MEC
MONGOLIA ENERGY CORPORATION
蒙 古 能 源 有 限 公 司

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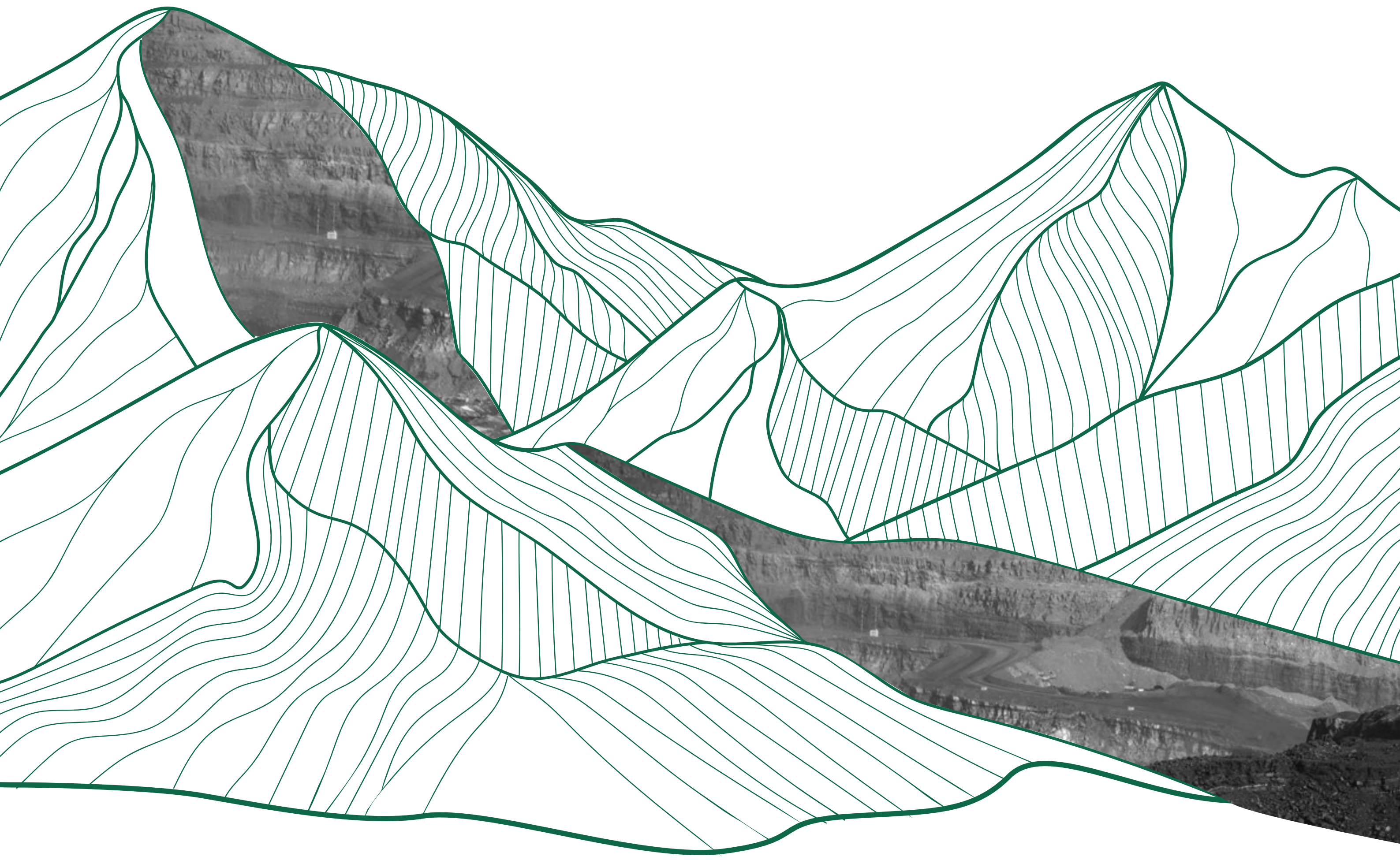

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Report contains certain forward-looking statements and opinions with respect to the operations and businesses of MONGOLIA ENERGY CORPORATION LIMITED ("**MEC**") and its subsidiaries (the "**Group**"). These forward-looking statements and opinions relate to, among other things, our objectives, goals, strategies, intentions, plans, beliefs, expectations, and estimates and are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may, will, or other results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements and opinions, which apply only as of the date of this Report. These forward-looking statements and opinions are based on the Group's own information and on information from other sources which the Group believes to be reliable.

Our actual results may be materially less favourable than those expressed or implied by these forward-looking statements and opinions which could affect the market price of our shares. You should also read the risk factors set out under our circulars, announcements, and reports for each of the transactions, which are deemed incorporated into and form part of this Report and as qualification to the statements relating to the relevant subject matters. Neither the Group nor any of its directors or officers shall assume any liability in the event that any forward-looking statements or opinions do not materialize or turns out to be incorrect. Subject to the requirements of the Hong Kong Listing Rules, MEC does not undertake to update any forward-looking statements or opinions contained in this Report.

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I hereby present the annual report for the financial year ended 31 March 2022 (the "**Financial Year**") and report to you our performance during this period.

The coronavirus pandemic has thrown the world into financial turmoil since late 2019. With the introduction of vaccines in late 2020, high hopes were placed that the disease would soon be over and economy be gradually returned to normal. Many economists expected a healthy come back for 2021. Various major economies reported surge in economic growth, which was the results of low interest rates, huge infusions of governments aids and stimulations, lifting of the lockdown and the widespread rollout of vaccines. Consumers regained confidence and resumed spending. The World Monetary Fund estimated a moderate growth of the world's gross domestic product ("**GDP**") at 5.9% in 2021.

China continued to be the major growth drivers for the world's economy in 2021. It has maintained a leading position in the world, both in economic development and epidemic control. Global recovery stirred up the demand of consumer products and stimulation of price rise. Yet, strong overseas demand has elevated China's exports and industrial profits. China's exports have been growing at a double-digit rate since the pandemic.

In respect of crude steel production, China remained top of the world chart in 2021, producing 1,032 million tonnes and accounting for 53% of the world's crude steel production. It was, however, a decline of 3% compared with that of 2020. As the steel industry is one of the largest carbon emitters among all manufacturing sectors in China, and China has promised to decarbonise by 2060, the production of steel in 2021 was the first year-on-year decline since 2015.

Mongolia is also a country dented by the coronavirus pandemic. Mineral export was one of the most severely impacted sectors due to travel restrictions and the on-and-off closure of borders for the exports. Before the pandemic, Mongolia used to export over 30 million tonnes of coal annually. In 2021, Mongolia's total coal exports continued to decline. According to the customs data of Mongolia, it plunged by 44% year-on-year to 16.1 million tonnes. However, though the volume of the Mongolian mineral export declined, income from the export remained stable due to the high commodity prices. Mongolia's coking coal export to China last year fell almost by 41% to 12.74 million tonnes. Nevertheless, Mongolia was China's top overseas coking coal supplier in 2021.

Coking coal demand in China remained strong last year under the unofficial trade ban of the Australian coal. Due to the supply disruption of the Mongolian coking coal and the trade conflicts between China and Australia, coking coal price remained elevated in 2021.

OUR PERFORMANCE

Since the outbreak of the COVID-19 in both Mongolia and China in 2020, border closures of both countries took place frequently which impacted our coal export efficiency. With the gradual improvement in the disease preventive measures and the implementation of seven-day opening of the borders for shipping since February 2021, we were able to boost our coal export volume from Mongolia to China during the Financial Year.

We produced approximately 1,825,300 tonnes of run-of-mine ("**ROM**") coal during the Financial Year, which was a surge of 48.48% from 1,229,300 tonnes in the last corresponding period. Our sales of coal were approximately 1,001,800 tonnes in the Financial Year, including approximately 802,300 tonnes of clean coking coal, 175,100 tonnes of thermal coal and 24,400 tonnes of raw coal. Comparing with 753,591 tonnes of coal sold to our customers in the last corresponding period, our performance was increased by 32.93% in the Financial Year.

OUTLOOK

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

Direct consequences of these events are the surge of energy and commodity prices, shortages of food supply, and further disruptions on the supply chains. As most western countries advocate for sanctions against Russia, these will have substantial impacts on the world economy and financial markets, with significant spillovers to other countries. According to the forecasts of the International Monetary Fund (IMF), global growth is expected to slow down to 3.2% in 2022. The estimation reflects the uncertainties caused by these factors. The World Bank even adjusted the global growth to 2.9% in 2022 as a result from the pandemic and the Ukraine war. It also warns that the economy could slip into a period of stagflation and many countries may face recession.

Under the uncertainties brought about by the ongoing conflicts between Russia and Ukraine, the World Steel Association revised down its 2022 global steel demand growth forecast to 0.4% year-on-year, following a 2.7% increase in the preceding year. In respect of China, crude steel production and demand have been weak from the beginning of this year. According to the data of the National Bureau of Statistics in China ("**NBS**"), crude steel production of China for the first half of 2022 stood at 527 million tonnes, down 6.5% from the same period a year earlier. Many steel mills in China have implemented production cut. The industry expects the steel production control policy will continue. In long run, it will affect the demand of coking coal.

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

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

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

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

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

ACKNOWLEDGEMENTS

I take this special opportunity to show my appreciation to our staff members, both Chinese and Mongolian as a team, for their dedication and contributions to the Group last year, in particular, during the most challenging period. In addition, I would like to thank our shareholders and stakeholders who have been very supportive to us throughout.

Lo Lin Shing, Simon
Chairman
31 October 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company is an investment holding company. The Group's principal business is coal mining and exploration which is operated by our indirect wholly-owned subsidiary in Mongolia, MoEnCo LLC ("**MoEnCo**"). Our principal project is the Khushuut Coking Coal Project in Western Mongolia. We sell coking coal and thermal coal to our customers in the People's Republic of China ("**PRC**" or "**China**") and Mongolia.

The Khushuut Coal Mine is located approximately 1,350 km west of Ulaanbaatar in the Khovd Province of Western Mongolia. It is about 311 km from the Xinjiang Takeshiken border, connecting by the Khushuut Road we built.

During the Financial Year, approximately 1,825,300 tonnes (2021: 1,229,300 tonnes) of ROM coal were produced and approximately 1,001,800 tonnes (2021: 753,591 tonnes) of coal, including clean coking coal, thermal coal and raw coal, were sold to our customers.

RESULTS ANALYSIS

Revenue

In the Financial Year, the Group's revenue was a record high of HK$1,562.7 million (2021: HK$858.4 million). The significant increase of revenue was principally due to our comparatively weak performance in prior corresponding year. Since the outbreak of the COVID-19 in both Mongolia and China, border closures of both countries took place frequently which impacted our coal export efficiency. Although the Group was also suffering from the temporary suspension of coal export to China under the COVID-19 pandemic from end of October to early December 2021, we still managed to boost our coal export volume from Mongolia to China in the Financial Year. Macro factors including but not limited to, (i) supply chain issues constricted the supply of coking coal in the PRC; (ii) safety challenges and flooding affected domestic mines in China; and (iii) border closures between Mongolia and China, as well as the ongoing diplomatic tensions between China and Australia compounded the situation also had positive impacts towards the growth in revenue of the Group in the Financial Year as the confluence of these events created tightness in the market and contributed to surging prices for coking coal. During the Financial Year, the Group sold approximately 802,300 tonnes (2021: 675,800 tonnes) of clean coking coal and approximately 175,100 tonnes (2021: 77,700 tonnes) of thermal coal and approximately 24,400 tonnes (2021: 91 tonnes) of raw coal. The average selling prices of clean coking coal, thermal coal and raw coal net of sales tax were approximately HK$1,918.4 (2021: HK$1,264.7), HK$52.3 (2021: HK$47.0) and HK$454.6 (2021: HK$655.3) per tonne respectively.

Cost of Sales

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

Gross Profit

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

Other Income

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

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 gain in fair value change amounting to HK$185.0 million was recognized in the Financial Year (2021 (restated): HK$955.7 million). The major inputs into the binomial valuation model to work out the valuation of the conversion option derivative for the Financial Year have been reassessed and amended thereby leading to a prior year adjustment. Please refer to the Note 1.2 to the consolidated financial statements for details.

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

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

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

	Notes	**2022**	2021
Discount rate	*(a)*	**27.61%**	28.08%
Average current coking coal price per tonne	*(b)*	**US$318**	US$137
Inflation rate	*(c)*	**2.00%**	1.99%
Predicted average annual growth rate of the coking coal price for the forthcoming four-year period since year ended	*(d)*	**–13.6%**	3.93%

Other non-quantitative major assumption changes:

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

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

Notes:

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

(b) *The average current coking coal price was updated based on latest sales contracts signed by 31 March 2022;*

(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 2022. For the remaining year of the discounted cash flow model, the growth rate is the same as the inflation rate.*

In pursuant to the recoverable amount assessment, an impairment amounted to HK$416.8 million was made in the Financial Year (2021: reversal of impairment loss of HK$1,121.0 million).

As disclosed in the "**Independent Auditor's Report**", an unqualified opinion on the Group's consolidated financial position and a disclaimer of opinion on the Group's consolidated financial performance and consolidated cash flow (the "**Disclaimer**") were made by Ernst & Young ("**EY**"). One of the fundamental reasons for the Disclaimer is due to the limitation of audit scope on the recoverable amount of the Khushuut Related Assets as at 31 March 2021 and the related profit and loss impact for the Financial Year.

As the Company under relevant accounting standards requires to determine the recoverable amount of the Khushuut Related Assets at each financial year end. As at 31 March 2021, the key assumptions for the valuation of the Khushuut Related Assets included, among others, selling of raw coal and additional washed coal through a washing plant to be built in Khushuut in its business plan. Building a washing plant in 2023 and to be completed in 2025 had been the Group's strategy to increase the production output and sales of clean coal. The preliminary budget for building a washing plant was in the region of US$30 million with a processing capacity of around 2 million tonnes. This infrastructure could enhance our coal production and sales of clean coal in the coming years. In respect of raw coal, we had planned selling as the commodity prices were high which would maximize our revenue. The Group was of the view that the business plan for the forthcoming years was reasonable and achievable at the material time as at 31 March 2021.

In early 2022, we understood from a customer of the Group, an independent third party, was going to build its own washing plant in Xinjiang. The Group believes it is an opportunity to outsource our coal washing requirement instead of building an additional washing plant of our own. That would increase our clean coal selling capacity without hefty capital commitment. As mentioned in above, the Company entered into the MOU on 22 April 2022 with this customer whose washing plant in Xinjiang would be completed before 2024. Under the MOU, the Group would supply raw coal to this new washing plant for processing. Instead of building an additional washing plant of our own, this would achieve sooner increase in sales of clean coal (after washing) while having less risks. In addition, the margin for selling clean coal is better than raw coal which would create more revenue and enhance the mine life of the coal mine. Such change of business plan could also save the Group from substantial capital commitment on building an additional infrastructure and the risks associated, in particular, under the unpredictable change of economic conditions globally including China. It could also release the Group's internal resources for other business opportunities. Furthermore, the Group needs not spend energy and resources to recruit, train and manage skillful labour in running a self-owned washing plant in Mongolia. Hence, this key assumption used as at 31 March 2021 was changed in the impairment assessment conducted as at 31 March 2022 due to the Company's change in business plan. The Group has yet to enter into any committed supply of coal contract with the said independent third party for coal processing since its washing plant is only in the construction stage. The plan to sell raw coal will not be constrained by the in-house washing plant capacity and therefore more coal could be sold when the commodity price is high. However, by selling clean coal only, will lead to reduction in coal production and sales volume each year for the business model purpose; therefore, the mine life will be extended theoretically because of the slower rate of consumption of the coal reserve at Khushuut mine.

The Company had provided all available evidence in relation to the original self-owned washing plant project including but not limited to the feasibility study report, water resources survey studies, washing plant site selection study and washing plant construction design prepared by various professional experts, civil engineering and architectural design companies to both the former independent auditors and EY for their review and used its best endeavour to answer queries on the impairment assessment model adopted in prior financial years. The self-owned washing plant project reached the ready to build status pending application to the Mongolia authority for commencement of construction. The Company believes that it is not commercially sensible to enter into committed contracts when the approval has not been obtained yet. However, EY considered the information provided is not sufficient to satisfy the accounting requirement for inclusion of such assumptions in the future cash flows under accounting standard.

Pursuant to EY, the original plan to build a washing plant in Mongolia was considered appropriate to be included in the model only when the governmental approval had been obtained and construction contracts had been entered into to indicate committed facilities and solid planning. The change of the plan for not building a washing plant led to the decrease of approximately HK$131.6 million in the recoverable amount assessment of the Khushuut Related Assets.

In addition, EY was not satisfied with our 2021 business plan of selling more raw coal as there was no historical sales trend to support this future sales strategy. Nevertheless, the Group had sold 24,400 tonnes of raw coal during the Financial Year as an established proof of a raw coal market existed in Xinjiang, China. As such, despite the previous acceptance by the former independent auditor, the two major assumptions, namely, building of a washing plant and the sales of raw coal which were used for the 2021 valuation of the Khushuut Related Assets, were not adopted in the valuation model of the Financial Year. There is no relationship between the change of plan for the washing plant and the plan to sell clean coal only.

EY could not satisfy itself on the opening balance in the Financial Year due to the reason of Khushuut Related Assets valuation as at 31 March 2021 as explained. Therefore, EY was unable to agree if the impairment loss of HK$417 million in the Financial Year because it was the difference between the opening and closing balances of Khushuut Related Assets for the Financial Year. It did not form an opinion on the recoverable amount of the Khushuut Related Assets as at 31 March 2021 and the related profit and loss impact for the Financial Year.

The key changes in the Khushuut Related Assets valuation involve the change of business models as mentioned for the Financial Year. The Company and the former independent auditor had reviewed the model/workings prepared by the then valuer at the material time and no disagreement was noted in previous financial years. The management of the Company ("**Management**") considers that these are different in view of commercial judgements. As the business model adopted as at 31 March 2021 was reasonable and appropriate at the given point of time and by the former independent auditor; therefore, the Company is of the view that it would not be appropriate, sensible and practicable to conduct a reassessment of impairment testing for the financial year ended 31 March 2021.

Deferred taxation

In respect of the Disclaimer on the deferred tax issue made by EY, it mainly relates to deferred tax arising from the depreciation and amortisation of the Khushuut Related Assets from the Group's Mongolia and PRC operating entities as at 31 March 2021 and unrealised foreign exchange losses from the Group's Mongolia operating entity as at 31 March 2021. As the reassessment for the deferred tax assets recognition would be based on similar assumptions used in the impairment assessment model for the Khushuut Related Assets adopted in prior year; accordingly, similar to the recoverable amount of the Khushunt Related Assets issue, the Company is of the view that it would not be appropriate, sensible and practicable to conduct a reassessment for the financial year ended 31 March 2021. Please refer to Note 32 to the consolidated financial statements for the movements of the deferred taxation.

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 (2021: restated from 21.82% to 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 (2021: 22.37%). The revision of the effective interest rate for the convertible notes was different from last year and led to a prior year adjustment. For details, please refer to the Note 1.2 to the consolidated financial statements.

REASONS FOR PRIOR PERIOD ADJUSTMENTS

The reasons for the prior period adjustments made in the consolidated financial statements for the Financial Year are as follows:

(a) The Company issued the 3% convertible notes due 2025 in March 2020 (the "**2020 Convertible Notes**") to the relevant note holders for replacement of the then outstanding convertible notes issued in 2014. The 2020 Convertible Notes contained two components, a debt component and the derivative components with (i) a conversion option derivative to the note holders and (ii) a prepayment option derivative of the Company for early redemption of the convertible notes. The derivative components should be measured at fair value with changes in fair value recognised in profit or loss in pursuant to the Hong Kong accounting standards. When preparing the financial results of the Company for the year ended 31 March 2020 and 2021, an independent valuer was appointed by the Company to measure the debt and derivative components upon initial recognition of the 2020 Convertible Notes and their subsequent fair value changes at the end of each reporting period. The effective interest rate of the debt component of the 2020 Convertible Notes was determined by the independent valuer at 21.82% per annum. The Company considered that the effective interest rate appeared reasonable in view of the nature that the 2020 Convertibles Notes were purely for refinancing purpose and no real cash inflow was involved. The effective interest rate was also comparable to the Company's convertible notes issued in 2014 which was 19.96%.

    During the Financial Year, a new independent valuer was appointed and it was of the view that the conversion option derivative of the note holders and the prepayment option derivative of the Company should be mutually exclusive under contract. However, they should be measured in a bundle instead of separately according to the requirement of the relevant Hong Kong accounting standards. Besides, the 2020 Convertible Notes should be treated as a standalone issuance, rather than a refinancing issue and the effective interest rate of the debt component by reference to convertible notes issued by comparable companies should be 14.26%.

(b) In the past, bills receivables were classified as amortised cost instead of fair value through other comprehensive income. However, as all the bills receivables of the Group were matured within 12 months and therefore, the accounting treatment is indifferent under both classifications. The practice of the Group is only to accept bills issued by reputable banks in the PRC. Hence, the Group did not reassess the risk and rewards of ownership of the bills receivables upon discounting them in the past. As a matter of fact, all the discounted bills receivables as at 31 March 2021 were cleared by the issuance banks upon their maturity dates without any default.

(c) In the last financial year, it was misunderstood that the exchange differences arising in a Mongolian subsidiary might be liable to Mongolian tax and therefore a general tax provision was provided. Such provision is, however, considered over conservative as such should not be provided for.

(d) MoEnCo, a key operating subsidiary in Mongolia, is required to submit an annual environmental plan to the Mongolian authority. In the past, MoEnCo intended to use the short-term environmental plan to cover its obligation for mining rehabilitation under the Mongolia law. This practice was not challenged by the local auditor of MoEnCo after they reviewed the annual environmental plan, actual spending on environmental protection as well as a 5-year environmental protection plan of MoEnCo. Therefore, no separate provision was made for the mining rehabilitation previously.

MARKET REVIEW

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

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

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

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

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

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

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

BUSINESS REVIEW

Coal Sales

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

Coal Production

During the Financial Year, approximately 8,702,400 bank cubic meters ("**BCM**") of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works (2021: 5,018,000 BCM). Production of coking coal (before processing) and thermal coal were approximately 1,390,500 tonnes and 434,800 tonnes respectively (2021: 905,200 tonnes and 324,100 tonnes).

Coal Processing

During the Financial Year, approximately 1,296,100 tonnes of ROM coal (2021: 996,600 tonnes) were processed by the dry coal processing plant, producing approximately 1,036,200 tonnes of raw coking coal (2021: 782,300 tonnes). The average recovery rate was 79.9%. The raw coking coal would then stand for export to Xinjiang for further washing before delivery to our customers. In Xinjiang, approximately 1,231,700 tonnes of raw coking coal (2021: 905,300 tonnes) were processed by the washing plant, producing approximately 870,100 tonnes of clean coking coal (2021: 723,000 tonnes). The average recovery rate was 70.6%.

Coal Shipping

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

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

Customers and Sales

No master coal contract was signed 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 435,800 tonnes of clean coking coal to our major customer and it accounted for approximately 53.1% of our revenue in the Financial Year.

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

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".

LEGAL AND POLITICAL ASPECTS

Over the reporting period, the main objective of the Government of Mongolia was to mitigate the economic and social impact from the coronavirus pandemic and take approaches to create a sustainable and resilient economy as well as securing the society in readiness for the long-term consequences of the pandemic. Another priority for the Mongolian Government was to prevent the COVID-19 shock from undermining financial stability. Aiming to support the smooth recovery and development of the country's financial market, the Law on Cash Deposits, Transfer and Loan Operations of Banks and Legal Bodies had been renewed. This is an important piece of reform for the financial institutions. It aims not only to providing better protection of public and private deposits during the times of global economic downturn but also allowing diverse and prompt banking services to be in line with the fast-paced global trends.

Apart from the financial side, the Mongolian Government has also spared no effort in improving borders efficiency for its import and export activities. It paid special attention to easing the cross-border trade and making border supply management strategies more responsive to the circumstances. Border control, trade and disease prevention agencies and private transporting and logistics companies of Mongolia, Russia and China have collaborated for adequate solutions on all the spectrum of existing cross-border problems. The Cabinet of Mongolia approved a number of resolutions for optimization of cross-border trade through border controls and visa centers digitalization, establishing the Exclusive Border Ports Administration in July 2021, and improving the operations of border ports and crossing points. In addition, the Government puts its efforts to accelerate the work of increasing the export capacity of several border points including the Bulgan border point. This objective has been specified in the Government Action Plan for the period of 2021-2024.

In October 2021, the President of Mongolia Ukhnaa Khurelsukh initiated a comprehensive national program to combat climate change and desertification through creation of a legal environment. At least one percent of Mongolia's GDP would be spent annually on combating climate change and desertification, and on increasing environmentally friendly and green facilities through public and local investments. This new national movement is called "Billion Trees" and would be executed in three phases up to the year of 2030. The Government also sees this campaign from the angle of "from welfare to employment", providing job opportunities through tree planting, irrigation and introducing various advanced technologies. MoEnCo joined the campaign initiated by the President, and signed the Certificate of Commitment to plant one million trees with the Minister of Nature, Environment and Tourism in November 2021.

