MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

The board of directors (the "**Board**") of Mongolia Energy Corporation Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2023 (the "**Financial Year**") together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
Revenue	*4*	**2,905,309**	1,562,718
Cost of sales		**(1,820,213)**	(947,966)
Gross profit		**1,085,096**	614,752
Other income	*5*	**16,518**	11,658
Other gains and losses	*6*	**31,441**	6,134
Administrative expenses		**(237,848)**	(163,182)
Changes in fair value on derivative component of convertible notes	*15(a)*	**(303,323)**	185,015
Impairment losses on property, plant and equipment	*3*	**(1,231,455)**	(377,171)
Impairment losses on intangible assets	*3*	**(128,225)**	(39,208)
Impairment losses on right-of-use assets	*3*	**(1,212)**	(460)
Impairment losses on financial assets		**(1,245)**	(1,241)
Finance costs	*7*	**(599,206)**	(543,367)
Loss before taxation	*8*	**(1,369,459)**	(307,070)
Income tax expense	*9*	**(233,640)**	(41,982)
Loss for the year attributable to owners of the Company		**(1,603,099)**	(349,052)
Loss per share attributable to ordinary equity holders of the Company			
– basic and diluted loss per share (HK$)	*11*	**(8.52)**	(1.86)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023	2022
	HK$'000	*HK$'000*
Loss for the year	**(1,603,099)**	(349,052)
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of group companies	**(22,884)**	29,408
– Fair value changes on debt instruments at fair value through other comprehensive income	**1,529**	1,089
Other comprehensive (expense) income for the year	**(21,355)**	30,497
Total comprehensive expense for the year attributable to owners of the Company	**(1,624,454)**	(318,555)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		**1,018,279**	2,083,792
Right-of-use assets		**8,613**	9,592
Intangible assets		**93,087**	231,022
Exploration and evaluation assets		**1,689**	1,559
Interest in an associate		**–**	–
Deferred tax assets	*16*	**40,166**	39,847
		1,161,834	2,365,812
Current assets			
Trade and bills receivables	*12*	**953,484**	666,971
Inventories		**303,382**	268,822
Other receivables, prepayments and deposits		**254,767**	202,810
Prepaid taxation		**15,498**	1,484
Financial asset at fair value through profit or loss ("**FVTPL**")		**51,598**	50,752
Amount due from an associate		**–**	–
Cash and cash equivalents		**60,264**	63,906
		1,638,993	1,254,745
Current liabilities			
Trade payables	*13*	**252,590**	280,345
Other payables and accruals		**782,010**	267,389
Contract liabilities		**67,967**	30,605
Tax liabilities		**14,712**	34,494
Advances from a Director	*14*	**1,302,017**	1,707,679
Interest-bearing bank borrowing	*14*	**–**	66,630
Lease liabilities		**3,056**	6,295
Deferred income		**1,591**	1,718
		2,423,943	2,395,155
Net current liabilities		**(784,950)**	(1,140,410)
Total assets less current liabilities		**376,884**	1,225,402

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Convertible notes	*15 (a)*	**4,186,443**	3,501,682
Loan note	*14, 15 (b)*	**474,140**	387,451
Deferred income		**2,093**	3,980
Deferred tax liabilities	*16*	**18,931**	19,383
Lease liabilities		**4,751**	1,077
Provision for rehabilitation		**27,372**	24,221
		4,713,730	3,937,794
Net liabilities		**(4,336,846)**	(2,712,392)
Financed by:			
Capital and reserves			
Share capital		**3,763**	3,763
Reserves		**(4,340,609)**	(2,716,155)
Capital deficiencies attributable to owners of the Company		**(4,336,846)**	(2,712,392)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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 is 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 its 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 flow projections cover a period of 12 months from 31 March 2023. The cash flow 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 2023, advances from a Director of HK$1,302.0 million comprised principal amount and accrued interest of HK$968.4 million and HK$333.6 million respectively. Excluding the accrued interest of HK$333.6 million, the balance of the unutilised facilities of HK$931.6 million remains valid until 31 March 2025 and Mr. Lo has undertaken not to demand for repayment of the principal amount of the loan and the accrued interest until the Group has sufficient cash to make repayment and the repayment will not affect the Group's liquidity position.

While recognising that the Group had net liabilities of approximately HK$4,336.8 million and had net current liabilities of approximately HK$785.0 million at 31 March 2023 and incurred a loss of approximately HK$1,603.1 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 from Mr. Lo and the internally generated funds will be available. 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 NEW AND 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 amendments to HKFRSs for the first time for the current year's consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[4]

The nature and the impact of the amendments to HKFRSs that are applicable to the Group are described below:

(1) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(2) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 "Inventories", in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 April 2022. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(3) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(4) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 April 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. RECOVERABLE AMOUNT ASSESSMENT ON KHUSHUUT RELATED ASSETS

At the end of the reporting period, there was an indicator of impairment and the Group engaged an independent qualified professional valuer (the "**Independent Valuer**") 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 impairment testing, the Khushuut Related Assets are treated as a cash-generating unit ("**CGU**"), 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 Group performed an impairment test of the Khushuut Related Assets as at 31 March 2023, of which the recoverable amount determined by the Independent Valuer was lower than their carrying values, and an impairment loss amounting to HK$1,360.9 million (2022: impairment loss of HK$416.8 million) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2023.

Certain key assumptions adopted in the value-in-use calculation have been changed in determining the recoverable amount as at 31 March 2023 from 31 March 2022, including a reduction in the forecasted annual production and sales, by excluding the assumption that the Group will sell additional washed coal processed through a third party washing plant that was expected to be built and commissioned by 2024. These assumptions were included in the value-in-use calculation as at 31 March 2022 but were excluded in the value-in-use calculation as at 31 March 2023 according to the Group's current business plan. In the opinion of the Directors, the changes in these key assumptions were due to the increase in uncertainty over the ability of that third party in building the washing plant as expected.

The determination of the recoverable amount in the value-in-use calculation is most sensitive to the following key assumptions:

Coal prices

Forecasted coal prices are based on management's estimates and are derived from the price index and long-term views of global supply and demand in a changing environment, particularly with respect to climate risks, 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 pre-tax discount rate of 34.75% (2022: 27.61%) was applied to the discounted cash flows. This 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 CGU and to determine the pre-tax rate.

