation of these measures will boost the already weaken steel markets and economy.

Growth prospects of Mongolia in 2022-2023 will depend largely on whether the major trade portals with the PRC reopen in a constant manner and the control of impact from the COVID-19. Under the support of domestic demand, investment, and recovery in industry, agriculture, and services, the Asian Development Bank projects Mongolia's economic growth to expand by 2.3% in 2022 compared with the 1.4% growth in 2021 before climbing to 5.6% in 2023.

As both China and Mongolia are eager to increase the import and export of coal, the Chinese and Mongolian authorities made substantial efforts to mitigate impact of the epidemic and boost coal trades, including construction of coal railways through some of the major borders. The government officials participated in various meetings to discuss improvement of the truck crossing in a bid to increase the import and export volume of coal. The measures taken include seven-days opening of the borders and to simplify the control procedures. Notwithstanding the decline in coal export last year, Mongolian government targets to export 36 million tonnes of coal in 2022.

We were benefitted from the improvement of the border crossing policies of China and Mongolia for our coal export and the elevated coking coal price during the Financial Year. However, the steel market currently remains weak. We hope the steel market will revitalise on the measures taken by the PRC government in boosting its economy. Since the beginning of the year, we have taken the present advantages to ramp up and boost our coking coal export quantity to China and to push our sales to the best of our effort. This approach is to countenance any unforeseeable downturns which may come up any time during the year. We will continue to adopt a prudent and flexible strategy in our operation and production planning in response to the ever-changing internal and external conditions.

CORPORATE GOVERNANCE

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

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

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

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

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

    The Company has set up a nomination committee on 30 December 2021. Before that, the Board considers that it should be the responsibility of the full Board to collectively review, deliberate on and approve the structure, size and composition of the Board and appointment of the Directors. The Board has already set out the criteria for selection of a Director under its nomination policy for recruitment of Board members. In addition, according to the Bye-laws of the Company, any newly appointed Directors are required to offer themselves for re-election at the next general meeting. Furthermore, the Shareholders' right to nominate a director candidate and participation in the re-election of Director by way of poll voting at the annual general meeting ("**AGM**") can further ensure a right candidate to be selected.

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

    Due to another business engagement, the Chairman was unable to attend the 2021 AGM. Mr. Tsui Hing Chuen, William*JP*, the independent non-executive Director of the Company took the chair of the 2021 AGM and answered questions raised by the Shareholders. The AGM provides a channel for communication between the Board and the Shareholders. Other than the AGM, the Shareholders may communicate with the Company through the contact methods listed on the Company's website.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

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

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

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

Having made specific enquiry by the Company, all the Directors confirmed that they had complied with the required standards as set out in the Model Code and the Code regarding directors' securities transactions throughout the Financial Year. Besides, no incident of non-compliance by the relevant employees was noted by the Company during the reporting period.

REVIEW OF THE UNAUDITED FINAL RESULTS

Shareholders and potential investors should note that the Unaudited Financial Information set out above has not been reviewed or audited by the independent auditor of the Company (the "**Auditor**"), and is therefore subject to possible adjustments. The Unaudited Financial Information contained herein have been reviewed by the audit committee of the Company. The audit committee does not have any disagreement on the accounting treatment now being considered by the Auditor as the audit process is still underway by the Auditor. The audit committee will review and consider the audited Annual Results of the Group once they are finalized and agreed by the Auditor.

The Annual Results are subject to uncertainties and final agreement with the Auditor, including but not limited to, the following significant items:

(a) In view of the change of new auditor, the Company was advised that a new independent valuer was preferable in the audit process. The Company understands that the new valuer ("**New Valuer**") has worked with the Auditor in other engagements; therefore, the Company appointed the New Valuer for valuation in the hope that it would speed up and smoothen the audit process. Accordingly, the New Valuer was instructed to determine the recoverable amount of property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations (collectively referred to as "**Khushuut Related Assets**"). The Auditor is still reviewing the bases and assumptions adopted by the Group for the assessment of the recoverable amount of Khushuut Related Assets as at 31 March 2022 and with respect to the opening balance as at 31 March 2021; and

(b) The Company has engaged the New Valuer to conduct a valuation of the convertible notes (the "**CB valuation**") issued on 6 March 2020 with an aggregate principal amounts of HK$3.4 billion for the Annual Results. The Auditor is still reviewing the different inputs in the valuation model prepared by the New Valuer as at 31 March 2022 and with respect to the opening balance as at 31 March 2021.

(c) The Auditor is still performing procedures with respect to the opening balances as at 31 March 2021.

As the Auditor was only appointed as announced on 21 March 2022, it required more time than the outgoing auditor to get acquainted with the business operations of the Group and to perform the audit review. In particular, the Auditor was also required to conduct audit review on the comparative figures in 2021 during the course of audit, which would take up additional time than a normal ongoing auditor. In addition, the business operations of the Group cover Mongolia and China which have been impacted by the COVID-19, making accessibility to our sites of these places for conducting audit review more difficult and time consuming. In this connection, the Auditor takes more time than anticipated to solve the audit issues arising, including the abovementioned audit issues, during the course of its audit work.

The Company is working on its best effort to co-operate with the Auditor to address the above issues. Due to the complexity of the above issues, the Auditor needs to spend additional time to make their assessment in forming their audit opinion.

The above are the major audit issues known to the Company so far and the financial information of the Group may result in potential modification(s) and/or potential prior year adjustment(s) upon finalization by the Auditor. As the audit process has yet to be completed, there may be a possibility of other major audit issues and adjustments arising before finalization by the Auditor.

FURTHER ANNOUNCEMENT(S)

It may require three additional weeks to finalize the outstanding process discussed above as the Auditor was newly appointed in late March 2022 and the Auditor would require more time to perform their audit procedures for the year ended 31 March 2022 and with respect to the opening balances as of 31 March 2021. When the audit works are completed, the Company is expected to issue further announcement(s) in early August 2022 and an annual report in August/September 2022, in relation to (i) the audited annual results for the year ended 31 March 2022 as agreed by the Company's Auditor and the material variances (if any) as compared with the unaudited annual results contained herein; and (ii) the proposed date on which the forthcoming annual general meeting will be held. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

CONTINUED SUSPENSION OF TRADING OF SHARES

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 4 July 2022. Trading in the shares of the Company will remain suspended until further notice.

Shareholders of the Company and potential investors should note that financial information (including the comparative figures) in this announcement is based on the management accounts which have not been agreed with the Auditor and may subject to significant changes, Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 15 July 2022

As at the date of this announcement, the board of directors of the Company comprises nine directors, including Mr. Lo Lin Shing, Simon, Ms. Yvette Ong, Mr. Lo, Rex Cze Kei and Mr. Lo, Chris Cze Wai as executive directors, Mr. To Hin Tsun, Gerald and Mr. Tang Chi Kei as non-executive directors, and Mr. Tsui Hing Chuen, William$_{JP}$, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank as independent non-executive directors.