In early April 2022, Mongolia held its annual Economic Forum, which was canceled for the past two years due to the COVID-19. During this Forum, L. Oyun-Erdene, the Prime Minister of Mongolia, presented the current administration's "New Recovery Policy" following the country's long-term development plan called "Vision-2050". This policy, which was adopted together with the list of development projects to be implemented and an action plan for realizing the first phase, is expected to serve as a roadmap to ramping up Mongolia's industrialization, speeding up improvement to the economy, and increasing GDP and livelihood of its citizens. The New Recovery Policy also aims to strengthen Mongolia's economic independence, reduce the negative impact of the coronavirus pandemic on the economy, and promptly address the development barriers. The Policy identifies the six key current economic priorities: development of trade ports, energy sector, industrialization, urban and rural development, green development, and efficient governance and public productivity. The Parliament assigned the Cabinet and the Bank of Mongolia to arrange funds and financing required for the implementation of the projects and activities specified in the "New Recovery Policy" linking them with the state and local budgets and other funding sources and attracting participation of investors through public-private partnerships. One of the key features of the plan is the partial privatization of the state-owned enterprises to attract both domestic and foreign investment. In terms of implementation, the guidelines were approved recently for public offer of shares of the government owned enterprises on the Mongolian stock exchange in years of 2022 and 2023.

The presidential election was held in June 2021 which the former Prime Minister U.Khurelsukh of the Mongolian People's Party gained victory. The Minister of Foreign Affairs of Mongolia B.Battsetseg paid an official visit to China at the invitation of Wang Yi, Member of the State Council and Minister of Foreign Affairs of the PRC. During the talks, the Foreign Ministers exchanged views on bilateral cooperation between Mongolia and China, as well as a wide range of regional and international relations. In February 2022, the Prime Minister L.Oyun-Erdene paid a working visit to Beijing for the opening ceremony of the XXIV Olympic Winter Games. During this visit, the Prime Minister met with the President of China Xi Jinping and Premier Li Keqiang and exchanged views on a wide range of issues, including trade and cooperation during the pandemic. They exchanged views on strategic issues including large railway infrastructure projects, increasing coal exports and long-term coal purchase contracts, desertification combat and renewable energy opportunities, and issued a joint statement which followed by Notes of the Ministries of Foreign Affairs of the two countries.

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 previous 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 of 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.

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.

Legal disputes with Thiess Mongolia LLC (formerly Leighton LLC) ("Thiess")

In respect of the claim of US$13.5 million lodged by Thiess since 2013, there were no substantial development during the Financial Year.

Subsequently after the Financial Year, on 16 September 2022, the Company entered into the settlement agreement with Thiess for US$5.75 million in full and final settlement of the disputes between the parties ("**Settlement Agreement**").

Under the Settlement Agreement, the Company agrees to pay Thiess the settlement amount on a without admission of liability basis on or before 30 September 2022. The Group made the payment in accordance with the Settlement Agreement before 30 September 2022. The case is now formally closed.

Connected Transaction

During the Financial Year, the Company entered into a logistics services framework agreement with 新疆遠見鴻業物流有限公司 ("**VVLJV**") on 3 December 2021 (as revised by the supplemental logistics services framework agreement dated 31 March 2022, collectively as the "**Logistics Services Framework Agreement**"). Pursuant to the Logistics Services Framework Agreement, VVLJV agrees to provide logistics services to the Group for a period until 31 March 2023 effective from the date of approval by the independent shareholders at the special general meeting.

VVLJV is indirectly held as to 60% by Vision Values Holdings Limited (stock code: 862) ("**Vision Values**"). Mr. Lo Lin Shing, Simon ("**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 to the Company. Accordingly, the transactions contemplated under the Logistics Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The Group's principal business is coal mining and related processing. As the Group sells coking coal and thermal coal to customers in the PRC and Mongolia, the Group requires logistics services providers to provide logistics services for its coal and related products from time to time in the Xinjiang region of the PRC. Under the Logistics Services Framework Agreement, VVLJV shall provide the Group with logistics services for coal and related products transportation in the PRC including (i) raw coal drop and pull; (ii) gangue backfilling; and (iii) clean coal. The annual cap set the services under the term of the Logistics Services Agreement is not to exceed RMB131.6 million.

The services run for a period from 20 May 2022, the date that the transactions received the approval from independent shareholders in the special general meeting, to 31 March 2023. Shareholders may refer to the circular of the Company dated 26 April 2022 for detailed information.

FINANCIAL REVIEW

Liquidity and Financial Resources

In preparing the consolidated financial statements, the Directors have given careful consideration of the future liquidity of the Group. While recognising that the Group had net liabilities of HK$2,712.4 million and net current liabilities of approximately HK$1,140.4 million as at 31 March 2022, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future given that: (1) Mr. Lo, 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 2022 remains valid until 29 March 2024; and (2) Mr. Lo does not intend to demand immediate repayment of his advances to the Company.

The borrowings of the Group as at 31 March 2022 were the convertible notes, loan note, secured bank borrowings and advances from Mr. Lo in aggregate of HK$5,663.4 million (2021: HK$5,480.7 million). Secured bank borrowings and advances from Mr. Lo which are unsecured, are classified as current liabilities while the convertible notes and loan note are classified as non-current liabilities.

As at 31 March 2022, the cash and bank balances of the Group were HK$63.9 million (2021: HK$57.6 million) and the liquidity ratio was 0.52 (2021: 0.38).

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$377.2 million (2021: reversal of impairment loss of HK$987.7 million). During the Financial Year, the Group had incurred capital expenditures of approximately HK$106.6 million (2021: HK$60.5 million).

Trade and Bills Receivables

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

Other Receivables, Prepayments and Deposits

It mainly comprised prepaid value added tax of HK$169.0 million (2021: HK$129.8 million) to be refunded by the Government of Mongolia or offset against future taxes and royalties payable to the Government of Mongolia.

Financial Assets at Fair Value Through Profit or Loss

As at 31 March 2022, the fair value of the financial assets at fair value through profit or loss was HK$50.8 million (2021: HK$50.8 million), which was approximately 1.4% (2021: 1.4%) 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% (2021: 5.58%) of the total issued share capital of Jade Bird. During the Financial Year, the Group did not receive any dividend from Jade Bird.

Other Payables and Accruals

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

Charge on Group's Assets

Secured bank borrowings with outstanding balances of HK$66.6 million at 31 March 2022 (2021: Nil) was secured by equivalent carrying amount of coal inventory located at Mongolia as collateral. There was no other charge on the Group's assets as at 31 March 2022 (2021: Nil). As at 31 March 2022, the gearing ratio of the Group was 1.6 (31 March 2021: 1.5) which was calculated based on the Group's total borrowings to total assets.

Foreign Exchange

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

Contingent Liabilities

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

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.

RISK FACTORS

The Group's business may from time to time face with certain risk factors; some of them may not be anticipated by or known to the Group. While the Group has adopted its business strategies and planning by taking into account the foreseeable risks and measures in response once such unfavourable event happens, shareholders and investors should be aware that the business of the Group may still be impacted. Although it is not possible to list out a complete list of risk factors, the major risks include, among others, the following:

Cyclical nature of coal markets and fluctuations in coal prices

The revenue of our operation depends on successful commercial production of coal products in our concession areas. Therefore, our future business and results of operations are dependent on the supply and demand of coal globally, in particular, the PRC.

The fluctuation in supply and demand of coal can be caused by numerous factors beyond the Group's control, which include but not limited to:

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

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

The coking coal demand and prices in recent years remain elevated due to the China national policy of Supply Side Reform and the economic factors. However, there is no assurance that the demand of the PRC, which we assume as our major market, for coal and related products will continue to grow, or that the demand for these products will not experience excess supply.

Development of a mining project may take time and there are various factors affecting its development. In a nutshell, development of a mining project will take time, often through years, and this includes going through the process of reconnaissance, exploration, deposit analysis, feasibility study and mine planning. There is no guarantee that a planned development may overcome all challenges encountered during these processes. Ultimate commercial viability of a project will depend on whether the deposit is of the desired attributes, proximity to potential markets, availability of infrastructure and transportation networks, labour costs and availability, competition for other energy resources and global economic conditions.

Government regulations and policies such as taxes and royalties may also have a direct or indirect impact on encouraging or discouraging investment in the mining sector.

Not all planned projects may achieve the intended economic benefits or demonstrate commercial feasibility. In the course of development of a project, the Group may change its planning from time to time due to some unforeseeable circumstances. When this happens, the outcome, prospect, or financial position may be significantly affected.

Significant and continuous capital investment

Mining business requires significant and continuous capital investment. Planned mine exploration and coal production projects may not be proceeded as planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for the projects may also differ from planned in the course of development. Such factors include locality and geology of the mine sites, method of excavation, availability of transportation networks, ancillary infrastructure requirements and distance to the markets, etc. Even a mine is potentially rich in natural resources, whether it is attractive for commercial development still depends on a variety of factors.

Policies and regulations

Mining business is subject to extensive governmental regulations, policies, and controls. There can be no assurance that the relevant governments will not change such laws and regulations, or impose additional or more stringent requirements.

Failure to comply with the relevant laws and regulations in any mine development and coal production projects may adversely affect the Group. Some of the relevant laws and regulations in Mongolia are as follows:

Minerals Law

Under the Minerals Law, mineral exploration licences are granted for an initial period of three years. Holders may apply for an extension of the licences for three successive additional periods of three-year each, making twelve years in total.

Renewal of licences must be made timely and subject to payment of annual licence fee. The Minerals Law also states that the licence holders are obligated to meet a minimum exploration expenditure requirement.

Failure to meet these requirements may subject to licence cancellation by the Mongolian authorities. The mining licence for coal is granted for an initial term of thirty years with an option for two further terms of extensions of twenty-year each, making seventy years in total. The Mongolian authorities may also impose moratorium or any restrictions on any licences if the holders are in breach of any relevant laws in Mongolia.

Mining Prohibition Law

On 16 July 2009, the Parliament of Mongolia enacted the MPL which prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas and areas adjacent to rivers and lakes. Since its enactment, it has been subject to much controversy and many changes and clarification have brought about on its application and implementation. All our licences in the Khushuut Coal Mine are not the subject under the MPL.

However, there is no guarantee that our licences will not be affected in the future when there is a change on the relevant law.

Strategic Deposits

The Minerals Law states that a mineral deposit is of strategic importance if a deposit may have a potential impact on national security, economic, and/or social development of the country at regional and/or national levels, or that is capable of producing greater than 5% of the gross domestic product of any given year.

If a mine is ruled as a Strategic Deposit, the Mongolian government could participate in its interest. Under the said Minerals Law, the size of the government participation is determined largely by the level of state funding which had been provided for the exploration and development of any deposit. The government of Mongolia is entitled to participate up to 50% in the event that there has been a state funding of such deposit, and up to 34% if such deposit was discovered with private funds.

In the event a Strategic Deposit is ruled, the Mongolian government will negotiate with the entity concerned as to the mode or percentage of the government's participation and it will depend on the results of individual negotiations. In order to boost the confidence of the investors, amendments have been made to the Minerals Law relating to Strategic Deposit in 2015. The amendments provide an option for the Mongolian government either to take an equity interest in such deposits or to impose a special royalty in lieu of such interest. The exact amount of royalty to be levied will vary depending on the specifics of the deposits, but the maximum is 5% in addition to other royalties payable under the Minerals Law and supplementary legislation.

The Khushuut Coal Mine is not within the list of Strategic Deposits. However, there is no assurance that our Mine will not be considered for Strategic Deposit in the future.

Licence risk

The Minerals Law lists the following grounds for an immediate revocation of mineral licences:

(i) the licence holder is no longer in existence;

(ii) failure to timely and fully pay the licence fees;

(iii) the exploration or mining area has been designated as a special-need territory, or an exploration or mining activities have been prohibited in the licensed area by law and the licence holder has been fully compensated;

(iv) exploration expenditures of a given year are lower than the minimum exploration expenditure requirements set by the Minerals Law; or

(v) the state central administrative agency in charge of the environment (currently Ministry of Environment and Tourism of Mongolia) has decided based on a report of the local administrative bodies that the licence holder has failed to fulfill its environmental reclamation obligations.

Further, a licence may be suspended if the licence holder fails to comply with other requirements of the Minerals Law and/or other relevant laws and regulations under the Licensing Act. If the licence holder fails to rectify such breach, the licence can then be revoked.

Country risk

The business of the Group is currently in Mongolia with the target market in the PRC. There can be a risk that the business environment may change which reduces the profitability of doing business in Mongolia and/or the PRC. Changes of political and economic conditions in either Mongolia or the PRC may adversely affect the Group.

There is no assurance that the Group's assets or business will not be subject to nationalization, requisition or confiscation due to change of laws or political conditions.

Environmental protection policies

Mining and exploration business is subject to the Mongolian environmental protection laws and regulations. Under Article 66 of the Minerals Law, if a licence holder violates environmental protection legislation, the entity holding the licence may be fined or its activities suspended until it has complied with environmental and other regulations.

In the worst case scenario, a licence may be revoked for non-compliance pursuant to Article 56 of the Minerals Law. If the Group fails to comply with existing or future environmental laws and regulations, the Group may be required to take remedial measures, which could have a materially adverse effect on its business, financial conditions, and results of operations.

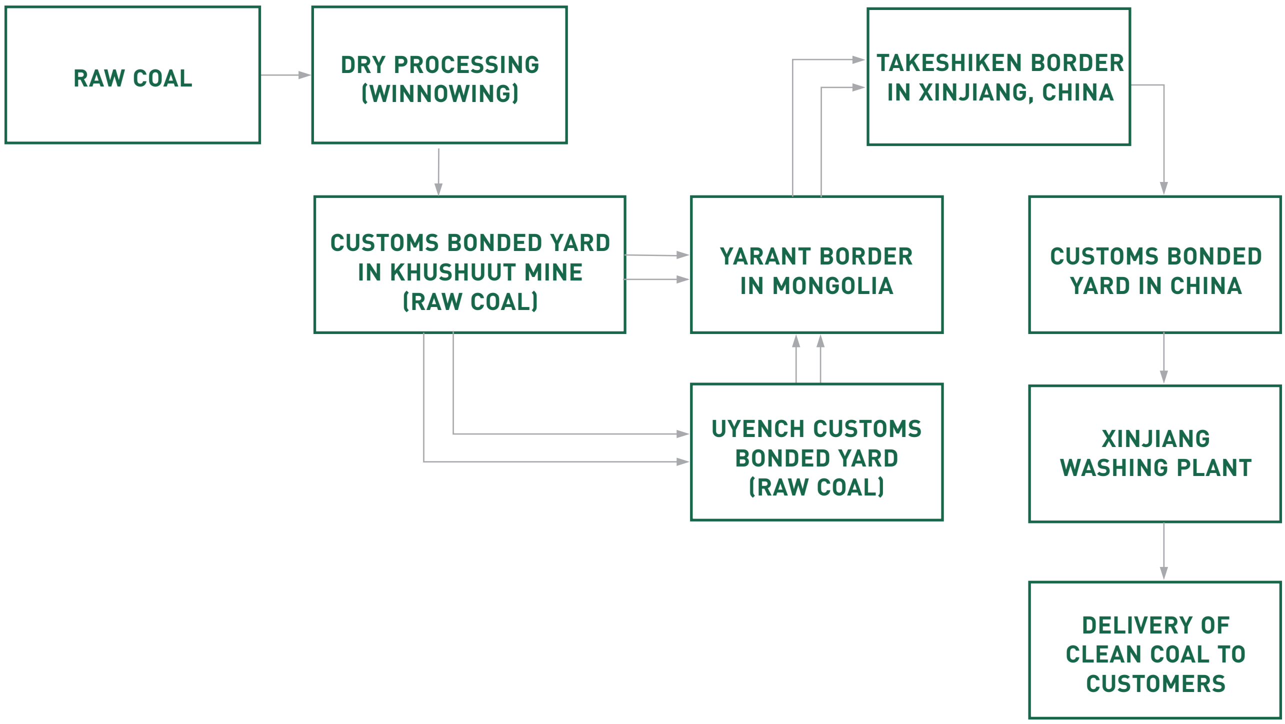
In addition, environmental protection is currently one of the core policies of China which advocates for the use of alternative or renewable energies by burning less fossil fuel. It is a trend that environmental controls will become more stringent in the future. Our business development will be affected and cost will be increased in compliance with the onerous requirements imposed.

Operational risks

We require various contractors for the mining operations of our Khushuut Coking Coal Project. If there is any unforeseeable event which renders these contractors unable to continue provide their services and no effective solution is implemented, our operation may be seriously impacted. Our operation is also dependent on the fuel supply conditions in Mongolia.

We ship our coal out of Mongolia via the Khushuut Road which is approximately 311 kilometres connecting our mine site to the Xinjiang customs border. If any part of the road is damaged and is not properly repaired, our coal transportation may come to a halt. The Yarant Border in Mongolia and the Takeshiken Border in Xinjiang are the only borders for our raw coking coal export. As our coking coal customers are in Xinjiang, China, if there is any export or import restrictions imposed by either border and no alternative customs border is available for our coal export purpose, we are unable to sell coking coal to our customers in Xinjiang. In addition, any adverse change of import policy or practices on coal import into Xinjiang, China will also impact our operations. Our production flow and logistics are illustrated in the flowchart below. The risk is similar with the change of export policy or practices in Mongolia.

Production flow and logistics



Taxation

As our main operation is in Mongolia, we are subject to Mongolia corporate income tax. At present, Mongolian corporate income tax is charged on a progressive rate scale as follows:

- 10% applies to the first 6 billion MNT of annual taxable income.
- 25% applies to any excess of MNT 6 billion of annual taxable income.

Apart from the corporate income tax, Mongolia also imposes, among others, other taxes and levies such as on:

(i) Dividends;

(ii) Royalties;

(iii) Interest;

(iv) Gambling, betting games, and lotteries;

(v) Sale of immovable property;

(vi) Sale of rights (e.g. mining licences, special activity licences, and other rights granted by the authorised organisations for conducting specific activities); and

(vii) Value-added tax (VAT) for goods sold, work rendered and services provided in the territory of Mongolia and on goods imported into Mongolia, and goods exported for sale.

Therefore, to continue conducting business in Mongolia, the rates of its taxes and the Mongolian tax policies are one of the major factors of consideration. Our investment and operation are sensitive to the Mongolian tax policies and incentives. If the Mongolia government tightens the tax policies or increases the tax rates, these will bring impact to the sustainability of our profits and business commitments in Mongolia.

Financial risks

Exploration and mining is an industry which requires a heavy capital layout for its developments and sustainability. Investors invariably require substantial amount for the start up even the projects are proven potential. Our sources of funding are mainly from loans raised through the issue of convertible notes and advances from our Chairman and Director of the Company and from the sales of our coal products. Our ability to continue as a going concern is dependent on the coal market conditions and ongoing availability of finance to the Group, including the financial support from Mr. Lo, Chairman and Director of the Company.

Political stability

The Parliament of Mongolia is the highest governing body of state power and the legislative power is vested solely in the Parliament. As a supreme government organ, the Parliament is empowered to enact and amend laws, ratify international agreements, and declare a state emergency. Specifically, the Parliament may consider on its initiative any issue pertaining to domestic and foreign policies of the State, and retains within its exclusive power, including but not limited to:

(i) enact new laws and make amendments to the laws;

(ii) define the State financial, credit, tax and monetary policies;

(iii) lay down guidelines for the country's economic and social development;

(iv) approve the government's program of action, the state budget and the report on its execution; and

(v) supervise the implementation of laws and other decisions of the Parliament.

The Parliament meets semi-annually. The Parliament members elect a chairman and a vice chairman who each serves a four-year term. The Parliament members are elected by district for a four-year term.

The Mongolian Parliament used to adopt a policy to welcome international investors to invest and develop its mining sector, and have favourable policies on mining developers. However, there is no guarantee that the Parliament will not change its existing policies or adopt a more conservative or restrictive policy on the mining sector in future.

EXPLORATION AND MINING CONCESSIONS OF THE GROUP

The information of the Group's existing exploration and mining concession areas in Western Mongolia is as follows:

Licence *(licence no.)*	**Location** *(resources)*	**Mine Area (approximate)** *(hectare)*△	**Date of issuance**	**Licence valid period**#	**Development status/Remarks**
	Khushuut coal project				
1414A 1640A 4322A 6525A 11887A 11888A 15289A 20299A	Khovd, Western Mongolia	1,885	30 December 1998 25 May 1999 23 April 2002 7 November 2003 14 August 2006 14 August 2006 23 November 2009 4 December 2015	70 years for Mining Licences (A)▲▲	Approximate 141 million tonnes of in-place resources according to JORC standards are reported*
	Exploration Project				
20745X	Gobi Altay, Western Mongolia	10,884	22 February 2017	12 years for Exploration Licence (X) ▲	
	Others				
2913A	Olon Bulag, Western Mongolia	38	26 January 2001	70 years for Mining Licence (A)▲▲	
Total Hectares		**12,807**			

△ *1 hectare = 10,000 square metres*

\# *the exploration licences are for three years with three further extensions of three-year each. The mining licences are for thirty years with two further extensions of twenty-year each.*

▲ *(X) stands for exploration licence*

▲▲ *(A) stands for mining licence*

* *The resource estimation of the Khushuut Coal Mine made in 2009 is based on "reasonable prospects for eventual economic extraction" by using the following parameters:*

(a) Open-pit mining method;

(b) Maximum mining depth of 400 meters. At 200 meters depth, the approximate JORC resources are 85 million tonnes;

(c) Raw coal density as determined from the analytical data. The average density for the B and C seams is 1.45;

(d) Minimum mineable seam height of 1.5 meters; and

(e) Coal estimates are on raw coal basis, which include all coal and partings less than 0.1 meter, non-coal parting measuring of 0.3 meter or less are mined with coal.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 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 of Hong Kong Limited ("**Stock Exchange**"), save for the following deviations:

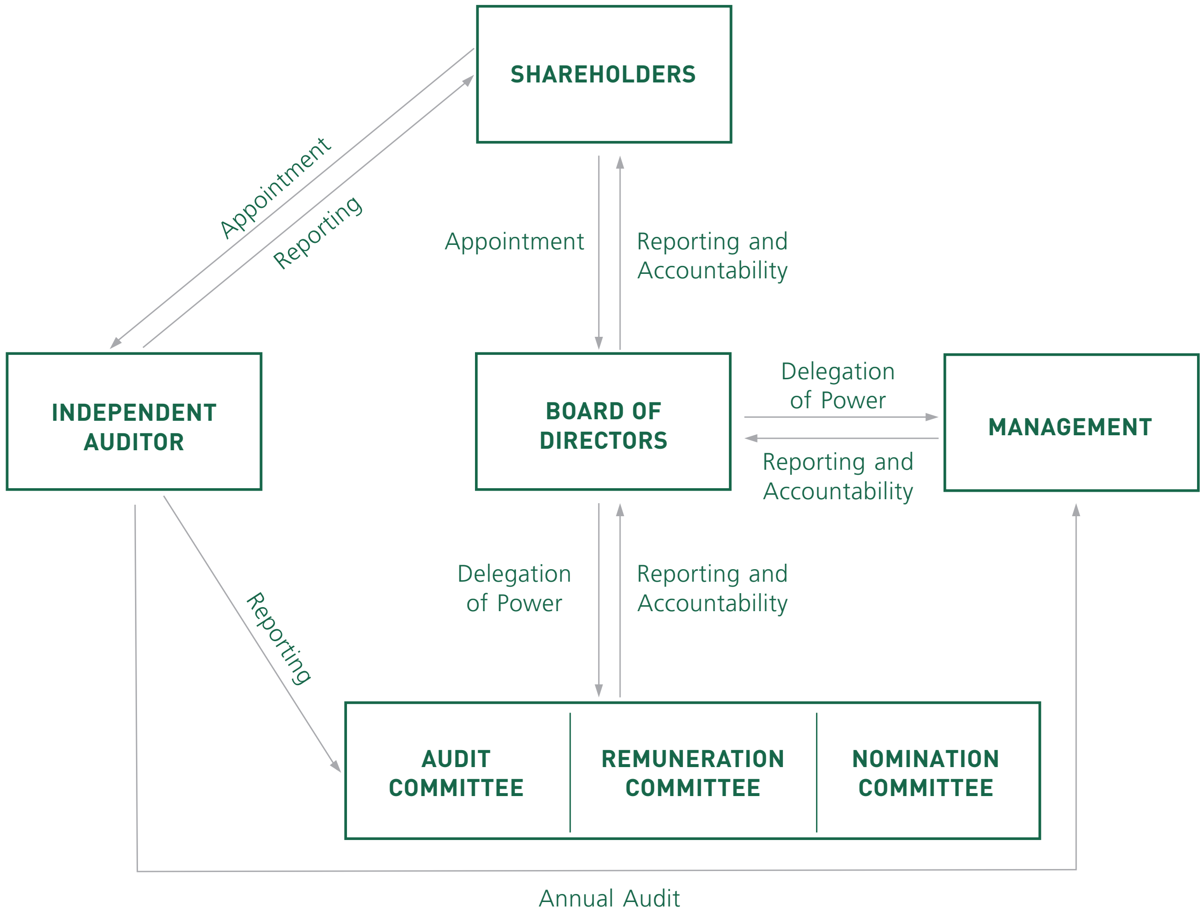
i. Code provisions B.3.1 of the CG Code require a nomination committee to be set up, chaired by the chairman of the board or an independent non-executive director to review the structure, size and composition of the board at least annually to complement the issuer's corporate strategy.