An impairment loss (2022: impairment loss) 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 of the Khushuut Related Assets as at 31 March 2023:

	Carrying values before impairment loss	**Impairment loss**	**Carrying values after impairment loss**
	HK$'000	***HK$'000***	***HK$'000***
Property, plant and equipment	**2,231,106**	**(1,231,455)**	**999,651**
Intangible assets	**219,687**	**(128,225)**	**91,462**
Right-of-use assets	**2,099**	**(1,212)**	**887**
Total	**2,452,892**	**(1,360,892)**	**1,092,000**

Carrying values of the Khushuut Related Assets as at 31 March 2022:

	Carrying values before impairment loss	Impairment loss	Carrying values after impairment loss
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	2,445,663	(377,171)	2,068,492
Intangible assets	268,546	(39,208)	229,338
Right-of-use assets	2,850	(460)	2,390
Total	2,717,059	(416,839)	2,300,220

The reason for such an impairment loss being recognised in profit or loss for the year ended 31 March 2023 was mainly due to the changes in discount rate, production and sales volume of coking coal and estimated coking coal price for the forthcoming four-year period (2022: the changes in discount rate, production and sales volume of coking coal and estimated coking coal price for the forthcoming four-year period). The above changes have had a significant impact on the value-in-use assessment performed by the Directors in both years with the cash flows expected to be received.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in mining, processing and sale of coal. Revenue arises 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. Revenue from coal washing service provided to external customers located in the PRC is recognised over time when the obligation of coal washing service is completed.

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

Segment revenue and results

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

For the year ended 31 March 2023

	Coal mining *HK$'000*	Total *HK$'000*
Segment revenue *(Note (a))*	**2,905,309**	**2,905,309**
Segment loss	**(358,250)**	**(358,250)**
Unallocated expenses *(Note (b))*		**(114,186)**
Other income		**864**
Other gains and losses		**2,386**
Changes in fair value on derivative component of convertible notes		**(303,323)**
Impairment loss on financial asset		**(9)**
Finance costs		**(596,941)**
Loss before taxation		**(1,369,459)**

	HK$'000
Timing of revenue recognition	
Goods transferred at a point in time	**2,901,087**
Services transferred over time	**4,222**
	2,905,309

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	112,027	112,027
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		(307,070)

	HK$'000
Timing of revenue recognition	
Goods transferred at a point in time	1,561,413
Services transferred over time	1,305
	1,562,718

Notes:

(a) As at 31 March 2023, all outstanding contracts for the 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.

For contract liabilities of HK$67,967,000 as at 31 March 2023 (31 March 2022: 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. Contract liabilities of HK$30,605,000 as at 31 March 2022 has been recognised as revenue in the current reporting period as the performance obligation of transferring the associated goods or services was met during the year.

(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 (loss)/profit represents the (loss)/profit from the coal mining operation without allocation of expenses not directly related to the operating segment such as 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 2023

	HK$'000
ASSETS	
Segment assets – coal mining	**2,710,055**
Financial asset at FVTPL	**51,598**
Cash and cash equivalents	**9,401**
Other unallocated assets *(Note (a))*	**29,773**
Consolidated total assets	**2,800,827**
LIABILITIES	
Segment liabilities – coal mining	**1,163,357**
Convertible notes	**4,186,443**
Loan note	**474,140**
Advances from a Director	**1,302,017**
Other unallocated liabilities *(Note (b))*	**11,716**
Consolidated total liabilities	**7,137,673**

As at 31 March 2022

	HK$'000
ASSETS	
Segment assets – coal mining	3,543,965
Financial asset at FVTPL	50,752
Cash and cash equivalents	1,718
Other unallocated assets *(Note (a))*	24,122
Consolidated total assets	3,620,557
LIABILITIES	
Segment liabilities – coal mining	704,554
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	6,332,949

Notes:

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

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

Other segment information

For the year ended 31 March

Amounts included in the measure of segment (loss) profit or segment assets:

Coal mining

	2023	2022
	HK$'000	*HK$'000*
Capital additions	**231,148**	102,264
Amortisation of intangible assets	**10,540**	14,667
Depreciation of right-of-use assets	**2,492**	2,445
Interest income	**(932)**	(409)
Depreciation of property, plant and equipment	**64,579**	59,237
Impairment losses on property, plant and equipment	**1,231,455**	377,171
Impairment losses on intangible assets	**128,225**	39,208
Impairment losses on right-of-use assets	**1,212**	460
Write-down of inventories to net realisable value	**22,283**	–

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 the locations of customers:

	Revenue	
	2023	2022
	HK$'000	*HK$'000*
Mongolia	**3,213**	2,990
The PRC	**2,902,096**	1,559,728
	2,905,309	1,562,718

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

	Non-current assets	
	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**6,951**	7,548
Mongolia	**1,045,481**	2,237,388
The PRC	**69,236**	81,029
	1,121,668	2,325,965

Note:

Non-current assets exclude deferred tax assets.

Information about major customers

Revenue from customers making up of over 10% of the total turnover of the Group is as follows:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**1,556,392**	829,132
Customer B	**326,428**	–

5. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Interest income	**955**	409
Government grants	**4,083**	3,779
Sundry income	**11,480**	7,470
	16,518	11,658

6. OTHER GAINS AND LOSSES

	2023	2022
	HK$'000	*HK$'000*
Changes in fair value on financial asset at FVTPL	**846**	–
Gain on disposal of property, plant and equipment	**191**	1
Net exchange gain	**30,404**	6,133
	31,441	6,134

7. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on advances from a Director	**128,618**	135,985
Interest on lease liabilities	**357**	584
Interest on bank borrowing	**1,076**	2,106
Effective interest expense on convertible notes *(Note 15 (a))*	**381,438**	333,854
Effective interest expense on loan note *(Note 15 (b))*	**86,689**	70,838
Effective interest expense on provision for rehabilitation	**1,028**	–
	599,206	543,367

8. LOSS BEFORE TAXATION

	2023 *HK$'000*	2022 *HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**68,254**	25,524
Other staff costs:		
Salaries and other benefits (net of reimbursement from a related party)	**129,955**	103,753
Retirement benefits scheme contributions (excluding contributions for Directors and net of reimbursement from a related party)	**12,609**	11,949
Total staff costs	**210,818**	141,226
Less: staff costs capitalised in inventories	**(66,190)**	(54,771)
	144,628	86,455
Impairment losses on:		
Trade and bills receivables	**1,241**	1,227
Amount due from an associate	**9**	14
	1,250	1,241
Depreciation of property, plant and equipment	**65,275**	59,917
Depreciation of right-of-use assets	**6,344**	6,354
Amortisation of intangible assets	**10,540**	14,667
Auditor's remuneration		
Provided for the year	**5,000**	4,300
Underprovision in prior year	**1,300**	–
Write-down of inventories to net realisable value	**22,283**	–

9. INCOME TAX EXPENSE

	2023 *HK$'000*	2022 *HK$'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**52,323**	52,317
Mongolian corporate income tax	**170,745**	28,204
	223,068	80,521
(Over) under provision in prior years:		
PRC EIT	**(1,338)**	2,034
Deferred taxation *(Note 16)*	**11,910**	(40,573)
	233,640	41,982

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profits 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 MNT 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 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

