MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

The board of directors (the "**Board**") of Mongolia Energy Corporation Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2024 (the "**Financial Year**") together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2024

	Notes	**2024**	2023
		HK$'000	*HK$'000*
Revenue	*4*	**3,173,215**	2,905,309
Cost of sales		**(1,986,327)**	(1,820,213)
Gross profit		**1,186,888**	1,085,096
Other income	*5*	**19,586**	16,518
Other gains and losses	*6*	**(50,744)**	31,441
Administrative expenses		**(329,940)**	(237,848)
Changes in fair value on derivative component of convertible notes	*15(a)*	**959,326**	(303,323)
Reversal of impairment losses (impairment losses) on property, plant and equipment	*3*	**965,061**	(1,231,455)
Reversal of impairment losses (impairment losses) on right-of-use assets	*3*	**1,081**	(1,212)
Reversal of impairment losses (impairment losses) on intangible assets	*3*	**125,122**	(128,225)
Impairment losses on financial assets		**(6,480)**	(1,245)
Finance costs	*7*	**(655,861)**	(599,206)
Profit (loss) before taxation	*8*	**2,214,039**	(1,369,459)
Income tax expense	*9*	**(536,118)**	(233,640)
Profit (loss) for the year attributable to owners of the Company		**1,677,921**	(1,603,099)
Earnings (loss) per share attributable to ordinary equity holders of the Company	*11*		
– basic and diluted earnings (loss) per share (HK$)		**8.92**	(8.52)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	2024	2023
	HK$'000	*HK$'000*
Profit (loss) for the year	**1,677,921**	(1,603,099)
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of group companies	**(32,387)**	(22,884)
– Fair value changes on debt instruments at fair value through other comprehensive income ("**FVTOCI**")	**6,059**	1,529
Other comprehensive expense for the year	**(26,328)**	(21,355)
Total comprehensive income (expense) for the year attributable to owners of the Company	**1,651,593**	(1,624,454)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment		**2,053,437**	1,018,279
Right-of-use assets		**10,315**	8,613
Intangible assets		**214,973**	93,087
Exploration and evaluation assets		**1,972**	1,689
Interest in an associate		**–**	–
Deferred tax assets	*16*	**24,784**	40,166
		2,305,481	1,161,834
Current assets			
Trade and bills receivables	*12*	**1,037,155**	953,484
Inventories		**402,669**	303,382
Other receivables, prepayments and deposits		**341,306**	254,767
Prepaid taxation		**50**	15,498
Financial asset at fair value through profit or loss ("**FVTPL**")		**30,874**	51,598
Amount due from an associate		**–**	–
Cash and cash equivalents		**97,826**	60,264
		1,909,880	1,638,993
Current liabilities			
Trade payables	*13*	**337,406**	252,590
Other payables and accruals		**870,579**	782,010
Contract liabilities		**9,627**	67,967
Tax liabilities		**357,624**	14,712
Advances from a Director	*14*	**1,006,689**	1,302,017
Convertible notes	*15(a)*	**3,664,199**	–
Loan note	*14, 15(b)*	**580,545**	–
Lease liabilities		**5,961**	3,056
Deferred income		**1,509**	1,591
		6,834,139	2,423,943
Net current liabilities		**(4,924,259)**	(784,950)
Total assets less current liabilities		**(2,618,778)**	376,884

	Notes	**2024** *HK$'000*	2023 *HK$'000*
Non-current liabilities			
Convertible notes	*15(a)*	**–**	4,186,443
Loan note	*14, 15(b)*	**–**	474,140
Deferred income		**476**	2,093
Deferred tax liabilities	*16*	**30,143**	18,931
Lease liabilities		**2,584**	4,751
Provision for rehabilitation		**33,272**	27,372
		66,475	4,713,730
Net liabilities		**(2,685,253)**	(4,336,846)
Financed by:			
Capital and reserves			
Share capital		**3,763**	3,763
Reserves		**(2,689,016)**	(4,340,609)
Capital deficiencies attributable to owners of the Company		**(2,685,253)**	(4,336,846)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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.

Given that the convertible notes and loan note with principal amount of HK$4,012.9 million in aggregate are going to mature on 6 March 2025 and 21 November 2024 respectively, the carrying amounts of HK$4,244.7 million relating to convertible notes and loan note have been reclassified as current liabilities as at 31 March 2024. Details of the convertible notes and loan note are set out in Note 15 in this announcement.

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 at least 12 months from 31 March 2024. The cash flow projections have been determined using the estimation of future cash flows to be generated from the Group's operating activities and its working capital needs.