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

ii. 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 2021 AGM. Mr. Tsui Hing Chuen, William *JP*, the independent non-executive Director of the Company took the chair of the 2021 AGM and answered questions raised by the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Other than the AGM, the shareholders may communicate with the Company through the contact methods listed on the Company's website.

CORPORATE GOVERNANCE STRUCTURE



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 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.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Good corporate governance and enterprise-wide risk management are essential for every business. The Company is convinced that corporate governance and Directors and Officers Liability Insurance (the "**D&O Insurance**") complement each other. The Company has arranged appropriate D&O Insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The D&O Insurance coverage is reviewed on an annual basis.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises nine members, including four executive Directors, two non-executive Directors and three independent non-executive Directors, overseeing the overall business operation of the Company. Biographical details of the Directors are set out on pages 40 to 41.

Our Board possesses a balance of skills and experience appropriate for the running of the Group's business. They come from different streams of professions with diversified expertise including management, finance, legal and accounting.

The Board members during the Financial Year and up to the date of this Report are as follows:

Executive Directors

Mr. Lo Lin Shing, Simon *(Chairman)*
Ms. Yvette Ong *(Managing Director)*
Mr. Lo, Rex Cze Kei
Mr. Lo, Chris Cze Wai

Non-executive Directors

Mr. To Hin Tsun, Gerald
Mr. Tang Chi Kei *(appointed on 10 November 2021)*

Independent Non-executive Directors

Mr. Tsui Hing Chuen, William *JP*
Mr. Lau Wai Piu
Mr. Lee Kee Wai, Frank

The Board will consider the following attributes or qualifications in evaluating membership in the Board:

– management and leadership experience;

– skills and diverse background;

– integrity and professionalism; and

– independency.

The Company has adopted a Board Diversity Policy (the "**Board Diversity Policy**") setting out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates would be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board Diversity Policy has been published on the Company's website. Besides, the Company has also adopted a nomination policy for recruitment of members of the Board.

The Board will review its composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the business and development of the Company. The shareholders may propose a candidate for election as a director and the procedures have been published on the website of the Company.

During the Financial Year, the Board at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

All the independent non-executive Directors are financially independent from the Company and any of its subsidiaries. The Company has received written annual confirmation of independence from each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Appointment and Re-election of Directors

Potential new Directors are identified and considered for appointment by the Board. A Director appointed by the Board is subject to election by shareholders at the next following general meeting after his or her appointment, and all executive and non-executive Directors are subject to re-election by shareholders at least every three years. The general requirements for consideration include but not limited to his or her independence, availability, motivation, standing and business experience. The criteria have been set out in the Nomination Policy for Recruitment of Board Members, and published on the Company's website.

Potential new Board members are identified on the basis of skills and experience with reference to the nomination policy for recruitment of Board members and Board diversity policy adopted by the Company which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

Full details of the Board during the Financial Year and up to the date of this report are provided in the section of this annual report headed Directors' Report.

Responsibilities and Functions of the Board

The Board is responsible for formulating strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving the Company's financial statements. The Board is also responsible for developing and reviewing the Company's policies on corporate governance and making recommendations. The Board as a whole and the Management shall ensure good corporate governance practices and procedures are followed.

The Directors, collectively and individually, are aware of their responsibilities to the shareholders, for the manner in which the affairs of the Company are managed and operated. In the appropriate circumstances as and when necessary, the Directors can seek independent professional advice at the Company's expense for ensuring that the Board procedures and all applicable rules and regulations are followed.

The Board may delegate the management powers to the Management. However, the delegation of power does not absolve the Directors from their responsibilities of exercising requisite skill, care and diligence in overseeing the performance of the Company. The Board can meet the Management from time to time to discuss the operating issues of the Group. The Company has also issued formal appointment letters to all the Directors setting out the key terms and conditions of their respective appointments.

In order to enable the Directors to discharge their duties effectively, each Director has separate and independent access to members of the Management to make enquiries or obtain necessary information. They may also seek advices and services from external experts and consultants at the Company's expense for the purpose of facilitating them to make an informed decision.

All the independent non-executive Directors, are not involved in daily management. The non-executive Directors assist the Board in determining overall policies of the Company and contributing to the decision making of the Board. The independent non-executive Directors also give independent views on the deliberations of the Board and ensure high standards of corporate governance and financial probity.

The Board is responsible for performing the following corporate governance duties:

i. to develop and review the Company's policies on corporate governance and make recommendations;

ii. to review and monitor the training and continuous professional development of the Directors and senior management;

iii. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

iv. to develop, review and monitor the code of conduct of employees and the Directors; and

v. to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the Financial Year, the Board:

i. reviewed the performance of the Group and formulated business strategies of the Group;

ii. reviewed and approved the annual and interim results of the Group;

iii. reviewed the internal controls of the Group;

iv. reviewed the corporate governance procedures;

v. reviewed and approved the Environment, Social and Governance Report 2021;

vi. reviewed and approved the auditor's remuneration and appointed Messrs. Ernst & Young as the independent auditor ("**Independent Auditor**") of the Company to fill the casual vacancy following the resignation of the predecessor auditor respectively;

vii. reviewed and approved the inside information announcements;

viii. reviewed the connected transaction of the Company; and

ix. reviewed and approved the discloseable transaction.

During the Financial Year, the Board had not amended the dividend policy of the Company. Under the policy, the Board may propose payment of dividends for a financial year by taking into account the relevant factors when considering the proposal, and these factors include, among others, the actual and expected financial performances of the Group, retained earnings and distributable reserves, the level of the Group's debts, return on equity and the relevant financial covenants that may be imposed by the Group's lenders, the Group's expected working capital requirements and future capital expenditure plans, general economic conditions, internal and/or external factors that may have an impact on the business or financial performance of the Group, etc. The dividend policy has been published and posted on the Company's website.

To the best knowledge of the Company, apart from the family relationship between Mr. Lo, Mr. Lo, Rex Cze Kei and Mr. Lo, Chris Cze Wai, there is no financial, business and family relationship among the Directors. All of them are free to exercise their independent judgments.

The Directors are aware of their commitments to the Company for contributing sufficient time and attentions to the management of the Group.

CHAIRMAN AND MANAGING DIRECTOR

During the Financial Year, the Chairman of the Board and the Managing Director were Mr. Lo and Ms. Yvette Ong respectively.

The Chairman's responsibilities are to provide leadership to the Board and formulate the Group's business strategies. The Chairman is also responsible for ensuring that the Board works effectively, in particular, all the Directors receive reliable, adequate and complete information in a timely manner. The Chairman may communicate with the Directors directly or through the assistance of the Company Secretary to discuss or clarify any issues concerning the Group from time to time, and to provide any supporting information and documents to them.

The Chairman assumes the primary responsibility for ensuring that good corporate governance practices and procedures are established.

The Managing Director is responsible for the conduct of day-to-day operation of the Group and accountable to the Board for all aspects of the corporate performance. She recommends policies to the Board for consideration and approval, and keeps the Board informed of any material developments of the Group's business. The Managing Director may delegate her duties to any other management members or responsible officers of the Group but she assumes the principal responsibility.

NON-EXECUTIVE DIRECTORS

None of the existing non-executive Directors, including the independent non-executive Directors, is appointed for a specific term.

COMPANY SECRETARY

The Company Secretary is an employee of the Company and has served as the Company Secretary since July 2004. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Under the Company's Bye-laws, the appointment of the Company Secretary shall be determined by the Board. The Company Secretary shall attend all meetings of the shareholders and the Directors and shall keep minutes of such meetings and enter the same in the proper books provided for the purpose. During the Financial Year, the Company Secretary had taken no less than fifteen hours of relevant professional trainings under Rule 3.29 of the Listing Rules.

BOARD COMMITTEES

The Board has established the Remuneration Committee and the Audit Committee and Nomination Committee, with specific terms of reference relating to their authorities and duties, which strengthen the Board's functions and enhance its expertise.

Each Committee makes decisions on matters within its terms of reference and applicable limits of authority. The terms of reference as well as the structure and membership of each Committee will be reviewed from time to time.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Lau Wai Piu, Mr. Tsui Hing Chuen, William *JP* and Mr. Lee Kee Wai, Frank, of whom Mr. Lau Wai Piu is the chairman. The Company has also appointed an external consultant to review and compare the level of compensation paid to the Directors with the prevailing market rates and give recommendation, and to review and study the remuneration level of the senior management of the Company and give recommendation.

The main responsibilities of the Remuneration Committee include, but not limited to, making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management, reviewing and approving the special remuneration packages of all the executive Directors with reference to corporate goals and objectives resolved by the Board from time to time, and determining, with delegated responsibility, the remuneration packages of the individual executive Directors.

The terms of reference of the Remuneration Committee were revised and adopted in accordance with the requirements of the Listing Rules. Details of the terms of reference of the Remuneration Committee can be viewed on both the websites of the Company and the Stock Exchange.

During the Financial year, the Remuneration Committee:

(i) reviewed and endorsed the remuneration policies; and

(ii) reviewed the remuneration packages of the Directors and the senior management.

AUDIT COMMITTEE

The Audit Committee 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 main responsibilities of the Audit Committee include, but not limited to, reviewing the Company's current financial standing, considering the nature and scope of audit reports, and ensuring internal control and risk management systems operate in accordance with applicable standards and conventions.

The terms of reference of the Audit Committee were revised and adopted in accordance with the requirements of the Listing Rules. Details of the terms of reference of the Audit Committee can be viewed on both the websites of the Company and the Stock Exchange.

During the Financial Year, the Audit Committee:

(i) reviewed the financial statements for the year ended 31 March 2021 and for the six months ended 30 September 2021;

(ii) reviewed the effectiveness of the internal control and risk management systems;

(iii) reviewed the independent auditor's report; and

(iv) recommended the appointment of new independent auditor of the Company to fill the casual vacancy following the resignation of the previous auditor.

During the Financial Year, the Chief Financial Officer attended both of the Audit Committee meetings to present the financial results of the Group to the Committee members. He also oversaw the financial reporting procedures and ensured the financial reporting and other accounting-related issues were complied with the statutory requirements and applicable accounting standards.

NOMINATION COMMITTEE

The Nomination Committee comprises by Mr. Lo, Lin Shing, Simon, the chairman of the board and three independent non-executive Directors, namely Mr. Lau Wai Piu, Mr. Tsui Hing Chuen, William $_{JP}$ and Mr. Lee Kee Wai, Frank to review the structure, size and composition of the board at least annually to complement the issuer's corporate strategy.

The main responsibilities of the Nomination Committee include, but not limited to, reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individual(s) nominated for directorship(s); assessing the independence of INEDs; making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Managing Director; providing with sufficient resources to enable it to perform its duties, including, where necessary, may seek independent professional advice, at the Company's expense, to perform its responsibilities; and reviewing the Board Diversity Policy, as appropriate, and reviewing the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives.

The terms of reference of the Nomination Committee were adopted in accordance with the requirements of the Listing Rules. Details of the terms of reference of the Nomination Committee can be viewed on both the websites of the Company and the Stock Exchange.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the Financial Year is set out below:

	Number of Meetings Attended/Held					
Directors	**Board**	**Remuneration Committee**	**Audit Committee**	**Nomination Committee**	**General**	**Continuous Professional Development Type of Training** (Notes)
Mr. Lo	4/4	N/A	N/A	N/A	0/1	A
Ms. Yvette Ong	4/4	N/A	N/A	N/A	0/1	A
Mr. Lo, Rex Cze Kei	4/4	N/A	N/A	N/A	0/1	A
Mr. Lo, Chris Cze Wai	4/4	N/A	N/A	N/A	0/1	A
Mr. To Hin Tsun, Gerald	4/4	N/A	N/A	N/A	0/1	A, B
Mr. Tang Chi Kei (appointed on 10 November 2021)	2/4	N/A	N/A	N/A	0/1	A, B
Mr. Tsui Hing Chuen, William $_{JP}$	4/4	1/1	2/2	N/A	1/1	A
Mr. Lau Wai Piu	4/4	1/1	2/2	N/A	0/1	A
Mr. Lee Kee Wai, Frank	4/4	1/1	2/2	N/A	0/1	A

Notes:

A: *reading materials relating to the Group, general business or director's duties and responsibilities, etc.*

B: *attending online-course, seminars and/or professional conference and/or forums.*

For every Board and Board Committee meetings, each Director is required to declare whether he/she has any conflict of interests in the matters to be considered. If a substantial shareholder or a Director has a conflict of interest which is considered by the Board as material, the matters should be dealt with by a physical Board meeting rather than a written resolution.

Apart from the regular Board meetings, the Chairman held meeting with the independent non-executive Directors, without the presence of the executive Directors at least once a year.

Directors' Training and Continuous Professional Development

All the Directors should participate in continuous professional development to develop and refresh their knowledge and skills in their roles as directors pursuant to Code Provision C.1.2 of the CG Code. Attendance to any professional courses recognised by registered professional bodies such as The Law Society of Hong Kong, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Chartered Governance Institute formerly known as The Hong Kong Institute of Chartered Secretaries etc., are recognised by the Company for this purpose. The Directors will also be provided with materials from time to time to keep abreast of the latest legal and regulatory changes to enable them to effectively discharge their duties.

During the Financial Year, all the Directors had participated in appropriate continuous professional development activities by ways of attending training and/or reading material relevant to the Company's businesses or to the Directors' duties and responsibilities.

INDEPENDENT AUDITOR

EY has been appointed as the independent auditor of the Company with effect from 21 March 2022 to fill the vacancy following the resignation of Deloitte Touche Tohmatsu ("**Deloitte**") on 18 March 2022 and to hold office until the conclusion of the forthcoming AGM of the Company. Deloitte stated in its letter of resignation that, among other things, that its normal procedures include an annual consideration of whether it would wish to continue to act as auditor for its audit clients and in reaching a conclusion, it would take into account factors including the professional risk associated with the audit, the level of audit fees and its available internal resources in light of its current work flows. Having reached a conclusion, Deloitte had decided to tender its resignation as the independent auditor of the Company.

A resolution will be proposed at the forthcoming AGM of the Company to re-appoint EY as auditor of the Company.

It is the Independent Auditor's responsibilities to form an independent opinion, based on its audit, on those financial statements and to report their opinion solely to the Company, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purposes. EY does not assume responsibility towards or accept liability to any other person for the contents of the Independent Auditor's Report.

The statement of the Independent Auditor about their reporting responsibilities on the financial statements is set out in the "**Independent Auditor's Report**" on pages 53 to 58.

During the year under review, the professional fee paid/payable to the Independent Auditor is set out as follows:

Services	**Fee Paid/Payable** *HK$'000*
Audit services	4,300
Non-audit services	226
	4,526

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The statement of the Independent Auditor of the Company regarding responsibilities for the financial statements is set out in the Independent Auditor's Report on page 53 to 58.

ACCOUNTABILITY AND AUDIT

The Group has provided its major operations and updates and financial information on a monthly basis to enable the Directors to assess its performance at regular intervals.

The Board understands its responsibility under the Listing Rules and other applicable regulations to make a prompt assessment and disclose updated developments and inside information regarding the Group to the shareholders and investing public in a timely manner.

Apart from these, the Company's website (www.mongolia-energy.com) also provides comprehensive and accessible news and information of the Group. Contact details of the Company are posted on the website in order to enable the shareholders and other stakeholders to make enquiries in respect of the Group.

The latest and previous annual reports, interim reports, announcements, business operations, corporate governance practices and other information of the Company are available on the Company's website. To ensure effective and timely dissemination of information at all times, the Company updates the website contents on a regular basis to keep the shareholders and public informed of the business developments of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Group's system of internal control so as to maintain sound and effective risk management and internal control to safeguard the shareholders' investment and the assets of the Group.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes continuous updating of the risk management and internal control systems of the Group in response to the changing business environment and regulatory requirements.

The Board also conducts reviews of the risk management and internal control of the Group to ensure that the policies and procedures in place are adequate. The Board assesses the effectiveness of the Group's risk management and internal control systems which covers all material controls, including financial, operational and compliance controls and risk management functions.

During the Financial Year, the Group engaged a professional accounting firm to be its internal auditor (the "**Internal Auditor**") and to report directly to the Audit Committee. The Internal Auditor adopts a risk-based approach and independently review and test the controls over various selected operations and activities and evaluates their adequacy, effectiveness and compliance on an annual or ad hoc basis. Review findings and recommendations are reported to the Audit Committee. In addition, progress on audit recommendations implementation will be followed up on a regular basis and discussed with the Audit Committee.

During annual review, the Audit Committee considered and satisfied the adequacy of resources, qualifications and experience of accounting staff of the Group, accounting and financial reporting function and their training programs and budgets. Based on the results of evaluations and representations made by the Internal Auditor and the Independent Auditor for the Financial Year, the Audit Committee was satisfied that there was an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that would threaten the achievement of its business objectives; and an appropriate, effective and adequate system of internal control and enterprise risk management had been in place in during the Financial Year.

To enhance the effectiveness of the risk management and internal control, the Director of Legal and Compliance will assist in risk management and internal control review process to ensure the compliance aspects of the Group are met. The Company Secretary will ensure the Board and the Board Committees are provided with timely information and sufficient resources to enable them to efficaciously discharge their duties.

COMMUNICATION WITH SHAREHOLDERS

The Group is committed to enhancing the communication with the shareholders and investors. Updated information about the announcements of the Group and the Company is posted on our website (www.mongolia-energy.com) in a timely manner. The shareholders can communicate with the Company or the Board through the contact information provided on the website and in the general meetings of the Company.

The Company has complied with the Listing Rules regarding the requirements about voting by poll and keeping the shareholders informed of the procedures for voting by poll through notices of general meetings in circulars of the Company.

During the Financial Year, the Company held one general meeting which was the AGM. An independent non-executive Director and the Independent Auditor of the Company had attended the 2021 AGM to answer the shareholders' enquiries. In addition, separate resolutions for each issue had been proposed at the general meeting for voting by the shareholders.

The notice of the AGM is distributed to all shareholders at least twenty clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company has only one class of shares. All shares have the same voting rights and entitlement to any dividend declared. The rights of our shareholders are set out in, among others, the Bye-laws of the Company and the Bermuda Companies Act.

Convening a General Meeting

The shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to request a general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months from the date of the deposit of such requisition.

If the Board does not within twenty-one days from the date of deposit of the requisition proceed duly to convene a general meeting, the shareholders concerned may convene the general meeting in the same manner in accordance with the provisions of Section 74 of the Bermuda Companies Act.

The written requisition must state the objects of the meeting, and must be signed by the shareholders concerned. The requisition will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to (i) include the resolution in the agenda for the AGM; or (ii) convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders.

On the contrary, if the requisition has been verified as not being in order, the shareholders concerned will be advised of this outcome and accordingly, (i) the proposed resolution will not be included in the agenda for the AGM; or (ii) the general meeting will not be convened as requested.

The notice period to be given to the registered shareholders for consideration of the proposal raised by the shareholders concerned at a general meeting varies according to the nature of the proposal. Pursuant to Bye-law 59(1) of the Company's Bye-laws, an AGM shall be called by a notice of not less than twenty clear business days and all other general meeting at which the passing of a special resolution is to be considered shall be called by not less than ten clear business days.

Putting Forward Proposals at General Meetings

The shareholders representing not less than one-twentieth of the total voting rights of the Company at the date of the deposit of the requisition or not less than one hundred shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company.

The requisition must state the proposal together with a statement with respect to the matter referred to in the proposal and duly signed by the shareholders concerned. The written requisition must be deposited at the registered office of the Company for the attention of the Company Secretary, (i) in the case of a requisition requiring notice of a resolution not less than six weeks before the meeting, and (ii) in the case of any other requisition, not less than one week before the meeting.

The requisition will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to (i) include the resolution in the agenda for the AGM; or (ii) convene a special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders.

On the contrary, if the requisition has been verified as not being in order, the shareholders concerned will be advised of this outcome and accordingly, (i) the proposed resolution will not be included in the agenda for the AGM; or (ii) the general meeting will not be convened as requested.

Proposing for Election as a Director

If a shareholder wishes to propose a person other than a Director of the Company for election as a Director at any general meeting, he/she can deposit a written notice to that effect at the principal place of business of the Company for the attention of the Company Secretary.

In order for the Company to inform its shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. The period for lodgment of such a written notice will commence no earlier than the day after the despatch of the notice and end no later than seven days prior to the date of any general meeting.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries, either by post or by email, together with his/her contact details, such as postal address or email, addressed to the principal place of business of the Company in Hong Kong as set out in the section headed "Corporate Information" for the attention of the Company Secretary or by email to us at enquiry-hk@mongolia-energy.com.

CONSTITUTIONAL DOCUMENTS

During the Financial Year, the Company has not made any changes to its Bye-laws. The Company's Bye-laws is available on the Company's website as well as the Stock Exchange's website. The Directors propose to amend the existing Bye-laws of the Company and to adopt a new set of Bye-laws of the Company ("**New Bye-laws**") in substitution for and to the exclusion of the Bye-laws in the upcoming general meeting for voting by the shareholders. The amendments are mainly to (i) bring the New Bye-laws in line with, among other things, the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022 and the latest Companies Act of Bermuda and (ii) expressly allow the Company to hold hybrid or electronic general meetings. Details will be given in a circular to be sent to the shareholders.

DIRECTORS AND SENIOR MANAGEMENT

MR. LO LIN SHING, SIMON

Chairman and Executive Director

Mr. Lo, aged 66, an entrepreneur, is the Chairman of the Company. He has been an executive Director since August 1999. Mr. Lo identifies business opportunities for MEC, including the acquisition of the coal mine in Western Mongolia, and provides business and strategic directions. He possesses over 30 years of experience in the financial, securities and futures industries, including many trans-border transactions. He is the father of Mr. Lo, Rex Cze Kei and Mr. Lo, Chris Cze Wai, both are executive Directors of the Company. Mr. Lo is a director of certain subsidiaries of the Company. He is also the chairman and executive director of Vision Values.

MS. YVETTE ONG

Managing Director and Executive Director

Ms. Ong, aged 57, has been an executive Director since September 1999 and was appointed as the Managing Director on 1 June 2012. She has over 30 years of managerial experience in the Asia-Pacific region. Prior to joining the Company, Ms. Ong was a managing director of AT&T EasyLink Services Asia Pacific Ltd. She holds an MBA degree in Management Information Systems and Marketing and a Bachelor degree in Finance and Management from the University of San Francisco. Ms. Ong is a director of certain subsidiaries of the Company. Ms. Ong is also an executive director of Vision Values.

MR. LO, REX CZE KEI

Executive Director

Mr. Rex Lo, aged 40, was appointed as a non-executive Director in October 2016 and re-designated as an Executive Director in February 2018. He has over 10 years of experience in property business and general management. Mr. Rex Lo holds a Master of Science in Electronic Commerce and Internet Computing and a Bachelor of Science in Business Administration. He is the son of Mr. Lo, the Chairman and executive Director of the Company and the elder brother of Mr. Lo, Chris Cze Wai, an executive director of the Company. Mr. Rex Lo is a director of certain subsidiaries of the Company. He is also an executive director of Vision Values.

MR. LO, CHRIS CZE WAI

Executive Director

Mr. Chris Lo, aged 28, holds a master's degree of Engineering in mechanical engineering from University of Bristol, UK. He joined the Group in 2017. Mr. Chris Lo is the project engineer of the Group. He also has experienced in property management and corporate finance. He is the son of Mr. Lo, the chairman and executive Director of the Company, and the brother of Mr. Lo, Rex Cze Kei, an executive director of the Company. Mr. Chris Lo is a director of certain subsidiaries of the Company. He is also an executive director of Vision Values.

MR. TO HIN TSUN, GERALD

Non-executive Director

Mr. To, aged 73, was appointed as an independent non-executive Director in August 1999 and re-designated as a non-executive Director in October 2000. Mr. To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr. To is a non-executive director of NWS Holdings Limited which is listed on the Stock Exchange.

MR. TANG CHI KEI

Non-executive Director

Mr. Tang, aged 57, has been appointed as a non-executive director of the Company since November 2021. He has served as the Company Secretary and the chief financial officer of the Company since July 2004. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tang has over 30 years of experience in accounting and financial management. He is a director of certain subsidiaries of the Company. He is also a company secretary of Vision Values.