11. LOSS PER SHARE

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

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, adjusted to reflect the changes in fair value on derivative component of convertible notes and interest on convertible notes, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2023	2022
	HK$'000	*HK$'000*
Losses		
Loss attributable to ordinary equity holders of the Company, as used in the calculation of basic loss per share	**1,603,099**	349,052
Adjusted by:		
Changes in fair value on derivative component of convertible notes	**–**	–
Interest on convertible notes	**–**	–
Loss attributable to ordinary equity holders of the Company, as used in the calculation of diluted loss per share	**1,603,099**	349,052

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basis loss per share	**188,126**	188,126
Effect of dilutive potential ordinary shares *(Note)*:		
Convertible notes	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**188,126**	188,126

Note:

The computation of diluted loss per share for the year ended 31 March 2023 and 2022 did not assume the exercise of share options and 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

	2023	2022
	HK$'000	*HK$'000*
Trade receivables and accrued income *(Note)*	**212,891**	335,219
Bills receivables	**740,819**	332,396
	953,710	667,615
Less: allowance for credit losses	**(226)**	(644)
	953,484	666,971

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 to 60 days to its customers upon the 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 based on the date of revenue recognition:

	2023	2022
	HK$'000	*HK$'000*
1 to 30 days	**336,131**	366,638
31 to 60 days	**195,295**	225,720
61 to 90 days	**76,400**	28,441
Over 90 days	**345,658**	46,172
	953,484	666,971

13. TRADE PAYABLES

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

	2023	2022
	HK$'000	*HK$'000*
0 to 30 days	**201,344**	158,836
31 to 60 days	**5,509**	26,407
61 to 90 days	**5,222**	20,349
Over 90 days	**40,515**	74,753
	252,590	280,345

The trade payables are normally settled on 30-day terms.

14. BORROWINGS

	2023	2022
	HK$'000	*HK$'000*
At amortised cost		
Advances from a Director – unsecured *(Note (a))*	**1,302,017**	1,707,679
Interest-bearing bank borrowing – secured *(Note (b))*	**–**	66,630
Convertible notes – unsecured *(Note 15 (a))*	**3,054,605**	2,673,167
Loan note – unsecured *(Note 15 (b))*	**474,140**	387,451
	4,830,762	4,834,927
Analysed for reporting purposes as:		
Current liabilities	**1,302,017**	1,774,309
Non-current liabilities	**3,528,745**	3,060,618
	4,830,762	4,834,927

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 has undertaken not to demand repayment until the Group has sufficient cash to make repayment and the repayment will not affect the Group's liquidity position. 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 was fully repaid during the year and the collateral, an equivalent carrying value of coal inventory at Khovd aimag, Darvi Soum, Murun bag, was discharged accordingly during the year.

15. CONVERTIBLE NOTES AND LOAN NOTE

(a) Convertible notes

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

	Debt component *HK$'000*	Derivative component *HK$'000*	Total *HK$'000*
At 1 April 2021	2,339,313	1,013,530	3,352,843
Interest charge	333,854	–	333,854
Changes in fair value of derivative component	–	(185,015)	(185,015)
At 31 March 2022	**2,673,167**	**828,515**	**3,501,682**
Interest charge	**381,438**	**–**	**381,438**
Changes in fair value of derivative component	**–**	**303,323**	**303,323**
At 31 March 2023	**3,054,605**	**1,131,838**	**4,186,443**

2020 Convertible Notes with maturity date 6 March 2025

In prior years, the Company issued HK$2,424,822,000 3% convertible note to Chow Tai Fook Nominee Limited ("**CTF**") (the "**3% CTF Convertible Note**"), HK$542,315,000 3% convertible note to Golden Infinity Co., Ltd. ("**Golden Infinity**") (the "**3% GI Convertible Note**") and HK$499,878,000 3% convertible note to another independent third party (the "**3% ZV Convertible Note**"). These convertible notes matured on 21 November 2019.

CTF and Golden Infinity Convertible Notes

On 6 March 2020, the Company issued 3% convertible notes with a principal of HK$2,809,671,052 and HK$628,387,371 to CTF and Golden Infinity respectively (the "**2020 Convertible Notes**") to replace the 3% CTF Convertible Note and the 3% GI Convertible Note.

The 2020 Convertible Notes with principal amount of HK$3,438,058,423 have a maturity period of five years from the issue date to 6 March 2025. They can be converted into 1 ordinary share of the Company of HK$0.02 each for every HK$1.2 at the holders' option at any time since the issue date up to the date immediately prior to their maturity date. The outstanding principal amount would be redeemed at par value on the maturity date or at the issuer's option redeemed at par plus outstanding coupon payment at any time between the issue date and the maturity date. Interest of 3% per annum will be paid in arrears on the maturity date.

The 2020 Convertible Notes contain two components, a debt component and a derivative component with a conversion option derivative of the holders and a redemption option derivative of the issuer. The effective interest rate of the debt component is 14.26%. The Company may at any time before the maturity date by written notices to the holders, redeem the principal amount of the 2020 Convertible Notes (in whole or in part) with accrued interest. The conversion option and the redemption option are treated as a simple compound embedded derivative measured at fair value.

Binomial Valuation Model is used for the valuation of the derivative component. The major inputs into the model were as follows:

	6 March 2020	31 March 2022	**31 March 2023**
Stock price	HK$0.63	HK$0.91	**HK$1.05**
Exercise price	HK$1.2	HK$1.2	**HK$1.2**
Volatility *(Note (i))*	71.98%	114.03%	**77.91%**
Dividend yield	0%	0%	**0%**
Option life *(Note (ii))*	5 years	2.93 years	**1.93 years**
Risk free rate	0.67%	1.89%	**3.31%**

Notes:

(i) The volatility used in the model was determined by reference to the historical volatility of the Company's share price.

(ii) The option life was based on the maturity date of the notes.

The fair value of the derivative component of the 2020 Convertible Notes was determined with reference to a valuation report carried out by the Independent Valuer.

No conversion was made during both years.

(b) Loan note

The 3% ZV Convertible Note matured on 21 November 2019. On 21 November 2019, Mr. Lo took up the full amount owing to the 3% ZV Convertible Note holder through Ruby Pioneer Limited ("**Ruby Pioneer**"). Ruby Pioneer is a wholly-owned company of Mr. Lo as at 21 November 2019. Immediately after the aforesaid taking up, the Company and Ruby Pioneer entered into a standstill agreement pursuant to which Ruby Pioneer agreed to extend the note for five years from 21 November 2019 to 21 November 2024 at a coupon rate of 3% per annum ("**RP Note**"). The loan note contains no conversion or redemption option.

16. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current year:

Deferred tax liabilities

	Undistributed profits of a subsidiary *HK$'000*	**Depreciation and amortisation** *HK$'000*	**Total** *HK$'000*
At 1 April 2021	4,200	22,016	26,216
Charged (credited) to profit or loss	14,740	(21,246)	(6,506)
Exchange adjustments	443	(770)	(327)
At 31 March 2022	**19,383**	**–**	**19,383**
Charged to profit or loss	**12,730**	**–**	**12,730**
Utilised during the year	**(11,713)**	**–**	**(11,713)**
Exchange adjustments	**(1,469)**	**–**	**(1,469)**
At 31 March 2023	**18,931**	**–**	**18,931**

Deferred tax assets

	Unrealised exchange difference on long-term borrowing *HK$'000*	**Tax losses** *HK$'000*	**Depreciation and amortisation** *HK$'000*	**Total** *HK$'000*
At 1 April 2021	–	5,647	–	5,647
(Charged) credited to profit or loss	27,145	(5,783)	12,705	34,067
Exchange adjustments	–	136	(3)	133
At 31 March 2022	**27,145**	**–**	**12,702**	**39,847**
(Charged) credited to profit or loss	**(12,360)**	**–**	**13,180**	**820**
Exchange adjustments	**–**	**–**	**(501)**	**(501)**
At 31 March 2023	**14,785**	**–**	**25,381**	**40,166**

Deferred tax asset is recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has tax losses arising in Hong Kong of HK$46,972,000 (2022: HK$46,972,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax assets have been recognised as it is not probable there will be sufficient future taxable profits to utilise these tax losses.

As at 31 March 2023, deferred tax assets of HK$158,175,000 and HK$342,332,000 (2022: HK$130,835,000 and HK$373,970,000) have not been recognised in respect of deductible temporary differences of HK$655,809,000 (2022: HK$545,157,000) arising from depreciation and amortisation and HK$1,369,327,000 (2022: HK$1,495,880,000) arising from unrealised exchange losses respectively, as it is not probably there will be sufficient future taxable profits to utilise these deductible temporary differences.

According to the "Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuifa 2008 No. 112, where the Hong Kong resident company directly owns at least 25% of the capital of the PRC company, 5% dividend withholding tax rate is applicable and is applied in the calculation of deferred tax liabilities arising from the undistributed profits of a PRC subsidiary of the Group.

17. EVENTS AFTER THE REPORTING PERIOD

On 12 June 2023, the Company made voluntary repayment to a Director amounting to HK$91.1 million.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG ("EY")

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2023 as set out in this announcement have been agreed by the Company's auditor, EY, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 19 June 2023. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this announcement.

AUDIT OPINION

The below sections set out an extract of the report by EY regarding the Group's consolidated financial statements for the year ended 31 March 2023:

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

Qualified opinion

In our opinion, except for the possible effects of the corresponding figures on the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the Group's consolidated financial position as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

As stated in our Independent Auditor's Report on the Group's financial statements for the year ended 31 March 2022 dated 31 October 2022, an impairment loss of HK$417 million in relation to the Khusunnt Related Assets and a deferred tax credit of HK$61 million were recognized in the profit or loss during the year ended 31 March 2022. We were unable to obtain sufficient appropriate audit evidence and were unable to carry out alternative audit procedures to satisfy ourselves about whether any of these impairment losses and deferred tax credit recognised by the Group during the year ended 31 March 2022 should have been recorded in the consolidated statement of profit or loss of previous years. Our audit opinion on the consolidated financial statements for the year ended 31 March 2022 was modified accordingly in respect of the Group's consolidated financial performance and consolidated cash flows. Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures in respect of the Group's consolidated financial performance and consolidated cash flows.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under these standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "**Code**") issued by the HKICPA, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention in Note 1* to the consolidated financial statements which indicates that as at 31 March 2023, the Group had net liabilities of approximately HK$4,336.8 million and net current liabilities of approximately HK$785.0 million and incurred a net loss of approximately HK$1,603.1 million for the year then ended. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, including from a substantial shareholder who is also the Chairman and a director of the Company and sufficient internally generated funds. If the finance and the internally generated funds were not to be available, the Group would be unable to meet its financial obligations as and when they fall due. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

* *being Note 1 in this announcement*

THE COMPANY AND THE AUDIT COMMITTEE'S VIEW AND THE PLAN TO ADDRESS THE QUALIFIED AUDIT OPINION

The qualified audit opinion is because of the comparative figures, in respect of the Group's consolidated financial performance and consolidated cash flows arising from the consequential effect of the basis for disclaimer of opinion relating to the audit of the consolidated financial statements of the Group in the previous financial year.

The audit committee of the Company (the "**Audit Committee**") has reviewed the audit qualification for the Financial Year and has well noted the basis thereof. The management of the Company has reviewed the impact of the audit qualification on the Group and considers that it does not have any significant impact on the Group's daily operations because of the basis for qualified opinion for the Financial Year is principally the consequence brought forward from the basis for disclaimer of opinion in the previous financial year. The Directors do not expect this basis of qualification to recur in the consolidated financial statements for the year ending 31 March 2024.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Financial Year (2022: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**AGM**") of the Company will be held on Thursday, 24 August 2023. The notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the Register of Members of the Company (the "**Register of Members**") will be closed from Monday, 21 August 2023 to Thursday, 24 August 2023, both dates inclusive, during such period no transfers of shares will be effected. In order to qualify for voting at the forthcoming AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS ANALYSIS

Revenue

During the Financial Year, the operation of the Group was still negatively affected by the COVID-19 pandemic in both Mongolia and China at certain times, but having said that, the Group's revenue hit another record high of HK$2,905.3 million (2022: HK$1,562.7 million). The increase in the sales of clean coking coal under the Financial Year was principally due to the improvement of the border crossing policies of China and Mongolia, our unrelenting effort to ramp up coking coal production and to step up our effort to boost sales during the Financial Year.

During the Financial Year, the Group sold approximately 1,351,600 tonnes (2022: 802,300 tonnes) of clean coking coal and approximately 247,500 tonnes (2022: 175,100 tonnes) of thermal coal and approximately 30,900 tonnes (2022: 24,400 tonnes) of raw coal.

The average selling prices of clean coking coal, thermal coal and raw coal net of sales tax were approximately HK$2,123.4 (2022: HK$1,918.4), HK$55.4 (2022: HK$52.3) and HK$544.0 (2022: HK$454.6) 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$1,820.2 million (2022: HK$948.0 million). The overall increase was mainly due to the (i) increase in sales volume; (ii) inflationary pressure on production costs in particular on fuel and transportation costs; and (iii) impairment of obsolete inventory during the Financial Year. It was divided into cash costs of HK$1,741.5 million (2022: HK$904.2 million) and non-cash costs of HK$78.7 million (2022: HK$43.8 million).

Gross Profit

Gross profit ratio for the Financial Year was approximately 37.3% (2022: 39.3%). It was lower than last corresponding year because of (i) the impact from the increase in cost of sales outpaced the beneficial effect from the increase in the average selling price and (ii) impairment loss on obsolete thermal coal of HK$22.3 million which have low market demand in Western Mongolia.

Administrative expenses

The significant increase in administrative expenses during the Financial Year was mainly due to one-off discretionary bonuses of HK$65.1 million (2022: HK$11.3 million) being granted to certain executive Directors and senior staff. The discretionary bonuses granted to executive Directors was reviewed and endorsed by the remuneration committee of the Company comprised of independent non-executive Directors only.

Changes in Fair Value on Derivative Component of Convertible Notes

The convertible notes issued by the Company in 2020 (the "**2020 Convertible Notes**") contain both debt and derivative components. The conversion option derivative of the 2020 Convertible Notes requires remeasurement at the end of each reporting period and a resulting loss in fair value change amounting to HK$303.3 million was recognized in the Financial Year (2022: gain of HK$185.0 million). The major inputs into the binomial valuation model to work out the valuation of the conversion option derivative for the Financial Year were stated in note 15(a) to this announcement.

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 2023 and 31 March 2022 are set out below:

	Notes	**2023**	2022
Discount rate	*(a)*	**34.75%**	27.61%
Average current coking coal price per tonne	*(b)*	**US$244**	US$318
Inflation rate	*(c)*	**2.00%**	2.00%
Predicted average annual growth rate of the coking coal price for the forthcoming four-year period since year ended	*(d)*	**–6.97%**	–13.6%

Other non-quantitative major assumption changes:

– A memorandum of understanding (the "**MOU**") was signed after the 2022 financial year with an independent third party who was going to build a washing plant in Xinjiang. Under the MOU, the Group planned to supply raw coal to this new washing plant for processing in around 2024. During the Financial Year, it came to the attention of our local management at Xinjiang that the construction of the washing plant was bought into a standstill because of the independent third party failed to raise sufficient fund to complete the project. The management of the Group are studying alternative measures to secure additional washing capacity to overcome this issue. However, these alternative measures are not yet mature enough to be incorporated in the current discounted cashflow model. Therefore, the quantity of additional clean coal sales from the washing plant under the MOU was removed from the discounted cashflow model for the Financial Year.

Notes:

(a) The discount rate is a pre-tax discount rate and is derived from the Group's 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 2023. 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 signed by around 31 March 2023;

(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 as at 31 March 2023. 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 loss amounted to HK$1,360.9 million was made in the Financial Year (2022: HK$416.8 million). The key contributors to the decrease in recoverable amount on Khushuut Related assets are mainly due to the (a) increase in discount rate; (b) approximately 23.3% dropped in average current coking coal price; and (c) exclusion of additional sales volume of washed coal from a washing plant under a MOU.

Finance Costs

The major components in finance costs were the effective interest expenses on convertible notes, interest charge on advances from a Director and a loan note. The interest charge on the debt component of the convertible notes issued by the Company was calculated at an effective interest rate of 14.26% per annum (2022: 14.26%). The interest charge on advances from a Director was calculated at the Hong Kong prime rate plus 3% per annum, which was same as previous financial years. The interest of the loan note was charged at an effective interest rate of 22.37% per annum (2022: 22.37%).

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.

China's economy only recorded a growth of about 3% in 2022. It marked one of weakest performances in decades amid the impacts of COVID-19, mainly due to the blow of wide-scale lockdowns within the country and the non-performance of its property market. Thanks to the scrapping of Zero-covid measures and the adoption of re-opening policies early this year, China's economy showed strong resilience, great potential and vitality in the beginning this year. The Caixin Purchasing Managers' Index (PMI) was 57.8 for March this year which is the highest level in more than two years, since November 2020. According to the National Bureau of Statistics of China ("**NBS**"), China's gross domestic product ("**GDP**") growth in the first quarter of the year was 4.5%, marking the highest growth since the first quarter of last year. In terms of economic contribution by industry, the value added of the primary industry grew 3.7% year on year in the first quarter; that of the secondary industry grew 3.3%; and that of the tertiary industry grew 5.4%. The robust household consumption, high growth of infrastructure investment, and surge in export were the keys to economic recovery in the first quarter.

The global crude steel production was 1,878.5 million tonnes last year, down 4.2% year on 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. Global crude steel output fell in the first quarter of 2023 year on year, mainly driven by falling output among the world's major steel producers. According to the NBS, for the first quarter of 2023, the steel products export volume of China was 20.08 million tonnes, rose 53.2% year on year. The value of the steel export of China for the same period had increased by 36.7% to US$25 billion.

In respect of the coal industry of China, the combined revenue of large coal enterprises last year was RMB4.02 trillion, a 19.5% increase from the previous year, and their total profits were RMB1.02 trillion which is a 44.3% increase, according to the China National Coal Association. China's coal import increased rapidly as utilities and businesses restocked in anticipation of greater energy use following the easing of strict Zero-covid policies early this year. During last year, China's total raw coal production were 4.5 billion tonnes, up 9% year on year while the total coal imported were 290 million tonnes, a year on year decrease of 9.2%, according to the data of the NBS. The decrease of coal import was due to surge of global coal demand and the limited supply. During the first quarter of 2023, China produced 115 million tonnes of coal, an increase of 5.5% year on year. It imported 101 million tonnes of coal, a surge of 96.1% compared with the same period last year.

In respect of coking coal, the momentum of demand continued last year. According to the data of General Administration of Customs (GAC), China imported 63.83 million tonnes of coking coal, an increase of 16.71% year on year. The growth was due to demand among end consumers in China and a significant increase in exports from the Russia and Mongolia. Mongolia was the largest coking coal supplier to China, followed by Russia, Canada, the United States and Indonesia. China imported 25.61 million tonnes of coking coal from Mongolia last year, surging 82% year on year. Import from Russia had also increased 95.6% and ranked as the second largest coking coal supplier next to Mongolia.

Mongolia has always been one of the main coal suppliers to China, and over 90% of the Mongolia coal export goes to China. Mongolia was striving to come out of the Covid impacts last year. According to the National Statistics Office of Mongolia, coal production of Mongolia came in at 36.96 million tonnes in 2022, a year on year increase of 22.74%. It exported 31.68 million tonnes of coal in 2022, surging 101.7 % or 15.98 million tonnes year on year, of which 29.77 million tonnes of coal were shipped to China. The uptrend continued. According to Mongolian Customs General Administration, Mongolia exported 13.78 million tonnes of coal in the first quarter of 2023, of which 13.49 million tonnes were exported to China.

BUSINESS REVIEW

Coal Sales

We recorded a revenue of HK$2,905.3 million from the sales of coking coal and thermal coal to our customers in China and Mongolia in the Financial Year, a rise of 85.9% compared with the previous financial year.