MR. TSUI HING CHUEN, WILLIAM *JP*

Independent Non-executive Director

Mr. Tsui, aged 71, was appointed as an independent non-executive Director in September 2006. Mr. Tsui is the founding partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries, which was established in 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1981, and a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor in Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of the Peace by the Government of Hong Kong in 1997. He was admitted to the Roll of Honour of The Law Society of Hong Kong in 2013. Mr. Tsui is also an independent non-executive director of Vision Values.

MR. LAU WAI PIU

Independent Non-executive Director

Mr. Lau, aged 58, joined the Company as an independent non-executive Director since September 2004. He has over 20 years of extensive experience in accounting and financial management. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He is an independent non-executive director of Vision Values.

MR. LEE KEE WAI, FRANK

Independent Non-executive Director

Mr. Lee, aged 63, was appointed as an independent non-executive Director in October 2016. He is the Senior Partner of Messrs. Vincent T.K. Cheung, Yap & Co., Solicitors and Notaries. Mr. Lee holds a Master of Law from University of Cambridge and a Bachelor of Laws from the London School of Economics & Political Science. He is a qualified solicitor in the respective jurisdictions of Hong Kong, England and Wales, Singapore and the Australian Capital Territory (Australia). Mr. Lee is also a China-Appointed Attesting Officer and a member of the Chartered Institute of Arbitrators. He is also an independent non-executive director of Pico Far East Holdings Limited and Vision Values, both of which are listed on the Stock Exchange.

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of the Company and its subsidiaries (together the "**Group**") for the Financial Year.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are coal mining, processing, and other resources related operations. The activities of the principal subsidiaries are set out in Note 44 to the consolidated financial statements.

Analyses of the principal activities and geographical locations of the operations of the Group for the year ended 31 March 2022 are set out in Note 6 to the consolidated financial statements.

BUSINESS REVIEW

Reviews of the business of the Group during the Financial Year are set out in the Management Discussion and Analysis on page 13.

POSSIBLE RISKS AND UNCERTAINTIES

Descriptions of the possible risks and uncertainties that the Group is facing are provided in the Management Discussion and Analysis on pages 18 to 22 and in Note 5 to the consolidated financial statements. The financial risk management objectives and policies of the Group can be found in Note 40(b) to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Discussions of the environmental policies and performance during the Financial Year are provided in the Management Discussion and Analysis on page 15.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Discussions of the compliance with relevant laws and regulations which have a significant impact on the Group are set out in the Management Discussion and Analysis on page 15.

KEY RELATIONSHIPS WITH STAKEHOLDERS

In relation to the Company's key relationships with its stakeholders, discussions of the Company's policies on human resources management, community involvement and contribution in relation to environmental concerns and social responsibilities are provided in the Management Discussion and Analysis on page 16.

RESULTS

The results of the Group for the year ended 31 March 2022 are set out in the Consolidated Statement of Profit or Loss on page 59.

No interim dividend was declared (2021: Nil) and the Directors do not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 7 December 2022 to Monday, 12 December 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 6 December 2022.

SHARE CAPITAL

Details of the movements in the share capital and the share options of the Company during the Financial Year are set out in Notes 34 and 35 to the consolidated financial statements.

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

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the Financial Year or subsisting at the end of the Financial Year are set out below:

Convertible notes

On 6 March 2020, the Company issued convertible notes with a total principal amount of HK$3,438,058,423. As at 31 March 2022, they can be converted into 3,043,074,176 conversion shares at a par value of HK$0.02 at a conversion price of HK$1.2. So far, none of conversion rights had been exercised. The maturity date of the convertible notes is 6 March 2025. The notes bear interest at 3% per annum and are unsecured. The Group will not receive further consideration when the holders determine to convert the notes into ordinary shares of the Company prior to the maturity date. The reason for issuance of the convertible notes was making full settlement of the principal amounts and accrued interest of previously issued convertible notes.

Share Option Scheme

Details of the movements in share options during the Financial Year are set out in Note 35 to the consolidated financial statements and "Share Option Scheme" section contained in this Directors' Report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results for the Financial Year and of the assets and liabilities of the Group as at 31 March 2022 and for the last four financial years are set out on page 155.

RESERVES

Details of the movements in reserves of the Group and the Company during the Financial Year are set out on page 63 and in Note 43 to the consolidated financial statements respectively.

DONATIONS

For the year ended 31 March 2022, the Group made charitable and other donations in a total amount of HK$8,763,000 (2021: HK$5,332,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Financial Year are set out in Note 15 to the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the principal subsidiaries and associated companies of the Group as at 31 March 2022 are set out in Notes 44 and 19 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the Financial Year attributable to the Group's major customers and suppliers are as follows:

Sales	
The largest customer	53.1%
Five largest customers in aggregate	79.3%
Purchases	
The largest purchaser	28.1%
Five largest purchasers in aggregate	51.7%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers.

DIRECTORS

During the Financial Year and up to the date of this Directors' Report, the board composition and biographical details of the Directors of the Group are set out on pages 28 to 29, and pages 40 to 41 respectively.

In accordance with Bye-law 86(2) and 87 of the Bye-laws of the Company, Mr. Lo, Mr. Tang Chi Kei, Mr. Tsui Hing Chuen, William *JP*, and Mr. Lau Wai Piu will retire. All the retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM.

The Directors, including the independent non-executive Directors, are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the provisions of the Bye-laws of the Company.

DIRECTORS' SERVICE CONTRACTS

Mr. Lo entered into a service contract with the Company on 30 March 2022 for a fixed term of three years with effect from 1 April 2022.

None of the Directors during the Financial Year being proposed for re-election at the forthcoming AGM has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the Financial Year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 24 to 39.

DIRECTORS' INTERESTS

As at 31 March 2022, the interests or short positions of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares and underlying shares of the Company

	Number of shares			Number of underlying shares			
Name of Directors	Personal interests	Spouse interests	Corporate interests	Personal Interests pursuant to share options	Corporate interests	Total interests	Percentage of shareholding
Mr. Lo	124,000	43,750	30,151,957 *(Note)*	3,600,000	602,204,563 *(Note)*	636,124,270	338.14%
Ms. Yvette Ong	27,250	–	–	2,800,000	–	2,827,250	1.50%
Mr. Lo, Rex Cze Kei	–	–	–	3,000,000	–	3,000,000	1.59%
Mr. Lo, Chris Cze Wai	–	–	–	1,500,000	–	1,500,000	0.80%
Mr. To Hin Tsun, Gerald	135,000	–	–	1,000,000	–	1,135,000	0.60%
Mr. Tang Chi Kei	2,300	–	–	1,000,000	–	1,002,300	0.53%
Mr. Tsui Hing Chuen, William *JP*	12,500	–	–	1,000,000	–	1,012,500	0.54%
Mr. Lau Wai Piu	5,030	–	–	1,000,000	–	1,005,030	0.53%
Mr. Lee Kee Wai, Frank	–	–	–	1,000,000	–	1,000,000	0.53%

*Note: Golden Infinity Co., Ltd. ("**Golden Infinity**"), a company wholly-owned by Mr. Lo.*

Save as disclosed above and the section headed "**SHARE OPTION SCHEME**", as at 31 March 2022, none of the Directors, chief executives and their respective associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS UNDER THE SFO

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31 March 2022, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Long position of substantial Shareholders/other persons in the shares and/or underlying shares

	Number of shares and/or underlying shares				
Name of Shareholders	Beneficial/ Personal interests	Spouse interests	Corporate interests	Total interests	Percentage of nominal value of issued share capital
Cheng Yu Tung Family (Holdings) Limited	–	–	2,698,101,424	2,698,101,424 *(Note 1)*	1,434.20%
Cheng Yu Tung Family (Holdings II) Limited	–	–	2,698,101,424	2,698,101,424 *(Note 1)*	1,434.20%
Chow Tai Fook (Holding) Limited	–	–	2,698,101,424	2,698,101,424 *(Note 1)*	1,434.20%
Chow Tai Fook Capital Limited	–	–	2,698,101,424	2,698,101,424 *(Note 1)*	1,434.20%
Chow Tai Fook Nominee Limited	2,698,101,424	–	–	2,698,101,424 *(Notes 1 & 2)*	1,434.20%
Ms. Ku Ming Mei, Rouisa	43,750	636,080,520	–	636,124,270 *(Note 3)*	338.14%
Golden Infinity	632,356,520	–	–	632,356,520	336.13%
Dr. Cheng Kar Shun	–	1,977,500	7,889,250	9,866,750 *(Note 4)*	5.24%
Ms. Ip Mei Hing	–	7,889,250	1,977,500	9,866,750 *(Note 4)*	5.24%

Notes:

1. *Chow Tai Fook (Holding) Limited held 99.8% interest in Chow Tai Fook Nominee Limited. 81.03% interest of Chow Tai Fook (Holding) Limited was held by Chow Tai Fook Capital Limited in which it was held as to 48.98% by Cheng Yu Tung Family (Holdings) Limited and as to 46.65% by Cheng Yu Tung Family (Holdings II) Limited. By virtue of the SFO, each of Cheng Yu Tung Family (Holdings II) Limited, Cheng Yu Tung Family (Holdings) Limited, Chow Tai Fook Capital Limited and Chow Tai Fook (Holding) Limited was deemed to be interested in 2,698,101,424 shares held by and Chow Tai Fook Nominee Limited.*

2. *Among 2,698,101,424 shares held by Chow Tai Fook Nominee Limited, 2,692,601,424 shares were underlying shares.*

3. *Ms. Ku Ming Mei, Rouisa, the spouse of Mr. Lo, was deemed to be interested in 636,080,520 shares owned by Mr. Lo beneficially, under the SFO.*

4. *Dr. Cheng Kar Shun was interested in the entire issued share capital of Dragon Noble Group Limited ("**Dragon**"). By virtue of the SFO, he was deemed to be interested in 7,889,250 shares held by Dragon and 1,977,500 shares were owned by Ms. Ip Mei Hing (the spouse of Dr. Cheng Kar Shun) through her controlled corporation Brighton Management Limited.*

Save as disclosed above and those disclosed under "**DIRECTORS' INTERESTS**", the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at 31 March 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Financial Year and up to the date of this Report, to the best knowledge of the Directors, none of the Directors nor their respective associates was considered to have any interests in the businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as Directors to represent the interests of the Company and/or the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the Financial Year or at any time during the Financial Year.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme operated by the Group are set out in Note 4 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

During the Financial Year and up to the date of this report, the Company had in force indemnity provision as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company or its associated companies. The permitted indemnity provisions are provided for in the Bye-laws and in the D&O insurance maintained for the Group in respect of potential liability and costs associated with legal proceeding that may be brought against such Directors.

SHARE OPTION SCHEME

Under the share option scheme adopted by the Company on 30 August 2012 (the "**Share Option Scheme**"), options are granted to certain Directors, employees and other eligible participants of the Company entitling them to subscribe for shares of HK$0.02 each in the capital of the Company.

The following is a summary of the terms of the Share Option Scheme:

1. Purposes

The purposes of the Share Option Scheme are to provide incentives or rewards for the participants who contribute to the Group and to enable the Group to recruit or retain high-calibre employees and attract human resources that are valuable to the Group.

2. Participants

The participants of the Share Option Scheme include any Directors, employees, consultants, agents or advisors of the Group or any entities in which the Group holds an interest.

3. Number of shares available for issue

Under the Share Option Scheme, the total number of shares available for issue was 18,812,584 which represent approximately 10.00% of the issued share capital of the Company as at 31 March 2022.

4. Maximum entitlement of each participant

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each participant in any twelve month period must not exceed 1% of the shares in issue.

In addition, any share options to a substantial shareholder and/or an independent non-executive Director of the Company or any of their respective associates, and where the total number of share issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the Company's shares in issue and with an aggregate value (based on the price of the shares on the date of grant) in excess of HK$5 million, are subject to the Company's shareholders' approval in general meeting.

5. Option period

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Directors to the grantee, but in any event such period of time must not be more than ten years from the date of grant.

6. Vesting period

The Directors may, if consider appropriate, determine the minimum period for which an option must be held before it can be exercised.

7. Amount payable on acceptance of option

Upon acceptance of the offer for an option, the grantee shall pay HK$1.00 as consideration for the grant.

8. Exercise price

The subscription price for a share in respect of any option granted shall be a price determined by the Directors at their absolute discretion but shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date, (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for five trading days immediately preceding the offer date; and (iii) the nominal value of a share.

9. Expiry of the Share Option Scheme

The Share Option Scheme was valid and effective for a term of ten years commencing from 30 August 2012. The Company granted certain options to eligible participants to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. The Share Option Scheme was expired on 29 August 2022 but the share options already granted are still exercisable pursuant to their term of grant. At the coming AGM of the Company, an ordinary resolution for adoption of a new share option scheme (the "**2022 Share Option Scheme**") would be put to the shareholders for approval.

Details of the movements in outstanding share options, which have been granted under the Share Option Scheme, during the Financial Year were as follows:

						Number of shares subject to options			
Name or category of participants	Date of Grant	Exercise Price HK$	Exercise period	Vesting Period	As at 1 April 2021	Granted during the Financial Year	Lapsed during the Financial Year	Exercised during the Financial Year	As at 31 March 2022
Mr. Lo	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	1,800,000	–	–	–	1,800,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	1,800,000	–	–	–	1,800,000
Ms. Yvette Ong	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	1,000,000	–	–	–	1,000,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	1,800,000	–	–	–	1,800,000
Mr. Lo, Rex Cze Kei	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	1,500,000	–	–	–	1,500,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	1,500,000	–	–	–	1,500,000
Mr. Lo, Chris Cze Wai	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	1,500,000	–	–	–	1,500,000
Mr. To Hin Tsun, Gerald	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	–	–	500,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. Tang Chi Kei (appointed on 10 November 2022)	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	–	–	500,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. Tsui Hing Chuen, William *JP*	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	–	–	500,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. Lau Wai Piu	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	–	–	500,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. Lee Kee Wai, Frank	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	–	–	500,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Employees in aggregate (including a director of certain subsidiaries)	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	7,200,000	–	(100,000)	–	7,100,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	7,400,000	–	(200,000)	–	7,200,000
TOTAL					30,500,000	–	(300,000)	–	30,200,000

GROUP'S BORROWINGS

Details of the Group's borrowings are set out in Note 29 to the consolidated financial statements.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

At 31 March 2022, there is no Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act of Bermuda (2021: HK$Nil) which is the sum of the Company's share premium, contribution surplus and accumulated losses as stated in Note 43 to the consolidated financial statements on page 153.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lau Wai Piu, Mr. Tsui Hing Chuen, William *JP* and Mr. Lee Kee Wai, Frank. Their principal duties include reviewing and supervising the Company's financial reporting process, internal control procedures and relationship with the independent auditors.

The audited consolidated financial statements for the year ended 31 March 2022 had been reviewed by the Audit Committee.

HUMAN RESOURCES

As at 31 March 2022, excluding site and construction workers directly employed by our contractors, the Group employed 758 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, staff bonus, and share options are awarded to the employees according to the performance of the Group, assessment of individual performance, and industry practice. Appropriate training programs are also offered for staff training and development.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the Financial Year.

INDEPENDENT AUDITORS

The consolidated financial statements have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the forthcoming AGM of the Company to re-appoint Ernst & Young as the independent auditor of the Company.

Deloitte Touche Tohmatsu ("**Deloitte**") was the former independent auditor of the Company, with its resignation on 18 March 2022. Following the resignation of Deloitte, Ernst & Young was appointed as the independent auditor of the Company.

On behalf of the Board

Lo Lin Shing, Simon
Chairman
Hong Kong, 31 October 2022

Ernst & Young
27/F, One Taikoo Place 979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

To the Shareholders of Mongolia Energy Corporation Limited
(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Mongolia Energy Corporation Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 59 to 154, which comprise the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

UNQUALIFIED OPINION ON THE GROUP'S CONSOLIDATED FINANCIAL POSITION

In our opinion, the consolidated financial statements give a true and fair view of the Group's consolidated financial position as at 31 March 2022, 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.

DISCLAIMER OF OPINION ON THE GROUP'S CONSOLIDATED FINANCIAL PERFORMANCE AND CONSOLIDATED CASH FLOWS

We do not express an opinion on the Group's consolidated financial performance and consolidated cash flows for the year ended 31 March 2022. Because of the significance of the matters described in the following paragraphs, we were unable to obtain sufficient appropriate audit evidence to ascertain whether any of the impairment losses and deferred tax recognised by the Group during the year ended 31 March 2022 referred to in the following paragraphs should have been recorded in the consolidated statement of profit or loss of previous years, and to provide a basis for an audit opinion on the Group's consolidated financial performance and consolidated cash flows.

BASIS FOR UNQUALIFIED OPINION ON THE GROUP'S CONSOLIDATED FINANCIAL POSITION AND BASIS FOR DISCLAIMER OF OPINION ON THE GROUP'S CONSOLIDATED FINANCIAL PERFORMANCE AND CONSOLIDATED CASH FLOWS

The principal mining project of the Group is the Khushuut coking coal project in Western Mongolia and the Group is principally engaged in mining, processing and sale of its coal. The Group performed an impairment test of the Group's property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations (collectively referred to as "**Khushuut Related Assets**") as at 31 March 2022, and recognised an impairment loss of HK$417 million in its consolidated statement of profit or loss for the year ended 31 March 2022. As further disclosed in Note 3 to the consolidated financial statements, management has made changes to certain key assumptions used in its impairment testing as at 31 March 2022. However, management has not performed any reassessment of their impairment testing of the Khushuut Related Assets as at 31 March 2021 and was unable to provide us with sufficient appropriate audit evidence to evaluate the appropriateness for certain key assumptions related to its forecasted annual production and sales used in its impairment test of the Khushuut Related Assets as at 31 March 2021. Therefore, 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 the associated impairment loss of HK$417 million 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.

As further disclosed in Note 32 to the consolidated financial statements, as at 31 March 2021, the Group had unrecognised deferred tax assets of HK$555 million arising from depreciation and amortisation and unrealised foreign exchange losses and had recognised deferred tax liabilities of HK$22 million arising from depreciation and amortisation in the consolidated statement of financial position as at 31 March 2021. The management has assessed the Group's deferred tax assets and liabilities as at 31 March 2022 and has recognised deferred tax assets of HK$39.8 million arising from depreciation and amortisation and unrealised foreign exchange losses and as a result HK$61 million was credited to income tax expense in the consolidated statement of profit or loss. However, management has not performed a reassessment of the Group's deferred tax assets and liabilities as at 31 March 2021 and was unable to provide us with sufficient appropriate audit evidence to assess whether any deferred tax assets should have been recognised for the temporary differences as at 31 March 2021 and to substantiate the amount of deferred tax liabilities of HK$22 million recognised as at 31 March 2021. Therefore, 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 the associated deferred tax credit of HK$61 million 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing 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. As described above, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Group's consolidated financial performance and consolidated cash flows. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Group's consolidated financial position as at 31 March 2022.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1 to the consolidated financial statements which indicates that as at 31 March 2022, the Group had net liabilities of approximately HK$2,712.4 million and net current liabilities of approximately HK$1,140.4 million and incurred a net loss of approximately HK$349.1 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. If the finance and the internally generated funds were not available, the Group would be unable to meet its financial obligations as and when they fall due. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion on the Group's consolidated financial position as at 31 March 2022 is not modified in respect of this matter. Our disclaimer of opinion on the Group's consolidated financial performance and consolidated cash flows for the year ended 31 March 2022 is not further modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion on the Group's consolidated financial position thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our unqualified audit opinion on the Group's consolidated financial position.

Key audit matter	**How our audit addressed the key audit matter**
Recoverable amount assessment of property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations	
Management engaged an independent valuer (the "**Valuer**") to determine the recoverable amount of property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations (collectively referred to as the "**Khushuut Related Assets**") because there were indicators of impairment. For the purposes of impairment testing, the Khushuut Related Assets are treated as a cash-generating unit and its recoverable amount has been determined based on a value-in-use calculation, which requires management to estimate the future cash flows expected to arise from the cash-generating unit, using discounted cash flow analysis to calculate the present value. Key assumptions used in the calculation include the estimated coking coal price, discount rate and estimated coal production. Based on the recoverable amount assessment, an impairment loss of HK$417 million was recognised in respect of the Khushuut Related Assets during the year ended 31 March 2022. In view of the significance of these balances to the consolidated financial statements, and the significant management judgement and estimation uncertainty associated with the recoverable amount assessment of the Khushuut Related Assets, this is considered as a key audit matter. The related disclosures are included in Notes 3, 4 and 5 to the consolidated financial statements.	The procedures we performed to address the key audit matter included the following: • We obtained an understanding on management's impairment assessment process; • We evaluated the competence, capabilities and objectivity of the Valuer; • With the assistance of our internal valuation specialists, we assessed the valuation by o evaluating the valuation methodology and assumptions used to determine the recoverable amount, o assessing the discount rate and estimated coking coal price underpinning the recoverable amount by benchmarking these inputs to market information, o referencing to the past performance of the Khushuut Related Assets together with management and the Valuer's expectations for the market developments; and o checking the mathematical accuracy of the calculation used in the valuation model; • We performed a sensitivity analysis on the significant assumptions adopted in the valuation and evaluated the extent of the impact on the recoverable amount; and • We assessed the adequacy of related disclosures about the recoverable amount assessment.

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative component of the convertible notes	
The derivative component of the convertible notes was initially and subsequently measured at fair value. As at 31 March 2022, the fair value of the derivative component of the convertible notes issued by the Group amounted to HKD828,515,000. Management engaged the Valuer to determine the fair value of the derivative component of the convertible notes. The fair value was measured using the Binomial Valuation Model which requires the use of unobservable inputs and significant management judgement and estimation on the key assumptions, including the discount rate, expected volatility and expected dividend yield. Based on management's assessment, a fair value gain on the derivative component of the convertible notes of HKD185,015,000 was recognised in profit or loss during the year ended 31 March 2022. In view of the significance of the balance to the consolidated financial statements and significant management judgement and estimation uncertainty associated with the valuation of the derivative component of the convertible notes, this is considered as a key audit matter. The related disclosures are included in Notes 4, 5, 30(a), 40(b)(iii) and 40(c) to the consolidated financial statements.	The procedures we performed to address the key audit matter included the following: • We obtained an understanding on management's valuation process; • We obtained the relevant agreements and reviewed the terms to assess the inputs to the valuation; • We evaluated the competence, capabilities and objectivity of the Valuer; • With the assistance of our internal valuation specialists, we assessed the valuation by o evaluating the valuation methodology and assumptions used to determine the fair value; o assessing the discount rate, expected volatility and expected dividend yield by referencing to external market data; o checking the mathematical accuracy of the calculation used in the valuation model; • We performed a sensitivity analysis on the key assumptions adopted in the valuation and evaluated the extent of the impact on the fair value; and • We assessed the adequacy of related disclosures about the derivative component of the convertible notes.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

As described in the *Basis for unqualified opinion on the Group's consolidated financial position* and *Basis for disclaimer of opinion on the Group's consolidated financial performance and consolidated cash flows* section above, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Group's consolidated financial performance and consolidated cash flows. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Our unqualified audit opinion on the Group's consolidated financial position does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated statement of financial position, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated statement of financial position or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Shiu Ting, Adrian.

Ernst & Young
Certified Public Accountants
Hong Kong
31 October 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 (Restated) HK$'000
Revenue	6	**1,562,718**	858,417
Cost of sales		**(947,966)**	(549,576)
Gross profit		**614,752**	308,841
Other income	7	**11,658**	81,898
Other gains and losses	8	**6,134**	1,715
Administrative expenses		**(163,182)**	(157,492)
Changes in fair value on derivative component of convertible notes	30(a)	**185,015**	955,692
(Impairment losses) reversal of impairment losses on property, plant and equipment	3, 15	**(377,171)**	987,705
(Impairment losses) reversal of impairment losses on intangible assets	3, 17	**(39,208)**	132,185
(Impairment losses) reversal of impairment losses on right-of-use assets	3	**(460)**	1,119
(Impairment losses) reversal of impairment losses on financial assets	10	**(1,241)**	230
Finance costs	9	**(543,367)**	(491,226)
(Loss) profit before taxation	10	**(307,070)**	1,820,667
Income tax expense	11	**(41,982)**	(25,576)
(Loss) profit for the year attributable to owners of the Company		**(349,052)**	1,795,091
(Loss) earnings per share attributable to ordinary equity holders of the Company	14		**(Restated)**
– basic (loss) earnings per share (HK$)		**(1.86)**	9.54
– diluted (loss) earnings per share (HK$)		**(1.86)**	0.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022 HK$'000	2021 (Restated) HK$'000
(Loss) profit for the year	**(349,052)**	1,795,091
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of group companies	**29,408**	20,130
– Fair value changes on debt instruments at fair value through other comprehensive income ("**FVTOCI**")	**1,089**	–
Other comprehensive income for the year	**30,497**	20,130
Total comprehensive (expense) income for the year attributable to owners of the Company	**(318,555)**	1,815,221

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	**31 March 2022** **HK$'000**	**31 March 2021** **(Restated)** **HK$'000**	**1 April 2020** **(Restated)** **HK$'000**
Non-current assets				
Property, plant and equipment	15	**2,083,792**	2,394,590	1,373,022
Right-of-use assets	16	**9,592**	8,055	9,839
Intangible assets	17	**231,022**	280,295	154,859
Exploration and evaluation assets	18	**1,559**	1,262	498
Interest in an associate	19	**–**	–	–
Deferred tax assets	32	**39,847**	5,647	3,499
		2,365,812	2,689,849	1,541,717
Current assets				
Trade and bills receivables	20	**666,971**	374,083	188,836
Inventories	21	**268,822**	208,357	241,365
Other receivables, prepayments and deposits	22	**202,810**	155,913	122,733
Prepaid taxation		**1,484**	1,412	4,396
Financial asset at fair value through profit or loss ("**FVTPL**")	23	**50,752**	50,752	51,597
Amount due from an associate	19	**–**	–	–
Cash and cash equivalents	24	**63,906**	57,577	61,782
		1,254,745	848,094	670,709
Current liabilities				
Trade payables	25	**280,345**	261,932	225,605
Other payables and accruals	26	**267,389**	110,856	155,780
Contract liabilities	27	**30,605**	2,823	5,027
Tax liabilities		**34,494**	14,790	–
Advances from a Director	29	**1,707,679**	1,811,276	1,709,372
Interest-bearing bank borrowing	29	**66,630**	–	–
Lease liabilities	28	**6,295**	2,939	6,110
Deferred income	31	**1,718**	1,648	1,469
		2,395,155	2,206,264	2,103,363
Net current liabilities		**(1,140,410)**	(1,358,170)	(1,432,654)
Total assets less current liabilities		**1,225,402**	1,331,679	109,063

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2022

	Notes	31 March 2022 HK$'000	31 March 2021 (Restated) HK$'000	1 April 2020 (Restated) HK$'000
Non-current liabilities				
Convertible notes	30(a)	**3,501,682**	3,352,843	4,016,325
Loan note	29, 30(b)	**387,451**	316,613	258,725
Deferred income	31	**3,980**	5,465	6,036
Deferred tax liabilities	32	**19,383**	26,216	27,981
Lease liabilities	28	**1,077**	2,336	2,115
Provision for rehabilitation	33	**24,221**	22,043	19,239
		3,937,794	3,725,516	4,330,421
Net liabilities		**(2,712,392)**	(2,393,837)	(4,221,358)
Financed by:				
Capital and reserves				
Share capital	34	**3,763**	3,763	3,763
Reserves		**(2,716,155)**	(2,397,600)	(4,225,121)
Capital deficiencies attributable to owners of the Company		**(2,712,392)**	(2,393,837)	(4,221,358)

The consolidated financial statements on pages 59 to 154 were approved and authorised for issue by the Board of Directors on 31 October 2022 and are signed on its behalf by:

Lo Lin Shing, Simon
Director

Lo, Rex Cze Kei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Share capital	Share options reserve	Translation reserve	Statutory surplus reserve	Fair value reserve of financial asset at FVTOCI	Capital contribution reserve	Accumulated losses	Total
		(Note (a))	*(Note (a))*	*(Note (a) & (b))*	*(Note (a))*	*(Note (a))*	*(Note (a))*	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2020 (restated)	3,763	29,105	(24,969)	21,904	–	334,220	(4,585,381)	(4,221,358)
Profit for the year	–	–	–	–	–	–	1,795,091	1,795,091
Other comprehensive expenses								
Exchange differences arising on translation	–	–	20,130	–	–	–	–	20,130
Total comprehensive income for the year	–	–	20,130	–	–	–	1,795,091	1,815,221
Recognition of equity-settled share-based payments *(Note 35)*	–	12,300	–	–	–	–	–	12,300
Share option lapsed	–	(7,664)	–	–	–	–	7,664	–
At 31 March 2021 (restated)	**3,763**	**33,741**	**(4,839)**	**21,904**	**–**	**334,220**	**(2,782,626)**	**(2,393,837)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(349,052)**	**(349,052)**
Other comprehensive income								
Changes in fair value of debt instruments at FVTOCI	**–**	**–**	**–**	**–**	**1,089**	**–**	**–**	**1,089**
Exchange differences arising on translation	**–**	**–**	**29,408**	**–**	**–**	**–**	**–**	**29,408**
Total comprehensive income (expense) for the year	**–**	**–**	**29,408**	**–**	**1,089**	**–**	**(349,052)**	**(318,555)**
Appropriations to reserve *(Note (b))*	**–**	**–**	**–**	**19,750**	**–**	**–**	**(19,750)**	**–**
Share option lapsed	**–**	**(287)**	**–**	**–**	**–**	**–**	**287**	**–**
At 31 March 2022	**3,763**	**33,454**	**24,569**	**41,654**	**1,089**	**334,220**	**(3,151,141)**	**(2,712,392)**

Notes:

(a) *These reserve accounts comprise the consolidated reserves of HK$2,716,155,000 (2021 (restated): HK$2,397,600,000) in the consolidated statement of financial position.*

(b) *In accordance with the laws and regulations of the People's Republic of China (the "**PRC**"), those subsidiaries established in the PRC are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity owners.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 (Restated) HK$'000
Operating activities			
(Loss) profit before taxation		**(307,070)**	1,820,667
Interest income	7	**(409)**	(202)
Exchange (gain) loss		**(2,165)**	5,234
Finance costs	9	**543,367**	491,226
Gain on disposal of property, plant and equipment	8	**(1)**	(29)
An extinguishment of balance payment relating to acquisition of an iron ore exploration right	7	**–**	(39,000)
Amortisation of intangible assets	17	**14,667**	7,142
Depreciation of right-of-use assets	16	**6,354**	6,928
Amortisation of deferred income		**(1,688)**	(1,546)
Depreciation of property, plant and equipment	15	**59,917**	33,780
Changes in fair value on financial assets at FVTPL	8	**–**	845
Changes in fair value on derivative component of convertible notes	30(a)	**(185,015)**	(955,692)
Impairment losses (reversal of impairment losses) on property, plant and equipment	3, 15	**377,171**	(987,705)
Impairment losses (reversal of impairment losses) on intangible assets	3, 17	**39,208**	(132,185)
Impairment losses (reversal of impairment losses) on right-of-use assets	3	**460**	(1,119)
Impairment losses (reversal of impairment losses) on financial assets	10	**1,241**	(230)
Share-based payment expenses	35	**–**	12,300
Operating cash flows before movements in working capital		**546,037**	260,414
(Increase) decrease in inventories		**(60,465)**	33,008
Increase in trade and bills receivables		**(277,837)**	(174,250)
Increase in other receivables, prepayments and deposits		**(46,716)**	(32,869)
Increase in trade payables		**16,332**	33,392
Increase (decrease) in other payables and accruals		**155,261**	(7,573)
Increase (decrease) in contract liabilities		**27,374**	(2,530)
Net cash from operations		**359,986**	109,592
Tax paid		**(62,805)**	(11,055)
Net cash from operating activities		**297,181**	98,537

	Notes	2022 HK$'000	2021 (Restated) HK$'000
Investing activities			
Purchases of property, plant and equipment		**(104,469)**	(57,731)
Proceeds on disposal of property, plant and equipment		**1**	930
Additions to intangible assets	17	**(4,588)**	(382)
Additions to exploration and evaluation assets	18	**(297)**	(764)
Advance to an associate		**(14)**	(9)
Bank interest received		**409**	202
Government grants received		**–**	573
Net cash used in investing activities		**(108,958)**	(57,181)
Financing activities			
Advance from a Director	29	**10,300**	7,750
Interest paid	29	**(1,634)**	–
Repayment to a Director	29	**(225,466)**	(46,628)
Repayment to a Director via loan arrangement with a related company	38(a)	**(24,416)**	–
New bank loans	29	**66,223**	–
Repayment of lease liabilities	29	**(6,714)**	(7,194)
Cash used in financing activities		**(181,707)**	(46,072)
Net increase (decrease) in cash and cash equivalents		**6,516**	(4,716)
Cash and cash equivalents at beginning of the year		**57,577**	61,782
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(187)**	511
Cash and cash equivalents at end of the year		**63,906**	57,577

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 2022. The cash flows projections have been determined using estimation of future cash flows to be generated from the Group's operating activities and its working capital needs. Also, Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder who has significant influence over the Group and being the Chairman and Director of the Company, has provided facilities amounting to HK$1,900.0 million by way of advances to the Group. As at 31 March 2022, advances from a Director of HK$1,707.7 million comprised principal amount and accrued interest of HK$968.4 million and HK$739.3 million respectively. Excluding the accrued interest of HK$739.3 million, the balance of the unutilised facilities of HK$931.6 million remains valid until 29 March 2024 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$2,712.4 million and had net current liabilities of approximately HK$1,140.4 million at 31 March 2022 and incurred a loss of approximately HK$349.1 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.

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

1.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of preparation of consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKFRS 16 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value-in-use in HKAS 36 "Impairment of Assets".

If the transaction price is fair value at initial recognition and a valuation technique that uses unobservable inputs will be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the result of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

1.2 Restatement of prior year balances

In preparing the Group's consolidated financial statements for the year ended 31 March 2022, accounting errors were identified during the current year and prior year adjustments were made in the consolidated financial statements to rectify the accounting errors retrospectively, details of which are as follows:

(a) The 2020 Convertible Notes contains a conversion option held by the holders and an early redemption option held by the issuer. An accounting error was noted because the conversion option and the redemption option should be treated as a single compound embedded derivative as the two options are not readily separable and independent of each other. For the year ended 31 March 2022, the Group engaged another independent valuer to assess the carrying amount of the 2020 Convertible Notes as at 31 March 2021 and 2020, and certain key assumptions were also reassessed by the valuer in determining the fair value of the 2020 Convertible Notes and the related debt and derivative components.

(b) Bills receivables were classified at amortised cost in prior years. An incorrect classification on bills receivables was noted in view of the Group's business model for bills receivables being both for collecting of contractual cash flows and for selling. The Group has reassessed that its classification of bills receivables should have been as FVTOCI. The Group also derecognised all bills receivables in their entirety that were transferred upon either discounting or endorsement in prior years, without assessing the extent to which the Group retained the risks and rewards of ownership of the bills receivables. The Group has reassessed its derecognition assessment and certain bills receivables that were transferred did not satisfy the criteria for derecognition.

(c) Correction of an accounting error in the prior year resulting in an overstatement of tax provision.

(d) Accounting for the provision for mining rehabilitation relating to the Group's obligation to remove all machinery, equipment and other property from the mine site and ensure the safe use and reclamation of the environment upon the closure of a mine as required by Mongolia Law on mineral resources. No provision was made in prior years and the Group has engaged an independent expert to reassess the provision which was adjusted retrospectively.

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

1.2 Restatement of prior year balances (Continued)

Consolidated statement of profit or loss for the year ended 31 March 2021

	Notes	2021 (as previously reported) HK$'000	Prior year adjustments HK$'000	2021 (as restated) HK$'000
Revenue		858,417	–	858,417
Cost of sales		(549,576)	–	(549,576)
Gross profit		308,841	–	308,841
Other income		81,898	–	81,898
Other gains and losses		1,715	–	1,715
Administrative expenses		(157,492)	–	(157,492)
Changes in fair value on derivative component of convertible notes	(a)	(1,070,118)	2,025,810	955,692
Reversal of impairment losses on property, plant and equipment	(d)	990,509	(2,804)	987,705
Reversal of impairment losses on intangible assets		132,185	–	132,185
Reversal of impairment losses on right-of-use assets		1,119	–	1,119
Reversal of impairment losses on financial assets, net		230	–	230
Finance costs	(a)	(525,129)	33,903	(491,226)
(Loss) profit before taxation		(236,242)	2,056,909	1,820,667
Income tax expense	(c)	(50,663)	25,087	(25,576)
(Loss) profit for the year attributable to owners of the Company		(286,905)	2,081,996	1,795,091
(Loss) earnings per share attributable to ordinary equity holders of the Company				
– basic (loss) earnings per share (HK$)		(1.53)	11.07	9.54
– diluted (loss) earnings per share (HK$)		(1.53)	1.90	0.37

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

1.2 Restatement of prior year balances (Continued)

Consolidated statement of comprehensive income for the year ended 31 March 2021

	Notes	2021 (as previously reported) HK$'000	Prior year adjustments HK$'000	2021 (as restated) HK$'000
(Loss) profit for the year		(286,905)	2,081,996	1,795,091
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
– Exchange differences on translation of financial statements of group companies		20,130	–	20,130
Other comprehensive income for the year		20,130	–	20,130
Total comprehensive (expense) income for the year attributable to owners of the Company		(266,775)	2,081,996	1,815,221

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

1.2 Restatement of prior year balances (Continued)

Consolidated statement of financial position as at 31 March 2021

	Notes	2021 (as previously reported) HK$'000	Prior year adjustments HK$'000	2021 (as restated) HK$'000
Non-current assets				
Property, plant and equipment		2,394,590	–	2,394,590
Right-of-use assets		8,055	–	8,055
Intangible assets		280,295	–	280,295
Exploration and evaluation assets		1,262	–	1,262
Interest in an associate		–	–	–
Deferred tax assets		5,647	–	5,647
		2,689,849	–	2,689,849
Current assets				
Trade and bills receivables	(b)	274,369	99,714	374,083
Inventories		208,357	–	208,357
Other receivables, prepayments and deposits		155,913	–	155,913
Prepaid taxation		1,412	–	1,412
Financial asset at FVTPL		50,752	–	50,752
Amount due from an associate		–	–	–
Cash and cash equivalents		57,577	–	57,577
		748,380	99,714	848,094
Current liabilities				
Trade payables	(b)	173,861	88,071	261,932
Other payables and accruals	(b)	99,213	11,643	110,856
Contract liabilities		2,823	–	2,823
Tax liabilities	(c)	39,877	(25,087)	14,790
Advances from a Director		1,811,276	–	1,811,276
Lease liabilities		2,939	–	2,939
Deferred income		1,648	–	1,648
		2,131,637	74,627	2,206,264
Net current liabilities		(1,383,257)	25,087	(1,358,170)
Total assets less current liabilities		1,306,592	25,087	1,331,679
Non-current liabilities				
Convertible notes	(a)	3,564,399	(211,556)	3,352,843
Loan note		316,613	–	316,613
Deferred income		5,465	–	5,465
Deferred tax liabilities		26,216	–	26,216
Lease liabilities		2,336	–	2,336
Provision for rehabilitation	(d)	–	22,043	22,043
		3,915,029	(189,513)	3,725,516
Net liabilities		(2,608,437)	214,600	(2,393,837)

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

1.2 Restatement of prior year balances (Continued)

Consolidated statement of financial position as at 31 March 2021 (Continued)

	Notes	2021 (as previously reported) HK$'000	Prior year adjustments HK$'000	2021 (as restated) HK$'000
Financed by:				
Capital and reserves				
Share capital		3,763	–	3,763
Reserves	(a), (c) & (d)	(2,612,200)	214,600	(2,397,600)
Capital deficiencies attributable to owners of the Company		(2,608,437)	214,600	(2,393,837)

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

1.2 Restatement of prior year balances (Continued)

Consolidated statement of financial position as at 1 April 2020

	Notes	**2020 (as previously reported) HK$'000**	**Prior year adjustments HK$'000**	**2020 (as restated) HK$'000**
Non-current assets				
Property, plant and equipment		1,373,022	–	1,373,022
Right-of-use assets		9,839	–	9,839
Intangible assets		154,859	–	154,859
Exploration and evaluation assets		498	–	498
Interest in an associate		–	–	–
Deferred tax assets		3,499	–	3,499
		1,541,717	–	1,541,717
Current assets				
Trade and bills receivables	(b)	120,365	68,471	188,836
Inventories		241,365	–	241,365
Other receivables, prepayments and deposits		122,733	–	122,733
Prepaid taxation		4,396	–	4,396
Financial asset at FVTPL		51,597	–	51,597
Amount due from an associate		–	–	–
Cash and cash equivalents		61,782	–	61,782
		602,238	68,471	670,709
Current liabilities				
Trade payables	(b)	174,607	50,998	225,605
Other payables and accruals	(b)	138,307	17,473	155,780
Contract liabilities		5,027	–	5,027
Tax liabilities		–	–	–
Advances from a Director		1,709,372	–	1,709,372
Lease liabilities		6,110	–	6,110
Deferred income		1,469	–	1,469
		2,034,892	68,471	2,103,363
Net current liabilities		(1,432,654)	–	(1,432,654)
Total assets less current liabilities		109,063	–	109,063
Non-current liabilities				
Convertible notes	(a)	2,168,168	1,848,157	4,016,325
Loan note		258,725	–	258,725
Deferred income		6,036	–	6,036
Deferred tax liabilities		27,981	–	27,981
Lease liabilities		2,115	–	2,115
Provision for rehabilitation	(d)	–	19,239	19,239
		2,463,025	1,867,396	4,330,421
Net liabilities		(2,353,962)	(1,867,396)	(4,221,358)

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

1.2 Restatement of prior year balances (Continued)

Consolidated statement of financial position as at 1 April 2020 (Continued)

	Notes	2020 (as previously reported) HK$'000	Prior year adjustments HK$'000	2020 (as restated) HK$'000
Financed by:				
Capital and reserves				
Share capital		3,763	–	3,763
Reserves	(a), (c) & (d)	(2,357,725)	(1,867,396)	(4,225,121)
Capital deficiencies attributable to owners of the Company		(2,353,962)	(1,867,396)	(4,221,358)

Consolidated statement of changes in equity for the year ended 31 March 2021

	Notes	Share capital HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Statutory surplus reserve HK$'000	Capital contribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2020 (originally stated)		3,763	29,105	(24,969)	21,904	334,220	(2,717,985)	(2,353,962)
Prior year adjustments	(a) & (d)	–	–	–	–	–	(1,867,396)	(1,867,396)
At 1 April 2020 (restated)		3,763	29,105	(24,969)	21,904	334,220	(4,585,381)	(4,221,358)
Loss for the year		–	–	–	–	–	(286,905)	(286,905)
Prior year adjustments	(a), (c) & (d)	–	–	–	–	–	2,081,996	2,081,996
Other comprehensive expenses								
Exchange differences arising on translation		–	–	20,130	–	–	–	20,130
Total comprehensive income for the year (restated)		–	–	20,130	–	–	1,795,091	1,815,221
Recognition of equity-settled share-based payments		–	12,300	–	–	–	–	12,300
Share option lapsed		–	(7,664)	–	–	–	7,664	–
At 31 March 2021 (restated)		3,763	33,741	(4,839)	21,904	334,220	(2,782,626)	(2,393,837)

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

1.2 Restatement of prior year balances (Continued)

Consolidated statement of cash flows for the year ended 31 March 2021

	Notes	2021 (as previously reported) HK$'000	Prior year adjustments HK$'000	2021 (as restated) HK$'000
Operating activities				
(Loss) profit before taxation	(a) & (d)	(236,242)	2,056,909	1,820,667
Interest income		(202)	–	(202)
Exchange loss		5,234	–	5,234
Finance costs	(a)	525,129	(33,903)	491,226
Gain on disposal of property, plant and equipment		(29)	–	(29)
An extinguishment of balance payment relating to acquisition iron ore exploration right		(39,000)	–	(39,000)
Amortisation of intangible assets		7,142	–	7,142
Depreciation of right-of-use assets		6,928	–	6,928
Amortisation of deferred income		(1,546)	–	(1,546)
Depreciation of property, plant and equipment		33,780	–	33,780
Changes in fair value on financial assets at FVTPL		845	–	845
Changes in fair value on derivative component of convertible notes	(a)	1,070,118	(2,025,810)	(955,692)
Reversal of impairment losses on property, plant and equipment	(d)	(990,509)	2,804	(987,705)
Reversal of impairment losses on intangible assets		(132,185)	–	(132,185)
Reversal of impairment losses on right-of-use assets		(1,119)	–	(1,119)
Reversal of impairment losses on financial assets		(230)	–	(230)
Share-based payment expenses		12,300	–	12,300
Operating cash flows before movements in working capital		260,414	–	260,414
Decrease in inventories		33,008	–	33,008
Increase in trade and bills receivables	(b)	(143,007)	(31,243)	(174,250)
Increase in other receivables, prepayments and deposits		(32,869)	–	(32,869)
(Decrease) increase in trade payables	(b)	(3,681)	37,073	33,392
Decrease in other payables and accruals	(b)	(1,743)	(5,830)	(7,573)
Decrease in contract liabilities		(2,530)	–	(2,530)
Net cash from operations		109,592	–	109,592
Tax paid		(11,055)	–	(11,055)
Net cash from operating activities		98,537	–	98,537

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

1.2 Restatement of prior year balances (Continued)

Consolidated statement of cash flows for the year ended 31 March 2021 (Continued)

	2021 (as previously reported) HK$'000	Prior year adjustment HK$'000	2021 (as restated) HK$'000
Investing activities			
Purchases of property, plant and equipment	(57,731)	–	(57,731)
Proceeds on disposal of property, plant and equipment	930	–	930
Additions to intangible assets	(382)	–	(382)
Exploration and evaluation asset addition	(764)	–	(764)
Advance to an associate	(9)	–	(9)
Bank interest received	202	–	202
Government grants received	573	–	573
Net cash used in investing activities	(57,181)	–	(57,181)
Financing activities			
Advance from a Director	7,750	–	7,750
Interest paid	–	–	–
Repayment to a Director	(46,628)	–	(46,628)
New bank loans	–	–	–
Repayment of lease liabilities	(7,194)	–	(7,194)
Cash used in financing activities	(46,072)	–	(46,072)
Net decrease in cash and cash equivalents	(4,716)	–	(4,716)
Cash and cash equivalents at beginning of the year	61,782	–	61,782
Effect of exchange rate changes on the balance of cash held in foreign currencies	511	–	511
Cash and cash equivalents at end of the year	57,577	–	57,577

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date when the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

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

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

    As the Group does not have financial instruments based on interbank offered rates, the application of the amendments in the current year had no impact on the consolidated financial statements.

(b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 and shall be applied retrospectively. Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period.

    As the Group did not receive COVID-19-related rent concessions during the year, the application of the amendments in the current year had no impact on the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information[2]
Amendments to HKFRS 17	Insurance Contracts[2, 5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 *Effective for annual periods beginning on or after 1 January 2022*

2 *Effective for annual periods beginning on or after 1 January 2023*

3 *No mandatory effective date yet determined but available for adoption*

4 *As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion*

5 *As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023*

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 "Reference to the Conceptual Framework"

Amendments to HKFRS 3 are intended to 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 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 expects to adopt the amendments prospectively from 1 April 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current"

The amendments, which provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management's intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

As at 31 March 2022, the Group's outstanding convertible notes do not meet equity instruments classification by applying HKAS 32. The Group classified these instruments as current or non-current liabilities based on the earliest date when the Group has the obligation to redeem these convertible notes through cash settlement. The convertible notes were classified as non-current liabilities as set out in Note 30.

Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that does not meet equity instruments classification also constitutes settlement of the convertible notes. Given that the convertible options are exercisable anytime, the convertible notes would be reclassified to current liabilities as the holders have the option to convert within twelve months.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 March 2022.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement to help entities.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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, 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 2022, of which the recoverable amount determined by the Independent Valuer was lower than their carrying values, and an impairment loss amounting to HK$416.8 million (2021: reversal of impairment of HK$1,121.0 million) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2022.

Certain key assumptions adopted in the value-in-use calculation have been changed in determining the recoverable amount as at 31 March 2022 from 31 March 2021, including a significant reduction in the forecasted annual production and sales, by excluding the assumption that the Group will sell a significant quantity of raw coal and the sales of additional washed coal through an assumed washing plant that was expected to be constructed by the Group in the future. These assumptions were included in the value-in-use calculation as at 31 March 2021 but have been excluded in the value-in-use calculation as at 31 March 2022 according to the Group's business plan. In the opinion of the Directors, the changes in these key assumptions were because of the revised business risk assessment and change in business strategy.

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 in China market 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 27.61% (2021: 28.08%) 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 cash generating unit ("**CGU**") and to determine the pre-tax rate.

3. RECOVERABLE AMOUNT ASSESSMENT ON KHUSHUUT RELATED ASSETS (Continued)

An impairment loss (2021: reversal of 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 2022:

	Carrying values before impairment loss HK$'000	**Impairment loss HK$'000**	**Carrying values after impairment loss 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**

Carrying values of the Khushuut Related Assets as at 31 March 2021:

	Carrying value before reversal of impairment loss (Restated) HK$'000	Reversal of impairment loss (Restated) HK$'000	Carrying values after reversal of impairment loss HK$'000
Property, plant and equipment	1,396,424	987,705	2,384,129
Intangible assets	146,360	132,185	278,545
Right-of-use assets	1,675	1,119	2,794
Total	1,544,459	1,121,009	2,665,468

The reason for such an impairment loss being recognised in profit or loss for the year ended 31 March 2022 was mainly due to the changes in discount rate, production volume of coking coal and estimated coking coal price for the forthcoming four-year period (2021: a change in 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.