Coal Production

During the Financial Year, approximately 17,031,700 bank cubic meters ("**BCM**") of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works (2022: 8,702,400 BCM). Production of run-of-mine coking coal and thermal coal were approximately 2,481,900 tonnes and 382,500 tonnes respectively (2022: 1,390,500 tonnes and 434,800 tonnes).

Coal Processing

During the Financial Year, approximately 1,397,400 tonnes of run-of-mine ("**ROM**") coal (2022: 1,296,100 tonnes) were processed by the dry coal processing plant, producing approximately 1,152,800 tonnes of raw coking coal (2022: 1,036,200 tonnes). The average recovery rate was 82.5%.

The raw coking coal would then stand for export to Xinjiang for further washing before delivery to our customers. In Xinjiang, approximately 2,112,800 tonnes of raw coking coal (2022: 1,231,700 tonnes) were processed by the washing plant, producing approximately 1,474,700 tonnes of clean coking coal (2022: 870,100 tonnes). The average recovery rate was 69.8%.

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 2,184,200 tonnes of raw coking coal were shipped from Mongolia to Xinjiang.

Customers and Sales

Four master coal contracts were signed with our customers 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. Our sales contract clearing is based on the actual clean coking coal delivered after washing.

During the Financial Year, we sold approximately 710,000 tonnes of clean coking coal to our largest customer and it accounted for approximately 53.6% 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, we had eleven other customers in Xinjiang and ten customers in other areas of China for our coking coal during the Financial Year.

Licences

During the Financial Year, the Group had ten mineral licences including nine mining licences, of which eight are for our Khushuut operations and one in other area not within Khushuut; and one exploration licence. Please refer to the section headed "EXPLORATION AND MINING CONCESSIONS OF THE GROUP" in the upcoming annual report.

LEGAL AND POLITICAL ASPECTS

Mongolia has taken significant steps to address the economic challenges posed by the COVID-19 pandemic and the Russia-Ukraine conflict. The government's Recovery Policy and initiatives such as border point renovations, privatization, regulatory streamlining, and digital development are all aimed at promoting economic growth, attracting foreign investment, improving efficiency, and facilitating international trade. The recent tax reforms highlight the government's commitment to create a favorable business environment and support economic diversification in the country.

In late 2021, the Parliament of Mongolia passed the Recovery Policy, a 10-year development plan aimed at increasing national productivity and advancing various sectors of the economy. The policy focuses on energy production, industrialization, transport logistics, urban and rural infrastructure, and green development. As part of this policy, the government is implementing the 'Renovation of Border Points' program, which aims to enhance the border crossing capacity of main border points in collaboration with the PRC. The government of Mongolia has also decided to operate additional border points in Selenge, Dornod, Dornogobi and Umnugobi provinces to facilitate trade and increase coal exports.

Mongolia held its Economic Forum on April 7 and 8, 2022. One of the key outcomes of the forum was the decision to partially privatize some state-owned enterprises for attracting direct foreign investment in various sectors. The forum highlighted the current administration's Recovery Policy as a roadmap to ramp up Mongolia's industrialization, reduce landlocked vulnerabilities, and improve the country's GDP and the livelihood of its citizens.

In April 2022, the Austerity Law was approved by the Mongolian Parliament. This law prompted the redefinition of organizational structures and operations of state-owned enterprises, the digitalization of government services, and a reduction in the number of public employees, among other measures. In response to heavy inflation, the government also passed the Law on Preventing and Mitigating Negative Effects of Increase of Prices of Some Staple Food Products and their Shortage. These measures aim to develop an optimal financing scheme to create sufficient reserves for the population's product needs in 2023 and remove import tariffs on certain food commodities not produced in Mongolia. The government has implemented additional measures, such as a 50% refund on social insurance payments for low-earning employees and a special dollar exchange rate for fuel importers, to provide relief from inflation. Moreover, the agricultural sector and crop and vegetable growers have received support through tax relief and subsidized electricity tariffs.

In addition to the aforementioned developments, the Mongolian government has implemented significant tax reforms to support economic growth and business expansion. Effective from January 1, 2023, the Law on Corporate Income Tax and the Law on Personal Income Tax have been amended to promote new business establishment and expansion beyond the capital city. These changes aim to incentivize industry growth, infrastructure development, and job creation through tax incentives. They also facilitate the operations of financial, innovation, manufacturing, and service companies, both domestic and foreign, as well as domestic and foreign stock exchanges. The reforms include the implementation of a progressive income tax system based on capital gains, improved tax-related information exchange, centralized tax registration, and an integrated tax administration system for increased efficiency and effectiveness.

To enhance the legal framework concerning investment, a draft revision of the Law on Investment has been developed, and public feedback on the draft has commenced. This legal reform intends to create more favorable conditions for investors by eliminating investment prohibitions, establishing a system to address investor grievances, simplifying visa and residence permit acquisition, and eliminating overlay government inspections.

In March 2023, the Investment and Trade Office was established under the authority of the Deputy Prime Minister and Minister of Economy and Development, aiming to promote an investment-friendly environment, attract investments, protect investors' rights, and facilitate trade. The government is committed to optimizing policy delivery, ensuring accessibility, and increasing investor and consumer satisfaction.

The Ministry of Mining and Heavy Industry in Mongolia has drafted revisions to the Minerals Law and is seeking feedback. Proposed changes include a government-approved "List of Important Minerals," annual planning by the Mineral Resources and Petroleum Authority, mandatory mine closure plans, legalizing mine and factory closures, transparent granting of special exploration permits, community involvement, and environmental, social and governance reporting by license holders. These changes aim to enhance governance, sustainability, and community participation in Mongolia's mining sector. The Ministry has also introduced a new Minerals License Regulation on 12 April 2022 as well, replacing the previous regulation from 2018. The revision aims to accelerate and make transparent the tender and bidding process for minerals licenses by digitalizing it. This shift eliminates the traditional method of submitting physical documents and instead mandates the entire process to be conducted digitally, ensuring efficiency, transparency, and fairness. This digital transformation aligns with Mongolia's goals of maximizing mineral resources, promoting economic growth, and fostering sustainable development.

In order to organize the market trade of mining products in an open, transparent and fair manner, create favorable condition where the prices are set by exchanges, attract investors into mining sector through integrated export policy, openly disseminate the information on trading, agreements and deals to the international market, and improve the competitiveness of the mining products, the "Procedures on Open E-Trade of Coal for Export" was approved by the Resolution No. 466 of the Government of Mongolia in December 14, 2022. Within the framework of this procedures, 210 thousand tonnes of coal have been traded through five online auctions since January 12, 2023. Based on the feedbacks and suggestions from the e-trade participants, the Cabinet amended the "Procedures on Open E-Trade of Coal for Export", approved by the Resolution No. 466 of the Government of Mongolia. According to the amendment, coal terminal for the coal traded through e-trade is changed to "Container Terminal or Loading and Unloading area at Gantsmod border checkpoint" and security deposit rate is decreased from 10% to five percent.