3. RECOVERABLE AMOUNT ASSESSMENT ON KHUSHUUT RELATED ASSETS (Continued)

Sensitivity analysis:

Discount rate takes into account the cost of borrowing and equity for the CGU as well as segment-specific risk as this is an important indicator of the condition of credit and operational risk in an entity. The global economy has been plaguing by the widespread of COVID-19 around the world and the impact of economic instability to CGU can be estimated by raising or lowering the discount rate. A 1% increase or decrease in discount rate would result in a decrease or increase in recoverable amount of approximately 1% or 1% respectively.

As the coal price has been fluctuating in the past, it raises an uncertainty to the revenue of the Group. The change in the estimated coking coal price is important for the assessment of the impact of changes in coking coal price on the estimated sales of the Group. A 5% increase or decrease in the forecasted coal price would result in an increase or decrease in recoverable amount of approximately 14% or 15% respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The Group assesses whether there is an objective evidence showing that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from sales of coal

Revenue from sale of coal is recognised at a point in time when the control of goods is transferred being when the coals are delivered to and accepted by the customers.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to component of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applied practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term lease and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of building that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis or on another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful lives and the lease terms.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include fixed lease payments (including in-substance fixed payments), less any lease incentives.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments at a revised discount rate at the date of reassessment. The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurating with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at exchange rates that approximate to those prevailing at the dates of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to the consolidated statement of profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Retirement benefits costs

The Mandatory Provident Fund Scheme is available to all employees aged 18 to 65 and with at least 59 days of service under employment in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The maximum amount of relevant income for contribution purpose is HK$30,000 (2021: HK$30,000) per month. The employees are entitled to the full benefit of the Group's contributions and accrued returns irrespective of their length of service with the Group but the benefits are required by law to be presented until the retirement age of 65.

The employees of the Group's subsidiaries which operate in Mongolia are required to participate in the social insurance scheme operated by the local government. According to the "Social Insurance Law of Mongolia", these subsidiaries have a duty to withhold 10% of employees' salary or similar income from the employees (the "**Relevant Income**") and 13% of Relevant Income as employers' contribution. Employers' contributions are charged to profit or loss as they become payable in accordance with the social insurance scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and where employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave after deducting an amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of options that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimates of the number of options or shares expected to vest based on the assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings/accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit (loss) differs from profit (loss) before taxation as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable nor deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Current and deferred tax is recognised in the consolidated statement of profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including mineral properties held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Other than mining structures and mineral properties, depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Mining structures

Mining structures included deferred stripping costs and mining related property, plant and equipment. In open pit mining operations, the removal of overburden and waste materials, referred to as stripping, is required to obtain access to the ore body. Stripping costs incurred during the development phase of a mine are capitalised and form part of the cost of constructing the mining structure. Stripping costs incurred during the production phase of a surface mine are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to probably future economic benefits from the mineral structure by improving the access to the ore body, the component of the ore body for which assess has been improved is identifiable and the costs associated with that component can be reliably measured, in which case the stripping costs would be capitalised as stripping activity assets included in property, plant and equipment – mining structures.

Mining structures are depreciated using the unit-of-production method utilising only proven and probable coal reserves in the depletion base, or based on the useful lives of respective items of property, plant and equipment, whichever is appropriate.

Mineral properties

Mineral properties incorporate both the mining rights (intangible) and the underlying mineral reserve (tangible) elements. Mineral properties are classified as property, plant and equipment to the extent the tangible reserve is the more significant element. Mineral properties comprise costs of acquisition of mining rights and capitalised exploration costs which are capitalised initially under exploration and evaluation assets and transferred to property, plant and equipment as mineral properties when the technical feasibility and commercial viability of extracting mineral resources become demonstrable.

On the commencement of commercial production, depreciation of mineral properties will be provided using the unit-of-production method utilising only proven and probable coal reserves in the depletion basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction in progress

Construction in progress includes property, plant and equipment in the course of construction for the purposes of production or its own use. Construction in progress is carried at cost less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

Intangible assets

Intangible assets acquired separately

Software acquired separately and with finite useful lives is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets (exclusive right-of-use of paved road) are measured on initial recognition at cost. Following the initial recognition, intangible assets are stated at cost less amortisation (where the estimated useful life is finite) and impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets (exclusive right-of-use of paved road)

The exclusive right-of-use of paved road is amortised on a straight-line basis over its licence period.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of mining and exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as mining structures and mineral properties under property, plant and equipment. These assets are assessed for impairment annually and before reclassification.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets (excluding exploration and evaluation assets)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amounts of its tangible and intangible assets with finite useful lives are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or a cash generating unit for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of production and purchase, an appropriate portion of fixed and variable overhead costs, including the stripping costs incurred during the production phase, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including assets similar in nature to cash, which are not restricted as to use.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for rehabilitation

Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine properties. The Group assesses its mine rehabilitation provision at each reporting date. The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions for rehabilitation (Continued)

The obligation generally arises when the asset is installed or the environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional disturbances that arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to the restoration of site damage (subsequent to the start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with HKAS 16 "Property, Plant and Equipment".

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to the consolidated statement of profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business is presented as revenue.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) *Financial assets at FVTOCI*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

(iii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned from the financial asset and is included in the "other gains and losses" line item.

The Group recognises a loss allowance for expected credit losses ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and bills receivables, other receivables and deposits, amount due from an associate and cash and cash equivalents) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect the changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and accrued income. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that an event of default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on number of days that an individual receivable is outstanding, the counterparty's credit rating and its related default rate, as well as the Group's historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for bills receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. For bills receivables measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve without reducing the carrying amount of the bills receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred the control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Convertible notes

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables, advances from a Director interest-bearing bank borrowing, debt component of the convertible notes and loan notes) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not a financial asset within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition and substantial modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss, unless it represents a capital contribution from or dividend to a shareholder.

An exchange between the Group and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The differences between the carrying amount of a financial liability extinguished or transferred to another party and the fair value of the consideration paid and payable, including non-cash assets transferred or liabilities assumed, are recognised in profit or loss, unless it represents a capital contribution from or dividend to a shareholder.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are key assumptions concerning the future, and key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices, are required.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Reserve estimates (Continued)

As the economic assumptions used to estimate reserves change from period to period, and additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in estimated reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- carrying values of the Khushuut Related Assets may be affected due to changes in estimated future cash flows, which may result in a further impairment loss or a reversal of previously recognised impairment loss on these assets; and

- depreciation, depletion and amortisation charged in the consolidated statement of profit or loss may change where such charges are determined on the unit-of-production basis, or where the useful economic lives of assets change.

Fair value of derivative financial instruments

As at 31 March 2022, the fair value of derivative component of the convertible notes of HK$828,515,000 (2021: HK$1,013,530,000) is determined based on unobservable inputs, such as expected volatility of share price, using valuation techniques.

Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of convertible notes. Further disclosures of the convertible notes are set out in Notes 30(a) and 40(b) and (c).

Estimated recoverable amount of Khushuut Related Assets

As described in Note 3, the Group engaged an Independent Valuer to determine the recoverable amount of the Khushuut Related Assets. For the purposes of impairment testing, the Khushuut Related Assets are treated as a cash-generating unit and its recoverable amount has been determined based on a value-in-use calculation, which requires the Group to estimate the future cash flows expected to arise from the cash-generating unit, using discounted cash flow analysis, in order to calculate the present value. Key assumptions used in the calculation include the estimated coking coal price and discount rate. During the year ended 31 March 2022, an impairment loss of HK$416,839,000 (2021 (restated): a reversal of impairment loss of HK$1,121,009,000) was recognised against the Khushuut Related Assets as its recoverable amount is lower (2021: higher) than its carrying value. Changes to the assumptions underlying the assessment of the recoverable amount may have a significant effect on the recoverable amount of the Khushuut Related Assets. Where there are favourable or unfavourable changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value-in-use, a reversal of impairment loss or further impairment loss may arise.

As at 31 March 2022, the carrying value of Khushuut Related Assets is HK$2,300,220,000 (net of accumulated impairment loss of HK$13,646,989,000) (2021 (restated): carrying value of HK$2,665,468,000 (net of accumulated impairment loss of HK$13,230,150,000)).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences arising from depreciation and amortisation and unrealised exchange difference on long-term borrowings and unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to deductible temporary differences arising from depreciation and amortisation and unrealised exchange difference on long-term borrowings and recognised tax losses at 31 March 2022 amounted to HK$12,702,000 (2021: HK$Nil), HK$27,145,000 (2021: HK$Nil) and HK$Nil (2021: HK$5,647,000), respectively. Further details are set out in Note 32.

Impairment of trade and bills receivables, amount due from an associate, other receivables and deposits

The impairment provisions for trade and bills receivables, amount due from an associate, other receivables and deposits are based on assumptions about expected credit losses. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days of which an individual receivable is outstanding, the counterparty's credit rating and its related default rate, as well as the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details are given in Notes 19, 20, 22 and 40(b) to the consolidated financial statements.

Value-Added Tax ("VAT") receivables

As at 31 March 2022, the Group had VAT receivables amounting to HK$169.0 million (approximately Mongolian Tugrik ("**MNT**") 63.8 billion) (2021: HK$129.8 million) from the Mongolian Tax Authority ("**MTA**") arising from its operations in Mongolia that were accumulated since 2017. According to the prevailing tax rules and regulations in Mongolia, a taxpayer may offset future taxes and royalties payable to the MTA against VAT receivables and it is subject to the approval of MTA and the Ministry of Finance. Significant management judgement and estimation uncertainty associated with the timing of approval are applied in offsetting these VAT receivables against its other taxes payables due to the MTA. Further disclosure is set out in Note 22.

Provision for rehabilitation

The ultimate rehabilitation costs are uncertain, and cost estimates can vary due to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provision established which would affect the future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Further disclosure is set out in Note 33.

6. 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 PRC and Mongolia, and is recognised at a point in time when coal is delivered to and accepted by the customers.

The Group's operating activities 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 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)**

For the year ended 31 March 2021

	Coal mining HK$'000	Total HK$'000 (Restated)
Segment revenue	858,417	858,417
Segment profit	1,373,298	1,373,298
Unallocated expenses *(Note (b))*		(56,786)
Other income		40,825
Other gains and losses		(1,250)
Changes in fair value on derivative component of convertible notes		955,692
Impairment loss on financial asset		(9)
Finance costs		(491,103)
Profit before taxation		1,820,667

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and result (Continued)

Notes:

(a) *As at 31 March 2022, 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.*

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

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

The accounting policies of the operating segment are the same as the Group's accounting policies described in Note 4. Segment profit represents the 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 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

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 March 2021

	(Restated) HK$'000
ASSETS	
Segment assets – coal mining	3,455,491
Financial asset at FVTPL	50,752
Cash and cash equivalents	10,677
Other unallocated assets *(Note (a))*	21,023
Consolidated total assets	3,537,943
LIABILITIES	
Segment liabilities – coal mining	439,057
Convertible notes	3,352,843
Loan note	316,613
Advances from a Director	1,811,276
Other unallocated liabilities *(Note (b))*	11,991
Consolidated total liabilities	5,931,780

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 coal mining business.

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

Other segment information

For the year ended 31 March

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

Coal mining

	2022 HK$'000	2021 (Restated) HK$'000
Capital additions	**102,264**	62,571
Amortisation of intangible assets	**14,667**	7,142
Depreciation of right-of-use assets	**2,445**	2,489
Interest income	**(409)**	(200)
Depreciation of property, plant and equipment	**59,237**	33,060
Impairment losses (reversal of impairment losses) on property, plant and equipment	**377,171**	(987,705)
Impairment losses (reversal of impairment losses) on intangible assets	**39,208**	(132,185)
Impairment losses (reversal of impairment losses) on right-of-use assets	**460**	(1,119)

6. REVENUE AND SEGMENT INFORMATION (Continued)

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

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

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

Note:

Non-current assets exclude deferred tax assets.

Information about a major customer

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

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

7. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Interest income	**409**	202
Government grants *(Note 31)*	**3,779**	6,395
Sundry income *(Note)*	**7,470**	75,301
	11,658	81,898

Notes:

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

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

8. OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

	2022	2021
		(Restated)
	HK$'000	HK$'000
Interest on advances from a Director *(Note 29)*	**135,985**	140,782
Interest on lease liabilities *(Note 29)*	**584**	346
Interest on bank borrowing *(Note 29)*	**2,106**	–
Effective interest expense on convertible notes *(Note 29 and 30(a))*	**333,854**	292,210
Effective interest expense on a loan note *(Note 29 and 30(b))*	**70,838**	57,888
	543,367	491,226

10. (LOSS) PROFIT BEFORE TAXATION

	2022	2021
	HK$'000	HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments *(Note 12(a))*	**25,524**	21,670
Other staff costs:		
Salaries and other benefits (net of reimbursement from a related party *(Note 38(d))*	**103,753**	89,999
Retirement benefits scheme contributions (excluding contributions for Directors and net of reimbursement from a related party *(Note 38(d))*	**11,949**	9,593
Total staff costs	**141,226**	121,262
Less: Staff costs capitalised in inventories	**(54,771)**	(31,960)
	86,455	89,302
Impairment losses (reversal of impairment losses) on:		
Trade and bills receivables	**1,227**	(239)
Amount due from an associate	**14**	9
	1,241	(230)
Depreciation of property, plant and equipment *(Note 15)*	**59,917**	33,780
Depreciation of right-of-use assets *(Note 16)*	**6,354**	6,928
Amortisation of intangible assets *(Note) (Note 17)*	**14,667**	7,142
Auditor's remuneration	**4,300**	3,750

Note:

The amortisation of intangible assets is included in "Administrative expenses" in the consolidated statement of profit or loss.

11. INCOME TAX EXPENSE

	2022 HK$'000	2021 (Restated) HK$'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**52,317**	–
Mongolian corporate income tax	**28,204**	28,201
	80,521	28,201
Underprovision in prior years:		
PRC EIT	**2,034**	641
Deferred taxation *(Note 32)*	**(40,573)**	(3,266)
	41,982	25,576

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.

The income tax expense for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss as follows:

	2022 HK$'000	2021 (Restated) HK$'000
(Loss) profit before taxation	**(307,070)**	1,820,667
Calculated at a tax rate of 25%	**(76,768)**	455,167
Tax effect on income not subject to tax	**(46,339)**	(530,262)
Tax effect on expenses not deductible for tax purposes	**254,421**	104,058
Underprovision in prior years	**2,034**	641
Effect of preferential rates granted to a subsidiary	**(29,285)**	(3,284)
Effect of different tax rate of subsidiaries	**(5,540)**	(2,827)
Effect of deductible temporary difference not recognised	**25,603**	2,083
Utilisation of deductible temporary difference previously not recognised	**(35,883)**	–
Withholding tax on undistributed profits of a subsidiary	**14,740**	–
Derecognition of deferred tax liabilities	**(21,246)**	–
Recognition of deferred tax assets previously not recognised	**(39,755)**	–
Income tax expense	**41,982**	25,576

12. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

For the year ended 31 March 2022

Name of Directors	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors						
Lo Lin Shing, Simon	–	6,000	3,000	339	18	9,357
Yvette Ong	–	4,504	6,300	870	18	11,692
Lo, Rex Cze Kei	100	600	990	30	18	1,738
Lo, Chris Cze Wai	100	600	530	52	18	1,300
Non-executive Directors						
To Hin Tsun, Gerald	100	–	–	–	–	100
Tang Chi Kei *(Note)*	–	651	315	64	7	1,037
Independent Non-executive Directors						
Lau Wai Piu	100	–	–	–	–	100
Tsui Hing Chuen, William	100	–	–	–	–	100
Lee Kee Wai, Frank	100	–	–	–	–	100
	600	12,355	11,135	1,355	79	25,524

12. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 March 2021

Name of Directors	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive Directors							
Lo Lin Shing, Simon	–	6,000	192	436	18	1,469	8,115
Yvette Ong	–	4,523	795	629	18	1,469	7,434
Lo, Rex Cze Kei	100	600	96	35	18	1,224	2,073
Lo, Chris Cze Wai	100	600	39	35	18	1,224	2,016
Non-executive Director							
To Hin Tsun, Gerald	100	–	–	–	–	408	508
Independent Non-executive Directors							
Lau Wai Piu	100	–	–	–	–	408	508
Tsui Hing Chuen, William	100	–	–	–	–	408	508
Lee Kee Wai, Frank	100	–	–	–	–	408	508
	600	11,723	1,122	1,135	72	7,018	21,670

Note:

Tang Chi Kei was appointed as an Non-executive Director on 10 November 2021.

Mr. Lo and Yvette Ong are the chief executives of the Group. Their emoluments disclosed above included those for services rendered by them as the chief executives. They are entitled to bonus payments which are determined based on operating results.

During the years ended 31 March 2022 and 2021, no Director waived any directors' emoluments.

The emoluments of the Executive Director shown above were for their services in connection with the management of the affairs of the Company and the Group.

The emoluments of the Non-executive Director and Independent Non-executive Directors shown above were for their services as Directors.

12. DIRECTORS', CHIEF EXECUTIVE'S AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2021: two) were Directors whose emoluments are included in Note 12(a) above. The emoluments of the remaining three (2021: three) highest paid individuals during the year are as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries, other allowances and benefits in kind	**6,710**	6,471
Discretionary bonus	**6,120**	769
Retirement benefit scheme contributions	**54**	39
Equity-settled share-based payment expenses	**–**	1,871
	12,884	9,150

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2022**	**2021**
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**2**	1
HK$3,000,001 – HK$3,500,000	**–**	–
HK$4,000,001 – HK$4,500,000	**–**	1
HK$7,000,001 – HK$7,500,000	**1**	–
	3	3

13. DIVIDENDS

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

14. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share amount is based on the (loss) profit 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) earnings per share amount is based on the (loss) profit 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.

14. (LOSS) EARNINGS PER SHARE (Continued)

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

	2022 HK$'000	2021 (Restated) HK$'000
(Loss) earnings		
(Loss) earnings attributable to ordinary equity holders of the Company, as used in the calculation of basic (loss) earnings per share	**(349,052)**	1,795,091
Adjusted by:		
Changes in fair value on derivative component of convertible notes	–	(955,692)
Interest on convertible notes	–	292,210
(Loss) earnings attributable to ordinary equity holders of the Company, as used in the calculation of diluted (loss) earnings per share	**(349,052)**	1,131,609

	2022 '000	2021 (Restated) '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**188,126**	188,126
Effect of dilutive potential ordinary shares *(Note (a) and (b))*:		
Convertible notes	**N/A**	2,870,936
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**188,126**	3,059,062

Notes:

(a) The computation of diluted loss per share for the year ended 31 March 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.

(b) The computation of diluted earnings per share for the year ended 31 March 2021 did not assume the exercise of share options since assuming the adjusted exercise price was greater than the average market price of the Company's shares during the outstanding period in 2021.

15. PROPERTY, PLANT AND EQUIPMENT

	Mining structures HK$'000	Mineral properties HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and other equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST									
At 1 April 2020 (restated)	772,931	12,945,911	6,243	11,964	9,141	9,728	348,030	106,424	14,210,372
Exchange adjustments	–	3,361	–	129	137	87	16,140	1,383	21,237
Additions *(Note (a))*	55,161	–	–	102	434	183	2,014	2,641	60,535
Reclassification between categories	3,134	–	(3,075)	–	–	–	(59)	–	–
Disposals	–	–	–	–	(46)	–	–	(3,347)	(3,393)
At 31 March 2021 (restated)	**831,226**	**12,949,272**	**3,168**	**12,195**	**9,666**	**9,998**	**366,125**	**107,101**	**14,288,751**
Exchange adjustments	**–**	**16,611**	**–**	**73**	**88**	**60**	**9,978**	**343**	**27,153**
Additions *(Note (a))*	**78,286**	**–**	**1,578**	**–**	**645**	**843**	**11,228**	**14,067**	**106,647**
Reclassification between categories	**240**	**–**	**(240)**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**–**	**(22)**	**(11)**	**–**	**–**	**(33)**
Written off	**–**	**–**	**–**	**–**	**(5)**	**–**	**–**	**–**	**(5)**
At 31 March 2022	**909,752**	**12,965,883**	**4,506**	**12,268**	**10,372**	**10,890**	**387,331**	**121,511**	**14,422,513**
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 April 2020 (restated)	636,958	11,825,078	865	11,406	7,592	8,376	263,883	83,192	12,837,350
Exchange adjustments	–	100	–	94	115	63	11,685	1,171	13,228
Charge for the year	6,211	7,018	–	431	882	490	13,789	4,959	33,780
Reversal of impairment loss recognised in profit or loss	(40,940)	(925,859)	–	–	–	–	(20,906)	–	(987,705)
Disposals	–	–	–	–	(21)	–	–	(2,471)	(2,492)
At 31 March 2021 (restated)	**602,229**	**10,906,337**	**865**	**11,931**	**8,568**	**8,929**	**268,451**	**86,851**	**11,894,161**
Exchange adjustments	**–**	**308**	**–**	**66**	**72**	**41**	**6,347**	**676**	**7,510**
Charge for the year	**9,416**	**20,626**	**–**	**154**	**785**	**563**	**22,491**	**5,882**	**59,917**
Impairment loss recognised in profit or loss	**60,127**	**308,951**	**–**	**–**	**–**	**–**	**8,093**	**–**	**377,171**
Disposals	**–**	**–**	**–**	**–**	**(22)**	**(11)**	**–**	**–**	**(33)**
Written off	**–**	**–**	**–**	**–**	**(5)**	**–**	**–**	**–**	**(5)**
At 31 March 2022	**671,772**	**11,236,222**	**865**	**12,151**	**9,398**	**9,522**	**305,382**	**93,409**	**12,338,721**
CARRYING VALUE									
At 31 March 2022	**237,980**	**1,729,661**	**3,641**	**117**	**974**	**1,368**	**81,949**	**28,102**	**2,083,792**
At 31 March 2021	228,997	2,042,935	2,303	264	1,098	1,069	97,674	20,250	2,394,590

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) *The addition of mining structure of HK$78,286,000 (2021: HK$55,161,000) includes rehabilitation provision of HK$2,178,000 (2021: HK$2,804,000) during the year, which is non-cash in nature.*

(b) *The following estimated useful lives are used for the depreciation of property, plant and equipment:*

Leasehold improvements	*over unexpired lease terms*
Computer equipment	*3 years*
Furniture, fixtures and office equipment	*5 – 10 years*
Plant, machinery and other equipment	*5 – 10 years*
Motor vehicles	*5 – 10 years*
Mineral properties	*based on resources on a unit-of-production basis*
Mining structures	*based on resources on a unit-of-production basis or straight line method over 10 years, whichever is appropriate*

The mineral properties incorporate both the mining rights (intangible) and the underlying mineral reserve (tangible) elements. The Directors consider the tangible reserve is the more significant element and hence the entire mineral properties are classified as property, plant and equipment.

16. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
At 31 March 2022			
Carrying amount	**2,390**	**7,202**	**9,592**
At 31 March 2021			
Carrying amount	2,794	5,261	8,055
For the year ended 31 March 2022			
Depreciation charge	**68**	**6,286**	**6,354**
For the year ended 31 March 2021			
Depreciation charge	37	6,891	6,928

	For the year ended 31 March	
	2022 HK$'000	2021 HK$'000
Expenses relating to short-term leases	**768**	204
Total cash outflow for leases	**7,482**	7,398
Additions to right-of-use assets	**8,085**	3,606
Interest expense	**584**	346

For both years, the Group leases properties for its operations. Lease contracts are entered into for a fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease terms and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The Group is the registered owner of the underlying leasehold lands.

Lease liabilities are disclosed in Note 28 to the financial statements.