Meanwhile, the Government of Mongolia has officially declared 2023 as the "Year of Fighting Corruption," and numerous suggestions and initiatives are actively being implemented in this regard. As part of the comprehensive effort to restore and enhance state productivity, a comprehensive package of legal reforms targeting corruption has been introduced. These reforms encompass amendments to various key legislative frameworks, including the Constitution, the Law on Political Parties, the Law on the Regulation of public and private Interests and prevention of conflict of interests in public services, the Law on the Ethics of public servants, and the Law on the Legal status of whistleblowers. Additionally, an updated National Anti-Corruption Program is currently under deliberation and will undergo approval during the Parliament's spring session in 2023.

During the Financial Year, Mongolia held significant high-level meetings with the PRC in August 2022 and September 2022, which both nations expressed a mutual desire to enhance cooperation between China's Belt and Road Initiative and Mongolia's Steppe Road Program, among other initiatives and expressed contentment with the successful progress in trade, economy, investment, infrastructure, and transport logistics between the two countries, respectively. Additionally, a high-level meeting involving China, Russia, and Mongolia took place during the Samarkand Summit of the Shanghai Cooperation Organization in September 2022. The meeting affirmed the shared interest of these nations in strengthening their comprehensive relations and fully implementing the trilateral Russia-Mongolia-China cooperation roadmap and economic corridor program.

According to the World Bank's Mongolia Economic Update in April 2023, it presents a highly optimistic outlook for Mongolia's economic prospects, showcasing a projected growth rate of 5.2% in 2023, compared to the 4.7% recorded in 2022. This notable expansion is set to be propelled by the robust growth observed in the mining and exports sectors, as well as the ongoing recovery of the services sector following the impact of the global pandemic.

Environmental policies, relevant laws and regulations affecting us

As a responsible corporation, environmental stewardship is one of the pillars of our sustainable business strategy to safeguard people and the environment, and to create enduring values for our customers, employees, host communities, shareholders, and business and supply chain partners. The Group has adopted an environmental policy focusing primarily on, among others, complying with the host-country legislation and regulations; establishing management systems and programs relevant to our environmental risks to prevent, reduce and mitigate impacts at all stages of our operations; regularly assessing our performance through evaluating our business processes and practices and monitoring the surrounding environment in which we operate. Our business operation is mainly carried out by MoEnCo in Mongolia. MoEnCo has a detailed environmental assessment of the Khushuut Mine covering five years environmental management and protection related matters in our mine operation. Based on such documentation, the Ministry of Environment and Tourism of Mongolia will approve an annual environmental plan while monitoring the implementation of the preceding year's environmental plan through an implementation report submitted by MoEnCo. When preparing its annual Environmental Management Plan ("**EMP**"), MoEnCo works closely with the local soum government and provincial environmental agencies to reflect their proposals in the EMP. We also conduct joint assessment on the execution of each EMP.

The relevant laws and regulations having significant impact on our operation include the Minerals Law and various laws on the environmental protection such as General Environmental Protection Law, Land Law, Water Law, Law on Environmental Impact Assessment, the Mining Prohibition Law ("**MPL**"), etc. These laws and regulations impose requirements on our operations and our obligations on the environment generally. For example, under the Mineral laws, renewal of mineral licences must be made timely and subject to payment of annual licence fee. The law also states that the licence holders are obligated to meet a minimum exploration expenditure requirement under the exploration licences. Under the MLP, it prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas and areas adjacent to rivers and lakes. The Mongolian authorities may impose moratorium or restrictions on licences if the holders are in breach of any relevant laws in Mongolia. MoEnCo has an environmental management team responsible for implementing its environmental duties and responsibilities under the directions of its mining director and deputy health, safety and environmental manager. The legal department of MoEnCo is responsible for recording compliance issues while monitoring timely execution and submission of the environmental reports and plans to the relevant Mongolian authorities on an annual basis.

So far as the Board and management are aware, MoEnCo has generally complied with its environmental duties as required by the Mongolian laws and regulations during the Financial Year. More details are set out in the Environmental, Social and Governance Report to be published in due course.

Key stakeholders relationship

Engaging and building relationships with stakeholders is the key to sustaining business. Our stakeholders are individuals, groups or organisations that affect and/or being affected by our business activities and performance. The stakeholders of the Group include our shareholders, employees, customers, contractors, various Mongolian governmental authorities (such as the Ministry of Environment and Tourism, the Ministry of Mining and Heavy Industry, the State Specialised Inspection Agency, the Mineral Resources and Petroleum Authority of Mongolia ("**MRPAM**") and their local governmental agencies), various Chinese governmental authorities (such as the Environmental Protection Bureau, the Safe Production Supervision Administration, the General Administration of Customs and their local governmental agencies), and local communities. In general, we maintain a good relationship with them. There was no material and significant dispute between the Group and its customers, suppliers and other business partners regarding our operation in the Financial Year.

Connected Transaction

Logistics Services Framework Agreement

During the Financial Year, the Company entered into a new logistics services framework agreement with 新疆遠見鴻業物流有限公司 ("**VVLJV**") on 3 March 2023 (the "**Logistics Services Framework Agreement**" (2023-2026)). Pursuant to the Logistics Services Framework Agreement (2023-2026), VVLJV agrees to provide logistics services to the Group for a period until 31 March 2026 effective from the date of approval by the independent shareholders at the special general meeting on 21 April 2023.

VVLJV is indirectly held as to 60% by Vision Values Holdings Limited (stock code: 862) ("**Vision Values**"). Mr. Lo, the substantial shareholder, chairman and executive Director of the Company, is also the controlling shareholder, chairman and executive director of Vision Values. In view of Mr. Lo's shareholding and his corporate positions in both the Company and Vision Values, Vision Values is a connected person of the Company. Hence, VVLJV is also a connected person of the Company. Accordingly, the transactions contemplated under the Logistics Services Framework Agreement (2023-2026) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Under the Logistics Services Framework Agreement (2023-2026), VVLJV shall provide the Group with logistics services for coal and related products transportation in the PRC including (i) gangue backfilling; and (ii) coal products. The respective annual caps set for the services for three financial years ending 31 March 2026 under the term of the Logistics Services Framework Agreement (2023-2026) shall not exceed RMB292.5 million, RMB365.6 million, and RMB457.0 million. The services run for a period from 21 April 2023, the date that the transactions received the approval from independent shareholders in the special general meeting, to 31 March 2026. Shareholders may refer to the circular of the Company dated 30 March 2023 for detailed information.