16. RIGHT-OF-USE ASSETS (Continued)

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. INTANGIBLE ASSETS

	Software *(Note (a))* HK$'000	Exclusive right-of-use of paved road *(Note (b))* HK$'000	Club membership *(Note (c))* HK$'000	Total HK$'000
COST				
At 1 April 2020	5,106	1,910,589	1,150	1,916,845
Exchange adjustment	12	–	–	12
Additions	382	–	–	382
At 31 March 2021	**5,500**	**1,910,589**	**1,150**	**1,917,239**
Exchange adjustment	**16**	**–**	**–**	**16**
Additions	**178**	**4,410**	**–**	**4,588**
At 31 March 2022	**5,694**	**1,914,999**	**1,150**	**1,921,843**
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2020	4,658	1,757,328	–	1,761,986
Exchange adjustment	1	–	–	1
Charge for the year	241	6,901	–	7,142
Reversal of impairment loss recognised in profit or loss	–	(132,185)	–	(132,185)
At 31 March 2021	**4,900**	**1,632,044**	**–**	**1,636,944**
Exchange adjustment	**2**	**–**	**–**	**2**
Charge for the year	**258**	**14,409**	**–**	**14,667**
Impairment loss recognised in profit or loss	**–**	**39,208**	**–**	**39,208**
At 31 March 2022	**5,160**	**1,685,661**	**–**	**1,690,821**
CARRYING VALUE				
At 31 March 2022	**534**	**229,338**	**1,150**	**231,022**
At 31 March 2021	600	278,545	1,150	280,295

17. INTANGIBLE ASSETS (Continued)

Notes:

(a) *The software has finite useful life and is amortised on a straight-line basis over 3 to 10 years.*

(b) *During the year ended 31 March 2009, an agreement was entered into between the Governor's Administration Office of Khovd Province of Mongolia (the "**Governor**") and MoEnCo LLC ("**MoEnCo**"), a wholly-owned subsidiary of the Company, regarding the right-of-use of a road granted by the Governor to MoEnCo subject to certain conditions. Under the terms of the agreement, MoEnCo will construct a road at its own cost from the Group's mine areas in Khushuut, Western Mongolia to the Yarant border crossing with Xinjiang, the PRC, with the construction permit granted to MoEnCo from the Ministry of Road, Transportation and Tourism of the Mongolian government. In return, MoEnCo enjoys the rights, which were granted at the date of the agreement, for the unrestricted use of the road for 30 years (the "**Approved Period**"). The road will be opened for public use subject to certain weight restrictions whereupon the Group may direct users including commercial users. The Group is also responsible for maintenance of the road during the Approved Period. The Group will use the road mainly for the purpose of transporting coal from its mine areas to its customers in the PRC. During the year ended 31 March 2012, the Group had completed the construction of 311 km of the road and the formal approval from the Mongolian government on the road commissioning was obtained.*

The exclusive right-of-use of paved road has a finite useful life of 30 years and is amortised on a straight-line basis over its licence period and included in the cash-generating unit with other Khushuut Related Assets for impairment assessment purpose.

(c) *The Group owns a club membership with an indefinite life with carrying amount of HK$1,150,000 (2021: HK$1,150,000)*

18. EXPLORATION AND EVALUATION ASSETS

	Mining and exploration rights *(Note (a))* HK$'000	Others *(Note (b))* HK$'000	Total HK$'000
At 1 April 2020	151	347	498
Additions	–	764	764
At 31 March 2021	**151**	**1,111**	**1,262**
Additions	**–**	**297**	**297**
At 31 March 2022	**151**	**1,408**	**1,559**

Notes:

(a) *Mining and exploration rights include a ternary metal exploration concession of around 10,884 hectares in Western Mongolia acquired during the year ended 31 March 2017.*

(b) *Others represent the expenses incurred for the concession as mentioned in Note (a).*

(c) *Exploration and mining licences for mining of coal are granted for an initial period of 3 and 30 years respectively. The exploration licences can be extended for three successive periods of 3 years each and mining licences for two successive periods of 20 years each.*

19. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	2022 HK$'000	2021 HK$'000
Cost of an associate		
Unlisted shares, at cost	**2,839**	2,839
Share of results	**(2,839)**	(2,839)
	–	–
Amount due from an associate	**10,993**	10,979
Impairment losses	**(10,993)**	(10,979)
	–	–

Details of the associate at 31 March 2022 and 2021 are as follows:

Name	Place of incorporation	Principal place of operation	Particulars of issued share capital	Interest held 2022	Interest held 2021	Principal activity
Profit Billion International Private Limited ("**Profit Billion**")	Singapore	Singapore	10 shares of S$1.00 each	**20%**	20%	Investment holding

There is no commitment contracted but not provided for in respect of further capital investment in an associate for both years.

The amount due from an associate for both years include shareholder's loans to MoOiCo LLC, which is wholly owned by Profit Billion and became inactive since the year ended 31 March 2014. That amount is unsecured, interest-free and repayable on demand.

19. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (Continued)

Aggregate information of an associate that is not individually material

	2022 HK$'000	2021 HK$'000
Profit (loss) for the year	**8**	(5)
Other comprehensive income for the year	**–**	–
Total comprehensive income (expense) for the year	**8**	(5)
The Group's share of profit (loss)	**–**	–
Aggregate carrying amount of the Group's interest in this associate	**–**	–

The Group has discontinued the recognition of its share of losses of an associate. The amounts of unrecognised share of losses of this associate as at 31 March 2022, extracted from the relevant management accounts of an associate, both for the year and cumulatively, are as follows:

	2022 HK$'000	2021 HK$'000
Unrecognised share of profit (loss) of an associate for the year	**2**	(1)
Cumulative unrecognised share of losses of an associate	**4,428**	4,430

20. TRADE AND BILLS RECEIVABLES

	31 March 2022 HK$'000	31 March 2021 (Restated) HK$'000
Trade receivables and accrued income *(Note)*	**335,219**	110,767
Bills receivables	**332,396**	263,782
	667,615	374,549
Less: Allowance for credit losses	**(644)**	(466)
	666,971	374,083

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.

20. TRADE AND BILLS RECEIVABLES (Continued)

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:

	2022 HK$'000	2021 (Restated) HK$'000
1 to 30 days	**366,638**	226,011
31 to 60 days	**225,720**	39,612
61 to 90 days	**28,441**	2,861
Over 90 days	**46,172**	105,599
	666,971	374,083

Details of impairment assessment of trade and bills receivables for the year ended 31 March 2022 are set out in Note 40(b).

Transferred financial assets that are not derecognised in their entirety

At 31 March 2022, the Group endorsed certain bills receivables accepted by banks in the PRC (the "**Endorsed Bills**") with a carrying amount of HK$33,541,000 (2021: HK$89,018,000) to certain of its suppliers in order to settle the trade payables and other payables due to such suppliers (the "**Endorsement**"). In addition, the Group discounted certain bills receivables accepted by banks in the PRC (the "**Discounted Bills**") to certain banks to finance its operating cash flows (the "**Discount**"); the related aggregate carrying amount as at 31 March 2022 amounted to nil (2021: HK$10,696,000).

In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills and Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables and other payables settled amounting to HK$33,541,000 (2021: HK$89,018,000); and the Discounted Bills and the associated other payables amounting to nil (2021: HK$10,696,000). Subsequent to the Endorsement and Discount, the Group did not retain any rights on the use of the Endorsed Bills and Discounted Bills, including the sale, transfer or pledge to any other third parties.

Transferred financial assets that are derecognised in their entirety

At 31 March 2022, the Group had Endorsed Bills with an aggregate carrying amount of HK$5,679,000 (2021: HK$7,529,000) and Discounted Bills with an aggregate carrying amount of nil (2021: HK$111,192,000) that have been transferred and derecognised (the "**Derecognised Bills**"). The Derecognised Bills have maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangements with certain banks, the holders of the Derecognised Bills have a right of recourse against the Group if the accepting banks default (the "**Continuing Involvement**").

In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

21. INVENTORIES

	2022 HK$'000	2021 HK$'000
Coal	**234,440**	192,922
Materials and supplies	**34,382**	15,435
	268,822	208,357

22. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2022 HK$'000	2021 HK$'000
Other receivables	**18,253**	17,226
Prepayments	**14,754**	6,950
Deposits	**2,564**	3,722
VAT receivables *(Note (b))*	**168,984**	129,803
Others	**101**	58
	204,656	157,759
Less: Allowance for doubtful debts	**(1,846)**	(1,846)
	202,810	155,913

Notes:

(a) *Details of impairment assessment of other receivables and deposits for the year ended 31 March 2022 are set out in Note 40(b).*

(b) *VAT receivables that are due from the MTA have been accumulated to date since 2017. VAT receivables mainly arise from services paid for its mining related activities conducted by the Group's subsidiary in Mongolia, MoEnCo. These VAT receivables are unable to off-set against sales VAT as export sales of end products of mineral resources are subject to VAT zero tax rating according to the Mongolia VAT law, which represents the majority of the sales of MoEnCo. However, according to the prevailing tax rules and regulations in Mongolia, a taxpayer may offset future taxes and royalties' payable to the MTA against VAT receivables that are subject to approvals from MTA and the Ministry of Finance.*

Included in the balance are VAT receivables amounting to HK$28 million (MNT8.9 billion) that have been confirmed by the MTA, representing its VAT receivables up to 31 December 2017. The MTA is currently conducting a full tax inspection including confirming the Group's VAT receivables for the years ended 31 December 2018, 2019 and 2020 and other taxes for the years ended 31 December 2017, 2018, 2019 and 2020. VAT receivables have indefinite lives once confirmed by the MTA. The Group has submitted a number of requests to the MTA to offset its confirmed VAT receivables with other taxes payable due to the MTA but has been rejected on the basis that any request will be put on hold until a full tax inspection including other taxes is concluded. The Group anticipates that the recovery will proceed once the inspection is completed and would be recovered in full. However, the timing of completion and the actual approval cannot be anticipated.

23. FINANCIAL ASSET AT FVTPL

	2022 HK$'000	2021 HK$'000
Equity security of company listed in Hong Kong	**50,752**	50,752

Fair values are determined with reference to quoted market bid prices.

24. CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Bank balances and cash	**63,906**	57,577

There was no short-term deposit placed for both years. Cash at bank earns interest at rates based on daily bank deposit rates.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to HK$49,555,000 (2021: HK$4,816,000). The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Details of impairment assessment of cash and cash equivalents for the year ended 31 March 2022 are set out in Note 40(b).

25. TRADE PAYABLES

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

	31 March 2022 HK$'000	31 March 2021 (Restated) HK$'000
0 to 30 days	**158,836**	173,232
31 to 60 days	**26,407**	22,893
61 to 90 days	**20,349**	4,877
Over 90 days	**74,753**	60,930
	280,345	261,932

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

26. OTHER PAYABLES AND ACCRUALS

	31 March 2022 HK$'000	31 March 2021 (Restated) HK$'000
Other payables *(Note (a))*	**43,919**	56,049
Accrued staff costs	**25,203**	7,260
Balance payment for Khushuut road *(Note (b))*	**35,958**	35,958
Other tax payables *(Note (c))*	**162,309**	11,589
	267,389	110,856

Notes:

(a) Included in balance are payables arising from the transferred bills receivables that do not satisfy for derecognition (Note 20).

(b) The amount represents the retainage of road paving of the Khushuut road.

(c) Since 1 July 2021, royalty tax in Mongolia has been calculated at a market rate which is published by the Ministry of Finance on a monthly basis. As at 31 March 2022, HK$144,570,000 (2021: HK$6,234,000) was recorded as royalty tax payable.

27. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2022 HK$'000	2021 HK$'000
Short-term advances received from customers		
Sale of goods and services	**30,605**	2,823

Contract liabilities include short-term advances received to deliver clean coal and services. The increase in contract liabilities in 2022 was mainly due to the increase in short-term advances received from customers before the completion of performance obligation.

28. LEASE LIABILITIES

Maturity analysis:

	2022 HK$'000	2021 HK$'000
Within one year	**6,295**	2,939
Within a period more than one year but not more than two years	**1,077**	2,305
Within a period more than two years but not more than five years	**–**	31
	7,372	5,275
Less: Amount due for settlement with 12 months shown under current liabilities	**(6,295)**	(2,939)
	1,077	2,336

	2022 HK$'000	2021 HK$'000
Lease liabilities:		
Current	**6,295**	2,939
Non-current	**1,077**	2,336
	7,372	5,275

The weighted average incremental borrowing rates applied to lease liabilities range from 4.25% to 13.2% (2021: 4.25% to 11%).

29. BORROWINGS

	2022 HK$'000	2021 (Restated) HK$'000
At amortised cost		
Advances from a Director – unsecured *(Note (a))*	**1,707,679**	1,811,276
Interest-bearing bank borrowing – secured *(Note (b))*	**66,630**	–
Convertible notes – unsecured *(Note 30 (a))*	**2,673,167**	2,339,313
Loan note – unsecured *(Note 30 (b))*	**387,451**	316,613
	4,834,927	4,467,202
Analysed for reporting purposes as:		
Current liabilities	**1,774,309**	1,811,276
Non-current liabilities	**3,060,618**	2,655,926
	4,834,927	4,467,202

29. BORROWINGS (Continued)

Reconciliation liabilities arising from financing activities

	Advances from a Director HK$'000 *(Note a)*	Interest-bearing bank borrowing HK$'000 *(Note b)*	Convertible notes (Restated) HK$'000	Loan note HK$'000	Lease liabilities (Restated) HK$'000	Total HK$'000
At 1 April 2020	1,709,372	–	2,047,103	258,725	8,225	4,023,425
Financing cash flows	(38,878)	–	–	–	(7,194)	(46,072)
Interest charge *(Note 9)*	140,782	–	292,210	57,888	346	491,226
Inception of leases	–	–	–	–	3,606	3,606
Foreign exchange translation	–	–	–	–	292	292
At 31 March 2021	**1,811,276**	**–**	**2,339,313**	**316,613**	**5,275**	**4,472,477**
Financing cash flows	**(239,582)**	**64,589**	**–**	**–**	**(6,714)**	**(181,707)**
Interest charge *(Note 9)*	**135,985**	**2,106**	**333,854**	**70,838**	**584**	**543,367**
Inception of leases	**–**	**–**	**–**	**–**	**8,085**	**8,085**
Foreign exchange translation	**–**	**(65)**	**–**	**–**	**142**	**77**
At 31 March 2022	**1,707,679**	**66,630**	**2,673,167**	**387,451**	**7,372**	**4,842,299**

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 is repayable within six months commencing from 21 December 2021 and carries interest at 13.2% per annum. An equivalent carrying value of coal inventory at Khovd aimag, Darvi Soum, Murun bag was pledged as collateral for an outstanding bank loan amount.*

30. 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 2020 (restated)	2,047,103	1,969,222	4,016,325
Interest charge	292,210	–	292,210
Changes in fair value of derivative component	–	(955,692)	(955,692)
At 31 March 2021 (restated)	**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**

30. CONVERTIBLE NOTES AND LOAN NOTE (Continued)

(a) Convertible notes (Continued)

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 3% CTF Convertible Note and 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	1 April 2020 (Restated)	31 March 2021 (Restated)	31 March 2022
Stock price	HK$0.63	HK$0.44	HK$1.12	**HK$0.91**
Exercise price	HK$1.2	HK$1.2	HK$1.2	**HK$1.2**
Volatility *(Note (i))*	71.98%	74.21%	97.93%	**114.03%**
Dividend yield	0%	0%	0%	**0%**
Option life *(Note (ii))*	5 years	4.93 years	3.93 years	**2.93 years**
Risk free rate	0.67%	0.57%	0.55%	**1.89%**

30. CONVERTIBLE NOTES AND LOAN NOTE (Continued)

(a) Convertible notes (Continued)

2020 Convertible Notes with maturity date 6 March 2025 (Continued)

CTF and Golden Infinity Convertible Notes (Continued)

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 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.

31. DEFERRED INCOME

	2022 HK$'000	2021 HK$'000
At beginning of the year	**7,113**	7,505
Granted *(Note)*	**2,091**	5,422
Credited to profit or loss	**(3,779)**	(6,395)
Exchange adjustment	**273**	581
At end of the year	**5,698**	7,113
Analysed for reporting purposes as:		
Current liabilities	**1,718**	1,648
Non-current liabilities	**3,980**	5,465
	5,698	7,113

31. DEFERRED INCOME (Continued)

Notes:

During the year ended 31 March 2022, the Group received government grants of HK$2,091,000 and details are as follows:

(a) The grants of HK$381,000 received represents COVID-19 related grants provided by governments in Hong Kong, Mongolia and the PRC to retain employees who may otherwise be made redundant and to support businesses affected by COVID-19 respectively. The grants are unconditional and granted on a discretionary basis to the Group during the year.

(b) A special fund of HK$1,710,000 was received for foreign trade and economic.

During the year ended 31 March 2021, the Group received government grants of HK$5,422,000 and details are as follows:

(a) The grants of HK$4,233,000 received represents COVID-19 related grants provided by governments in Hong Kong, Mongolia and the PRC to retain employees who may otherwise be made redundant and to support businesses affected by COVID-19 respectively. The grants are unconditional and granted on a discretionary basis to the Group during the year.

(b) A conditional grant of HK$572,500 was received for the purchase and improvement of the machinery and facilities in the washing plant in Xinjiang, the PRC. The amount is transferred to income over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current year of HK$57,250. As at 31 March 2021, an amount of HK$515,250 remains to be amortised.

(c) An unconditional grant of HK$616,010 was received for the cross border trading activities.

32. 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 2020	(3,882)	(24,099)	(27,981)
Credited to profit or loss	–	1,467	1,467
Exchange adjustments	(318)	616	298
At 31 March 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)**

32. DEFERRED TAXATION (Continued)

Deferred tax assets

	Unrealised exchange difference on long-term borrowings HK$'000	Tax losses HK$'000	Depreciation and amortisation HK$'000	Total HK$'000
At 1 April 2020	–	3,499	–	3,499
Credited to profit or loss	–	1,799	–	1,799
Exchange adjustments	–	349	–	349
At 31 March 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**

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 (2021: HK$46,972,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$Nil (2021: HK$37,646,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax asset in respect of tax losses of HK$37,646,000 has been recognised for the year ended 31 March 2021. No deferred tax assets has been recognised in respect of the remaining HK$46,972,000 (2021: HK$46,972,000) as it is not probable there will be sufficient future taxable profits to utilise these tax losses.

As at 31 March 2022, deferred tax assets of HK$130,835,000 and HK$373,970,000 (2021: HK$128,521,000 and HK$426,319,000) have not been recognised in respect of deductible temporary differences of HK$545,157,000 (2021: HK$547,507,000) arising from depreciation and amortisation and HK$1,495,880,000 (2021: HK$1,705,276,000) 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.

33. PROVISION FOR REHABILITATION

The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to the end of mine life in 2037. These provisions have been created based on the Group's estimates. Assumptions based on the current economic environment have been made and management believes that these assumption are reasonable bases to be based upon to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions because of changes in laws and regulations, public expectations, prices, discovery and analyses of site conditions and changes in technology to restore the mine sites. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future coal prices, which are inherently uncertain. The discount rate used in the calculation of the provision as at 31 March 2022 was 9.5% (31 March 2021: 9.5%).

The following table shows the movement in provision for rehabilitation:

	HK$'000
At 1 April 2020 (Restated)	19,239
Additions	2,804
At 31 March 2021 (Restated)	22,043
Additions	2,178
At 31 March 2022	24,221

34. SHARE CAPITAL

Authorised and issued share capital

	2022 HK$'000	2021 HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.02 each	**300,000**	300,000

	Number of ordinary shares at HK$0.02 each	Amount HK$'000
Issued and fully paid:		
At 1 April 2020, 31 March 2021 and 31 March 2022	188,125,849	3,763

35. SHARE-BASED PAYMENT

Equity-settled share option scheme

Under the share option scheme adopted by the Company on 30 August 2012 (the "**Share Option Scheme**"), options were granted to certain Directors, employees and consultants of the Group entitling them to subscribe for shares of the Company. The Company operates the share option scheme for the purpose of providing incentive or reward to eligible participants who contribute to the success of the Group's operations. Options may be exercised at any time from the date of grant of the share options. Share options granted were immediately vested at the date of grant.

On 18 January 2021, options to subscribe 16,500,000 shares (including 8,600,000 shares granted to directors) were granted. The exercise price of the option is HK$1.31. The term of the share option is 5 years from the date of grant.

The number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme as at 31 March 2022 was 30,200,000 (2021: 30,500,000), representing 16.1% (2021: 16.2%) of the shares of the Company as at 31 March 2022.

The total number of the Company's shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company shall not exceed 10% of the aggregate of the shares of the Company in issue at the date when shares of the Company were first listed on the Stock Exchange.

The overall limit on the number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme of the Company must not exceed 30% of the shares in issue from time to time.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share.

No expense was recognised by the Group for the year ended 31 March 2022 in relation to share options under the Share Option Scheme granted by the Company (2021: HK$12,300,000).

As the fair value of the services cannot be estimated reliably, the binomial valuation model has been used to estimate the fair value of the options.

35. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme (Continued)

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

2022

			Number of options			
Grant date	**Exercise price (HK$)**	**Exercisable period**	**Outstanding at 1 April 2021**	**Granted during the year**	**Lapsed during the year**	**Outstanding at 31 March 2022**
1 September 2017	2.260	01-09-2017 to 31-08-2022	**14,000,000**	**–**	**(100,000)**	**13,900,000**
18 January 2021	1.310	18-01-2021 to 17-01-2026	**16,500,000**	**–**	**(200,000)**	**16,300,000**
			30,500,000	**–**	**(300,000)**	**30,200,000**
Exercisable at 31 March 2022						**30,200,000**
Weighted average exercise price (HK$)			**1.746**	**N/A**	**1.627**	**1.747**

2021

			Number of options			
Grant date	**Exercise price (HK$)**	**Exercisable period** *(Note)*	**Outstanding at 1 April 2020**	**Granted during the year**	**Lapsed during the year**	**Outstanding at 31 March 2021**
9 September 2015	2.510	09-09-2015 to 08-09-2020	4,600,000	–	(4,600,000)	–
1 September 2017	2.260	01-09-2017 to 31-08-2022	14,000,000	–	–	14,000,000
18 January 2021	1.310	18-01-2021 to 17-01-2026	–	16,500,000	–	16,500,000
			18,600,000	16,500,000	(4,600,000)	30,500,000
Exercisable at 31 March 2021						30,500,000
Weighted average exercise price (HK$)			2.322	1.310	2.510	1.746

No share options were exercised for both years.

The estimated fair value of the options granted on 18 January 2021 is HK$12,300,000.

At the end of the reporting period, the Company had 30,200,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 30,200,000 additional ordinary shares of the Company and additional share capital of HK$52,759,400 (before issue expenses).

The fair values were calculated using the binomial model valuation. The inputs into the model were as follows:

	2021
Share price	HK$1.310
Exercise price	HK$1.310
Expected volatility	130.16%
Expected life	5 years
Risk-free rate	0.322%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the past few years adjusted for extreme volatility during the period.

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

36. CAPITAL COMMITMENTS

As at 31 March 2022, the Group had capital commitments contracted for but not provided in the consolidated financial statements amounting to HK$61,909,000 (2021: HK$43,039,000). These commitments are for the following projects:

	2022 HK$'000	2021 HK$'000
Other exploration related commitments	**895**	1,296
Purchase of property, plant and equipment	**4,494**	8,279
Road improvement and transportation of mining equipment	**13,897**	11,968
Expansion of wash plant	**42,388**	21,260
Others	**235**	236
	61,909	43,039

37. CONTINGENT LIABILITIES

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

The former mining contractor issued two writs of summons on 14 February 2013 and 30 May 2013 claiming for a total sum of approximately HK$93.7 million. In May 2015, the former mining contractor applied to the Court to amend its statements of claim under the two writs by amending, among others, (i) the currency of the claims from Mongolian Tugrik to United States dollars; and (ii) the amount of the claims to include the alleged contractor's fees up to October 2014. According to amended statement of claims, the total claims under the two writs were revised to approximately HK$198.9 million in May 2015. The two actions were subsequently consolidated and the amount claimed has been reduced to approximately HK$105.6 million and approximately HK$50.0 million was provided for as trade payables in the consolidated financial statements as at 31 March 2022 (2021: HK$50.0 million). Based on the opinion provided by legal counsel of the Company, the Directors consider that the payment of the remaining balance of HK$55.6 million (2021: HK$55.6 million) is not probable.

Subsequent to the financial year ended 31 March 2022, on 16 September 2022, the Company entered into a settlement agreement 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 30 September 2022. In the opinion of the Directors, the difference between the full settlement amount and the trade payables provided as at 31 March 2022 is insignificant.

38. RELATED PARTY TRANSACTIONS

All of the following related party transactions constitute a fully exempted connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(a) Advances from Mr. Lo

	2022 HK$'000	2021 HK$'000
Balance of advances *(Note 29)*	**1,707,679**	1,811,276
Effective interest charge for the year *(Note 29)*	**135,985**	140,782

During the year ended 31 March 2022, the Group made a net repayment of HK$239,582,000 (2021: HK$38,878,000) to Mr. Lo of which HK$24,416,000 was repaid via an off-setting arrangement with a related company incorporated in the PRC as follows:

Pursuant to the Repayment Notice dated 18 November 2021 (the "**Repayment Notice**") from MEC to Mr. Lo, MEC intended to make partial repayment of the loan in the amount of RMB20,000,000 (equivalent to HK$24,416,000) (the "**Repayment**") owed by MEC to Mr. Lo. The Repayment under the Repayment Notice was subsequently made on 23 November 2021 through 新疆蒙科能源科技有限公司（"**新疆蒙科**"）, being an indirect wholly-owned subsidiary of MEC in the PRC, to a Related Company (the "**Related Company**") with a common director of MEC, being the nominee company in the PRC directed by Mr. Lo to receive the Repayment amount. Mr. Lo, MEC, 新疆蒙科, and the Related Company (together, the "**Parties**") declared and confirmed, in a form of deed of confirmation ("**Deed**") dated 24 June 2022, that the Repayment was made out of the intention of MEC to repay part of the liability due to Mr. Lo under the Standby Revolving Facility Agreement as set out in Note 1, it was the agreement between MEC and Mr. Lo that the Repayment could be made by MEC through 新疆蒙科, to the Related Company in the PRC as designated recipient of Mr. Lo. The Deed confirms that upon receipt by the Related Company of the Repayment amount made by 新疆蒙科, it constituted a full and final discharge of the liability of MEC under the facility granted by Mr. Lo under the Standby Revolving Facility Agreement in respect of the relevant amount equal to the Repayment amount. The Group further obtained legal advice that the Repayment arrangement was valid when it was made on 23 November 2021 based on the true intention of the Parties.

(b) Convertible note payable to and interest charge on convertible note by a related party – Golden Infinity

	2022 HK$'000	2021 (Restated) HK$'000
Convertible note	**639,856**	612,597
Coupon interest charge on convertible note for the year *(Note (ii))*	**18,852**	18,852

Notes:

(i) Mr. Lo has a controlling interest in Golden Infinity. Details of the convertible note held by Golden Infinity are set out in Note 30(a).

(ii) The amount represents coupon interest charge on a convertible note. The effective interest expense on a convertible note for the year is approximately HK$60,988,000 (2021 (restated): HK$53,377,000).

38. RELATED PARTY TRANSACTIONS (Continued)

(c) Loan note by a related party – Ruby Pioneer

	2022 HK$'000	2021 HK$'000
Loan note	**387,451**	316,613
Coupon interest charge on loan note for the year *(Note (ii))*	**17,246**	17,246

Notes:

(i) Mr. Lo and Mr. Lo, Rex Cze Kei are the directors of Ruby Pioneer. Details of the loan note by Ruby Pioneer are set out in Note 30(b).

(ii) The amount represents coupon interest charge on a loan note. The effective interest expense on a loan note for the year is approximately HK$70,838,000 (2021: HK$57,888,000).

(d) Transactions with related party

Nature of transactions	2022 HK$'000	2021 HK$'000
Reimbursement of sharing of administrative services from a related party *(Notes (i) and (ii))*	**6,975**	7,213
Coal transportation services provided by a related party *(Note (i))*	**2,699**	–
Geological mapping and geochemical study report services provided by a related party *(Note (i))*	**83**	–

Notes:

(i) Except for Mr. To Hin Tsun, Gerald and Mr. Tang Chi Kei who are the directors of the Company, the directors of the Company and the ultimate holding company of the related parties are the same.

(ii) On 10 July 2015, the Group entered into a share of administrative service agreement with a related party. The service is charged at cost basis. The Group further renewed the contract with the related party on 25 June 2021 and extended the agreement for a period of 1 year.

38. RELATED PARTY TRANSACTIONS (Continued)

(e) Balance with related parties

	2022 HK$'000	2021 HK$'000
Rental deposits paid to related parties *(Note (i))*	**401**	437
Lease liabilities *(Notes (i) and (iii))*	**4,204**	4,555
Balance of sharing of administrative services from a related party *(Notes (ii) and (iv))*	**14,188**	13,539
Balance of coal transportation services provided by a related party *(Notes (ii) and (v))*	**2,157**	–

Notes:

(i) *Mr. Lo, Mr. Rex Lo and Mr. Chris Lo are the directors of the related parties or ultimate holding company of the related parties.*

(ii) *Except Mr. To Hin Tsun, Gerald and Mr. Tang Chi Kei who are the directors of the Group, the directors of the Company and the ultimate holding company of the related parties are the same.*

(iii) *During the years ended 31 March 2022 and 2021, the Group entered into a new lease agreement for the use of the properties with the related company for 2 years. The Group has recognised an addition of right-of-use assets and lease liabilities of HK$7,097,000 and HK$7,097,000 respectively (2021: addition of right-of-use assets and lease liabilities of HK$516,000 and HK$516,000 respectively).*

(iv) *The balance is non-trade in nature, unsecured, interest-free and repayable on demand.*

(v) *The balance is trade in nature, unsecured, interest-free and repayable on demand.*

(f) Key management compensation

The remuneration of Directors, represented key management of the Group, during the year was as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries, other allowances and benefits in kind	**25,445**	14,580
Retirement benefit scheme contributions	**79**	72
Equity-settled share-based payment expense	**–**	7,018
	25,524	21,670

Note:

During the year ended 31 March 2022, no share options were granted to the Directors (2021: 8,600,000). Share options granted during the year ended 31 March 2021 were immediately vested at the date of grant.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debts, which include advances from a Director and an interest-bearing bank borrowing disclosed in Note 29, convertible notes disclosed in Note 30(a) and a loan note disclosed in Note 30(b), net of cash and cash equivalents and equity of the Group, comprising share capital and reserves.

Management of the Group reviews the capital structure regularly, taking into account the cost and risk associated with the capital. The Group will balance its capital structure through the issue of new shares, the issue of new debt or the redemption of the existing debts.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 HK$'000	2021 (Restated) HK$'000
Financial assets		
Financial assets at amortised cost	**417,452**	187,246
Financial asset at FVTOCI (debt instrument)	**332,396**	263,782
Financial asset at FVTPL	**50,572**	50,752
Financial liabilities		
Measured at amortised cost	**5,195,149**	4,821,141
Embedded derivative component of convertible notes measured at FVTPL	**828,515**	1,013,530

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, bills receivables at FVTOCI and deposits, financial assets at FVTPL, an amount due from an associate, cash and cash equivalents, trade payables, other payables, advances from a Director, interest-bearing bank borrowing, convertible notes and a loan note. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. There has been no significant change in the Group's exposure to market risks or the manner in which it manages and measures the risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in Hong Kong, the PRC and Mongolia. The exposure to foreign currency risk mainly arises from trade and bills receivables, other receivables, an amount due from an associate, cash and cash equivalents, trade payables, other payables, advances from a Director, an interest-bearing bank borrowing, convertible notes and a loan note denominated in currencies other than functional currency of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2022 HK$'000	**2021 HK$'000 (Restated)**	**2022 HK$'000**	**2021 HK$'000**
HK$	**5,603,120**	5,486,009	**–**	2,794
RMB	**20,992**	21,583	**10,076**	60,743
MNT	**157,047**	61,953	**5,404**	8,053

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The currency risk on HK$ is insignificant as the HK$ is pegged to the US$.

The Group is mainly exposed to the currencies of RMB and MNT against US$, the functional currency of relevant group entities.

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in US$ against the relevant foreign currencies. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A positive/negative number below indicates a decrease/increase in post-tax profit or an increase/decrease in post-tax loss where US$ weakening 5% (2021: 5%) against RMB and MNT respectively. For a 5% (2021: 5%) strengthening of US$ against RMB and MNT respectively, there would be an equal and opposite impact on the profit/loss, vice versa.

	RMB		MNT	
	2022 HK$'000	**2021 HK$'000**	**2022 HK$'000**	**2021 HK$'000**
Increase in loss (profit) for the year *(Note)*	**546**	(1,958)	**7,582**	2,695

Note:

This is mainly attributable to the exposure from outstanding trade and other receivables, cash and cash equivalents and trade and other payables denominated in RMB and MNT at the end of the reporting period.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities, an interest-bearing bank borrowing (see Note 29), convertible notes (see Note 30 (a)) and a loan note (see Note 30 (b)). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 24) and advances from a Director (see Note 29).

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's cash flow interest rate risk is mainly due to the Hong Kong Prime Rate in relation to advances from a Director.

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The Group's interest rate risk arises principally from advances from a Director as the effect on bank balances is considered not significant. The sensitivity analysis below has been prepared assuming that the change in interest rate had occurred at the end of the respective reporting periods and had been applied to the exposure to interest rate risk for the existence of advances from a Director at that date and outstanding for the whole year. The 50 basis points represent the best estimation of the possible change in the interest rates over the period until the end of the next reporting period.

As at 31 March 2022, if interest rates had decreased/increased by 50 basis points and all other variables were held constant, the Group's loss for the year would decrease/increase by HK$7,130,000 (2021: profit for the year would increase/decrease by HK$7,562,000). The Group has no other significant interest rate risk.

(iii) Other price risk

a. *Price risk on equity securities*

The Group is exposed to equity price risk through its investment in listed equity security classified as financial asset at FVTPL. Management regularly reviews the expected returns from holding these investments on an individual basis.

The Group's equity price risk is mainly concentrated on an entity operating in the network security industry.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period for financial assets at FVTPL.

If the listed share prices of the respective equity instruments had been 5% higher/lower, the loss for the year ended 31 March 2022 would decrease/increase by HK$2,538,000 (2021: profit for the year would increase/decrease by HK$2,538,000) as a result of the changes in fair value on financial assets at FVTPL.

b. *Price risk on embedded derivative components of the convertible notes (defined in Note 30 (a))*

The Company is required to estimate the fair value of the derivative component of the convertible notes with changes in fair value to be recognised in the consolidated statement of profit or loss as long as the convertible notes are outstanding. The fair value will be affected either positively or negatively, amongst others, by the changes in the Company's share price and share price volatility.

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

b. *Price risk on embedded derivative components of the convertible notes (defined in Note 30 (a)) (Continued)*

Sensitivity analysis

If the listed share price of the Company had been 10% higher/lower and all other input variables of the valuation model were held constant, the Group's loss for the year would increase by HK$29,840,000 (2021: profit would decrease by HK$94,620,000)/decrease by HK$1,950,000 (2021: Nil), as a result of changes in fair value of the derivative component of the convertible notes.

If the volatility of listed share prices of the Company had been 10% higher/lower and all other input variables of the valuation model were held constant, the Group's loss for the year would decrease by HK$1,383,000 (2021: Nil)/increase by HK$1,372,000 (2021: Nil), as a result of changes in fair value of the derivative component of the convertible notes.

In management's opinion, the sensitivity analyses above are unrepresentative of the inherent price risk as the pricing model used in the valuation of these embedded derivatives involves multiple variables and certain variables are interdependent.

Credit risk and impairment assessment

As at 31 March 2022, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties was arising from the carrying amounts of the trade and bills receivables, other receivables and deposits, an amount due from an associate and cash and cash equivalents as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that a follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon the application of HKFRS 9 on trade and bills receivables by reviewing the recoverable amount of each individual trade and bills receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group measures the loss allowance on bank balances equal to 12m ECL. The credit risk on bank balances is limited because most of the cash and deposits are placed with reputable banks with high external credit rating assigned by international credit-rating agencies or state-owned banks in the PRC.

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There are significant increases in credit risk since initial recognition through internally developed information or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

2022	*Notes*	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Amount due from an associate	19	*(Note (i))* Loss	Lifetime ECL (credit impaired)	**10,993**
Other receivables and deposits	22	*(Note (i))* Low risk	12m ECL (not credit impaired)	**18,971**
		Loss	Lifetime ECL (credit-impaired)	**1,846**
				20,817
Trade receivables and accrued income	20	*(Note (iii))* Low risk	Lifetime ECL (not credit impaired)	**335,219**
Cash and cash equivalents	24	*(Note (iv))* Low risk	12m ECL (not credit impaired)	**63,906**
Financial assets at FVTOCI				
Bills receivables	20	*(Note (ii))* Low risk	12m ECL (not credit impaired)	**332,396**

2021	*Notes*	Internal credit rating	12-month or lifetime ECL	Gross carrying amount (Restated) HK$'000
Financial assets at amortised costs				
Amount due from an associate	19	*(Note (i))* Loss	Lifetime ECL (credit impaired)	10,979
Other receivables and deposits	22	*(Note (i))* Low risk	12m ECL (not credit impaired)	19,102
		Loss	Lifetime ECL (credit-impaired)	1,846
				20,948
Trade receivables and accrued income	20	*(Note (iii))* Low risk	Lifetime ECL (not credit impaired)	110,767
Cash and cash equivalents	24	*(Note (iv))* Low risk	12m ECL (not credit impaired)	57,577
Financial assets at FVTOCI				
Bills receivables	20	*(Note (ii))* Low risk	12m ECL (not credit impaired)	263,782

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

(i) For the purpose of internal credit risk management, the Group uses historical repayment records to assess whether credit risk has increased significantly since initial recognition for amount due from an associate and other receivables and deposits.

	Not yet past due HK$'000	No fixed repayment terms HK$'000	Total HK$'000
2022			
Amount due from an associate	–	10,993	10,993
Other receivables and deposits	18,971	1,846	20,817
	18,971	12,839	31,810

	Not yet past due HK$'000	No fixed repayment terms HK$'000	Total HK$'000
2021			
Amount due from an associate	–	10,979	10,979
Other receivables and deposits	19,102	1,846	20,948
	19,102	12,825	31,927

(ii) For bills receivables at FVTOCI, the Group measures the loss allowance individually with reference to external credit ratings of the issuing counterparties which are banks in the PRC.

(iii) For trade receivables and accrued income, the Group has applied the simplified approach in accordance with HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items individually.

(iv) The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For the years ended 31 March 2022 and 2021, the Group has assessed the impairment of cash and cash equivalents and has concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for credit losses is provided.

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and accrued income under the simplified approach:

	Lifetime ECL (not credit-impaired) HK$'000
At 1 April 2020	9
Impairment losses recognised	184
Exchange adjustments	7
At 31 March 2021	**200**
Impairment losses recognised	**428**
Exchange adjustments	**16**
At 31 March 2022	**644**

The following table show the reconciliation of loss allowances that has been recognised for bills receivables, amount due from an associate and other receivables and deposits:

	Bills receivables at FVTOCI 12m ECL (not credit-impaired) HK$'000	Amount due from an associate Lifetime ECL (credit-impaired) HK$'000	Other receivables and deposits Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2020	653	10,970	1,846	13,469
(Reversal of impairment loss) impairment losses recognised, net	(423)	9	–	(414)
Exchange adjustments	36	–	–	36
At 31 March 2021	**266**	**10,979**	**1,846**	**13,091**
(Reversal of impairment loss) impairment losses recognised, net	**799**	**14**	**–**	**813**
Exchange adjustments	**24**	**–**	**–**	**24**
At 31 March 2022	**1,089**	**10,993**	**1,846**	**13,928**

Other than concentration risk on liquid funds which are deposited with banks that have good credit ratings, the Group has concentration of credit risk as 67% (2021 (restated): 46%) of the total trade and bills receivables and it was due from the Group's largest customer within the coal mining segment.

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings. The amount of net current liabilities is HK$1,140,410,000 (2021 (restated): HK$1,358,170,000).

As at 31 March 2022, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future as Mr. Lo has provided facilities amounting to HK$1,900.0 million available for advances to the Group. Advances from a Director of HK$1,707.7 million under these facilities as at 31 March 2022 comprised a principal amount and accrued interest of HK$968.4 million and HK$739.3 million respectively. The balance of the unutilised facilities of HK$931.6 million remained valid until 31 March 2024 and Mr. Lo has undertaken not to demand for repayment until the Group has sufficient cash to make a repayment and the repayment will not affect the Group's liquidity position.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both the interest and principal of cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

2022

	Weighted average effective interest rate %	Less than 1 month or repayable on demand HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2022 HK$'000
Trade payables *(Note 25)*	–	280,345	–	–	–	280,345	280,345
Other payables *(Note 26)*	–	47,737	7,500	24,297	343	79,877	79,877
Advances from a Director – floating rate *(Note 29)*	8%	1,707,679	–	–	–	1,707,679	1,707,679
Interest-bearing bank borrowing *(Note 29)*	13.2%	–	–	70,490	–	70,490	66,630
Convertible notes (debt component) – fixed rate *(Note 30 (a))*	14.26%	–	–	–	3,954,050	3,954,050	2,673,167
Loan note – fixed rate *(Note 30 (b))*	22.37%	–	–	–	661,183	661,183	387,451
Lease liabilities	6.62%	553	1,752	4,307	1,073	7,685	7,372
		2,036,314	9,252	99,094	4,616,649	6,761,309	5,202,521

40. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

2021

	Weighted average effective interest rate	Less than 1 month or repayable on demand (Restated)	1 to 3 months	3 months to 1 year	1 to 5 years	Total undiscounted cash flows (Restated)	Carrying amount at 31 March 2021 (Restated)
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables *(Note 25)*	–	261,932	–	–	–	261,932	261,932
Other payables *(Note 26)*	–	62,332	5,205	24,128	342	92,007	92,007
Advances from a Director – floating rate *(Note 29)*	8%	1,811,276	–	–	–	1,811,276	1,811,276
Convertible notes (debt component) – fixed rate *(Note 30 (a))*	14.26%	–	–	–	3,954,050	3,954,050	2,339,313
Loan note –fixed rate *(Note 30 (b))*	22.37%	–	–	–	661,183	661,183	316,613
Lease liabilities	6.62%	580	675	1,774	2,389	5,418	5,275
		2,136,120	5,880	25,902	4,617,964	6,785,866	4,826,416

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Fair value measurements and valuation processes

The Executive Directors are responsible for determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Executive Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Executive Directors review the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair values of various assets and liabilities is disclosed above.

The Group's financial assets at FVTPL, FVTOCI and embedded derivative component of convertible notes are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

40. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Fair value measurements and valuation processes (Continued)

Financial assets/ financial liabilities	Fair value as at 31 March 2022 HK$'000	2021 (Restated) HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input	Relationship of unobservable input to fair value
Listed equity security classified as financial asset at FVTPL	**50,752**	50,752	Level 1	– Quoted bid prices in an active market	N/A	N/A
Bills receivables at FVTOCI	**332,396**	263,782	Level 2	– Discounted cash flow: Future cash flows are estimated based on discount rate observed in the available market.	N/A	N/A
Embedded derivatives component of convertible notes	**828,515**	1,013,530	Level 3	– Binomial Valuation Model – The key inputs are stock price, exercise price, option life, risk free rate, volatility and dividend yield	– Volatility is 114.03% (2021 (restated): 97.93%)	– A slight increase in the volatility would result in significantly higher fair value measurement, and vice versa *(Note)*

Note:

A sensitivity analysis is performed in Note 40(b).

There was no transfer between Levels 1, 2 and 3 for both years.

Reconciliation of Level 3 fair value measurements of financial liabilities

	Embedded derivative components of convertible notes HK$'000
At 1 April 2020 (restated)	1,969,222
Changes in fair value recognised in the consolidated statement of profit or loss	(955,692)
At 31 March 2021 (restated)	**1,013,530**
Changes in fair value recognised in the consolidated statement of profit or loss	**(185,015)**
At 31 March 2022	**828,515**

Fair values of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

41. MAJOR NON-CASH TRANSACTIONS

Save as disclosed elsewhere, the Group has no other major non-cash transactions for both years.

42. STATEMENT OF FINANCIAL POSITION – THE COMPANY

	31 March 2022 HK$'000	31 March 2021 (Restated) HK$'000	1 April 2020 (Restated) HK$'000
Non-current assets			
Interests in subsidiaries	**1,432,076**	1,856,880	988,538
Interest in an associate	**–**	–	–
Amounts due from subsidiaries	**603,860**	854,352	660,185
	2,035,936	2,711,232	1,648,723
Current assets			
Other receivables, prepayments and deposits	**737**	1,000	1,074
Amount due from an associate	**–**	–	–
Cash and cash equivalents	**–**	2,834	5,713
	737	3,834	6,787
Current liabilities			
Other payables and accruals	**10,946**	5,444	49,684
Advances from a Director	**1,707,679**	1,811,276	1,709,372
Amount due to a subsidiary	**205,383**	205,391	205,407
	1,924,008	2,022,111	1,964,463
Net current liabilities	**(1,923,271)**	(2,018,277)	(1,957,676)
Total assets less current liabilities	**112,665**	692,955	(308,953)
Non-current liabilities			
Convertible notes	**3,501,682**	3,352,843	4,016,325
Loan note	**387,451**	316,613	258,725
	3,889,133	3,669,456	4,275,050
Net liabilities	**(3,776,468)**	(2,976,501)	(4,584,003)
Financed by:			
Capital and reserves			
Share capital	**3,763**	3,763	3,763
Reserves	**(3,780,231)**	(2,980,264)	(4,587,766)
Capital deficiencies to owners of the Company	**(3,776,468)**	(2,976,501)	(4,584,003)

43. RESERVES – THE COMPANY

	Share options reserve HK$'000	Capital Contribution reserve HK$'000	Accumulated losses (Restated) HK$'000	Total (Restated) HK$'000
At 1 April 2020 (restated)	29,105	334,220	(4,951,091)	(4,587,766)
Profit for the year (restated)	–	–	1,595,202	1,595,202
Share option lapsed	(7,664)	–	7,664	–
Recognition of equity-settled share-based payments *(Note 35)*	12,300	–	–	12,300
At 31 March 2021 (restated)	**33,741**	**334,220**	**(3,348,225)**	**(2,980,264)**
Loss for the year	**–**	**–**	**(799,967)**	**(799,967)**
Share option lapsed	**(287)**	**–**	**287**	**–**
At 31 March 2022	**33,454**	**334,220**	**(4,147,905)**	**(3,780,231)**

Note:

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders, subject to the condition that the Company shall not declare or pay a dividend, or make a distribution out of the contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at 31 March 2022 and 2021:

Name of subsidiaries	Place of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held		Place of operation	Principal activities
			2022	2021		
Gamerian Limited*	British Virgin Islands	1 share of US$1.00	**100%**	100%	Hong Kong	Investment holding
Mongolia Energy Corporation (Greater China) Limited*	Hong Kong	2 shares with no par value	**100%**	100%	Hong Kong	Management services
Mongolia Energy Corporation (HK) Limited*	Hong Kong	1 share with no par value	**100%**	100%	Hong Kong	Management services
Mongolia Energy Corporation Services Limited *	Hong Kong	2 shares with no par value	**100%**	100%	Hong Kong	Provision of secretarial and nominee services
MoEnCo	Mongolia	1,010,000 shares of US$1.00 each	**100%**	100%	Mongolia	Minerals exploration and mining activities
MEC Trans LLC	Mongolia	MNT4,556,575,582	**100%**	100%	Mongolia	Provision of coal transportation service
烏魯木齊蒙富礦業有限公司#	The PRC	RMB14,299,899	**100%**	100%	The PRC	Provision of mining and exploration advisory service
新疆蒙科#	The PRC	RMB216,415,136	**100%**	100%	The PRC	Trading of coal and operation of coal washing plant

* *Subsidiaries directly held by the Company*

\# *Wholly foreign owned enterprise established in the PRC*

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

45. EVENTS AFTER THE REPORTING PERIOD

(a) On 16 June 2022 and 25 July 2022, the Company made voluntary repayments to a Director amounting to HK$114,230,000 and HK$200,000,000 respectively.

(b) On 16 September 2022, the Group entered into a settlement deed with a 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 30 September 2022.

FIVE YEARS SUMMARY OF RESULTS, ASSETS AND LIABILITIES

	Results of the Group for the year ended 31 March				
	2018	**2019**	**2020 (Restated)**	**2021 (Restated)**	**2022**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Turnover	637,362	776,708	1,124,996	858,417	**1,562,718**
(Loss) Profit attributable to owners of the Company	(159,938)	(44,425)	(425,438)	1,795,091	**(349,052)**
(Loss) Earnings per share (HK$) *(Note)*	(Restated)	(Restated)	(Restated)	(Restated)	
– Basic	(0.85)	(0.24)	(2.26)	9.54	**(1.86)**
– Diluted	(0.85)	(0.24)	(2.26)	0.37	**(1.86)**

	Assets and liabilities of the Group at 31 March				
	2018	**2019**	**2020 (Restated)**	**2021 (Restated)**	**2022**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total assets	1,020,787	1,515,123	2,212,426	3,537,943	**3,620,557**
Less: Total liabilities	(5,070,852)	(5,627,748)	(6,433,784)	(5,931,780)	**(6,332,949)**
Total net liabilities	(4,050,065)	(4,112,625)	(4,221,358)	(2,393,837)	**(2,712,392)**

Note:

As a result of the capital reorganisation completed on 6 March 2020, figures for the years from 2018 and 2019 have been restated for comparative purpose.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lo Lin Shing, Simon *(Chairman)*
Ms. Yvette Ong *(Managing Director)*
Mr. Lo, Rex Cze Kei
Mr. Lo, Chris Cze Wai

Non-executive Directors

Mr. To Hin Tsun, Gerald
Mr. Tang Chi Kei *(appointed on 10 November 2021)*

Independent Non-executive Directors

Mr. Tsui Hing Chuen, William *JP*
Mr. Lau Wai Piu
Mr. Lee Kee Wai, Frank

COMPANY SECRETARY

Mr. Tang Chi Kei

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

Public Bank (Hong Kong) Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR

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16 Harcourt Road
Hong Kong

REGISTERED OFFICE

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CHINESE TRANSLATION

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