Tenancy Agreement

The Group entered into an office tenancy agreement on 8 May 2023. The subject premises have been used as the principal place of business of the Company in Hong Kong since 2015, and the tenancy of which is for a term of two years commencing from 8 May 2023 and expiring on 7 May 2025 at a monthly rental of HK$291,000 (exclusive of rates, government rent, management fees and all other outgoings).

The Landlord is an investment holding company wholly and beneficially owned by Mr. Lo. As Mr. Lo is a connected person of the Company, the tenancy agreement constitutes a connected transaction for the Company under Chapter 14A to the Listing Rules. For details, please refer to the announcement made by the Company on 8 May 2023.

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$4,336.8 million and net current liabilities of approximately HK$785.0 million as at 31 March 2023, 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, 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$931.6 million as at 31 March 2023 remains valid until 31 March 2025; 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 2023 were the convertible notes, loan note and advances from Mr. Lo in aggregate of HK$5,962.6 million (2022: HK$5,663.4 million in aggregate include above mentioned items and secured bank borrowings). Advances from Mr. Lo are classified as current liabilities while the convertible notes and loan note are classified as non-current liabilities.

As at 31 March 2023, the cash and bank balances of the Group were HK$60.3 million (2022: HK$63.9 million) and the liquidity ratio was 0.68 (2022: 0.52).

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$1,231.5 million (2022: impairment loss of HK$377.2 million). During the Financial Year, the Group had incurred capital expenditures of approximately HK$227.2 million (2022: HK$106.6 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 2023, 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$197.3 million (2022: HK$169.0 million) to be refunded by the Government of Mongolia or offset against future taxes and royalties payable to the Government of Mongolia. The utilisation of the prepaid value added tax is subject to the approval of the Mongolian tax authority on our Mongolian subsidiary.

Financial Assets at Fair Value Through Profit or Loss

As at 31 March 2023, the fair value of the financial assets at fair value through profit or loss was HK$51.6 million (2022: HK$50.8 million), which was approximately 1.8% (2022: 1.4%) 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% (2022: 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 being unsettled royalty tax in Mongolia and liabilities related to discounted bills receivables not yet matured.

Charge on Group's Assets

There was no charge on the Group's assets as at 31 March 2023 (2022: Secured bank borrowings with outstanding balances of HK$66.6 million was secured by equivalent carrying amount of coal inventory located at Mongolia as collateral). As at 31 March 2023, the gearing ratio of the Group was 2.1 (31 March 2022: 1.6) 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

The Group did not have material contingent liabilities as at 31 March 2023 (2022: The Group's contingent liabilities were all related to the legal claims made by a former mining contractor in 2013. Subsequent to the financial year ended 31 March 2022, the Group entered into a settlement agreement on 16 September 2022 with the former mining contractor in which both parties agreed a final settlement amount of US$5,750,000 (equivalent to approximately HK$44.9 million) in full and final settlement of the disputes between the parties, and the payment had been made by the Group before 30 September 2022).

OUTLOOK

The global economy was marked by the hit of COVID-19, inflation, China's economic deceleration and the Russia-Ukraine conflicts in 2022. Although the impacts of Covid began to fade away early this year, the global economy is still gloomy in 2023. The war in Ukraine remains a major risk as it may escalate at any time. The banking crisis in the United States and Europe is also shaking the confidence of the international investors, which may have a spiral effect to the world's economy if it could not be managed and controlled. On the other hand, the geopolitical tension continues to intensify between the world's superpowers. All these events cast uncertainties to the outlook of 2023.

Though the uncertainties persist, the International Monetary Fund (IMF) has become more optimistic in its recent report that inflation appears to have peaked in 2022, consumer spending remains robust and the energy crisis has been less severe than initially thought after the outbreak of the Russia-Ukraine conflicts. Global economic growth is expected to slow. The IMF predicts global growth is expected to fall from 3.4% in 2022 to 2.8% this year but rebounding to 3.0% next year. For China, it aims to grow GDP by around 5% following the nation's re-opening policy after the Covid disruptions. China's economy is expected to generally rebound in 2023.

In respect of steel demand, the World Steel Association predicts global steel demand growth at 2.3% this year and 1.7% in 2024. In China, it is expected the steel market would be stabilized by the improvement of the real estate market with the support of government measures and the rebound of other steel-consuming industries such as vehicles, ships and home appliances. China's total steel demand is expected to grow by 2% in 2023.

China is the world's largest coal consumer. Coal accounted for over 50% of China's total primary energy consumption. High demand on coal was shown at the beginning of this year as utilities replenished stocks following the easing of Covid restrictions. Data also suggests that China's factory activities revive as the official manufacturing purchasing managers' index (PMI) rose over 50 consistently from the beginning of the year, though it displays a weaken tendency in recent months. In respect of coking coal, following the easing of the Covid restrictions, the supply environment has been improved. China's coking coal imports saw a consistent surge at the beginning of the year. China has resumed coal imports from Australia, but Mongolia will continue to be the leading player in the import of coking coal to China. Coking coal prices were elevated in 2022 due to supply disruption. As the supply of coking will be improved this year, we anticipate the price will be facing downward pressure.

Mongolia is rich in natural resources, and the mining sector has been one of the main drivers of the country's economic growth for years. It gets more than 90% of its export revenue from minerals and China is Mongolia's largest trade partner. However, Covid restrictions from China had severely disrupted its cross-border trade and travel, causing a severe blow to the Mongolian economy since 2020. As China relaxed its Covid policies at the beginning of this year, Mongolia's coal export to China has recorded a significant rise. According to National Statistics Office of Mongolia, Mongolia's GDP grew 4.8 % in 2022. The IMF forecast Mongolia's economic growth to accelerate to 5% in 2023 from last year's 2.5%.

Since the beginning of the year, we have continued to ramp up and boost our coking coal export quantity to China and to push our sales to the best of our effort. This proactive approach is to countenance any unforeseeable downturns which may come up any time during the year under global uncertainties. 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.

HUMAN RESOURCES

As at 31 March 2023, excluding site and construction workers directly employed by our contractors, the Group employed 811 full-time employees in Hong Kong, Mongolia, and the PRC. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on a periodic basis. Apart from the retirement benefits scheme, year-end bonus, and share options are awarded to the employees according to performance of the Group, assessment of individual performance, and industry practice. Appropriate training programs are also offered for staff training and development.

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

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

CORPORATE GOVERNANCE

The Board 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 F.2.2 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 2022 AGM. The Chairman of the Audit and Remuneration Committees of the Company took the chair of the 2022 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.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Lau Wai Piu, Mr. Tsui Hing Chuen, William JP and Mr. Lee Kee Wai, Frank. Mr. Lau Wai Piu is the chairman and has appropriate professional qualifications, accounting and related financial management expertise.

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.mongolia-energy.com). The annual report of the Company for the Financial Year containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Hong Kong, 19 June 2023

As at the date of this announcement, the Board 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. Lo, James Cze Chung 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.