As at 31 March 2024, the Group had convertible notes and a loan note of HK$3,664.2 million and HK$580.5 million respectively which would fall due within one year, and cash and cash equivalents of HK$97.8 million. The estimation of future cash flows is based on the assumption that the Company will exercise its endeavour to reach an agreement with the holders of the convertible notes and loan note on a debt refinancing plan before the respective maturity dates of the convertible notes and loan note to allow the Group to continue to meet its financial obligations. As set out in Note 15, the holders of the convertible notes are Chow Tai Fook Nominee Limited ("**CTF**") and Golden Infinity Co., Ltd ("**Golden Infinity**") and the holder of the loan note is Ruby Pioneer Limited ("**Ruby Pioneer**"), Golden Infinity is wholly-owned company of 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 whereas Mr. Lo and Mr. Lo, Rex Cze Kei are the directors of Ruby Pioneer. As of the date of this announcement, the discussion with CTF has not yet initiated.

In addition, Mr. Lo has provided facilities amounting to HK$1,900.0 million by way of advances to the Group. As at 31 March 2024, advances from Mr. Lo in the sum of HK$1,006.7 million comprised the principal amount and accrued interest of HK$968.4 million and HK$38.3 million respectively. Excluding the accrued interest of HK$38.3 million, the balance of the unutilised facilities of HK$931.6 million remains valid until 24 March 2026. 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 which will not affect the Group's liquidity position.

While recognising that the Group had net liabilities of approximately HK$2,685.3 million and net current liabilities of approximately HK$4,924.3 million as at 31 March 2024, the Directors are of the opinion that, taking into account the above assumptions, 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.

However, should the above refinancing plan not be able to implement successfully, the Group would be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HKFRS

New and revised HKFRSs that are mandatorily effective for the current year

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

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Income taxes: Deferred tax related to assets and liabilities arising from a single transaction[3]
Amendments to HKAS 12	Income taxes: International tax reform – Pillar Two model rules[4]

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

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

The amendments disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(2) Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The application of the amendments had no impact on the Group's financial statements.

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

The amendments narrow the scope of the initial recognition exception in HKAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The application of the amendments had no impact on the Group's financial statements.

(4) Amendments to HKAS 12 "International Tax Reform – Pillar Two Model Rules"

The amendments introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. RECOVERABLE AMOUNT ASSESSMENT ON KHUSHUUT RELATED ASSETS

At the end of the reporting period, there were indicators of reversal of impairment loss and the Group engaged an independent qualified professional valuer (the "**Independent Valuer**") to determine the recoverable amount of its property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations (collectively referred to as "**Khushuut Related Assets**").

For the purposes of impairment testing, the Khushuut Related Assets are treated as a cash-generating unit ("**CGU**"), which represents the Group's coking coal mining operation in Western Mongolia. The recoverable amount of the Khushuut Related Assets has been determined based on a value in use calculation.

The Group performed an impairment test of the Khushuut Related Assets as at 31 March 2024, of which the recoverable amount determined by the Independent Valuer was higher than their carrying values, and a reversal of impairment loss amounting to HK$1,091.3 million (2023: impairment loss of HK$1,360.9 million) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2024.

Certain key assumptions adopted in the value in use calculation have been changed in determining the recoverable amount as at 31 March 2024 from 31 March 2023, including the assumption that the Group will increase in production and sales volume taking into account additional coals processed by the third party washing facilities. These assumptions were included in the value in use calculation as at 31 March 2024 but were excluded in the value in use calculation as at 31 March 2023 according to the Group's current business plan. In the opinion of the Directors, the changes in these key assumptions were based long term mine plan.

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

Coal prices

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

Sales quantity/production plan

Sales quantity is in line with production plan. Forecasted production volumes are based on mining plans agreed by the management as part of the long-term planning process and take into account additional coals processed by the third party washing facilities for coming 12 months. The production plans used were consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of reserves.

Discount rate

In calculating the value in use, a pre-tax discount rate of 35.06% (2023: 34.75%) was applied to the discounted cash flows. This discount rate is derived from the Group's weighted average cost of capital ("**WACC**"), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate.

A reversal of impairment loss (2023: 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 2024:

	Carrying values before reversal of impairment loss *HK$'000*	**Reversal of impairment loss** *HK$'000*	**Carrying values after reversal of impairment loss** *HK$'000*
Property, plant and equipment	**1,067,843**	**965,061**	**2,032,904**
Right-of-use assets	**824**	**1,081**	**1,905**
Intangible assets	**88,029**	**125,122**	**213,151**
Total	**1,156,696**	**1,091,264**	**2,247,960**

Carrying values of the Khushuut Related Assets as at 31 March 2023:

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

The reason for the reversal of impairment loss being recognised in profit or loss for the year ended 31 March 2024 was mainly due to the changes in production and sales volume of coking coal (2023: the changes in discount rate, production and sales volume of coking coal and estimated coking coal price for the forthcoming four-year period). The above changes have had a significant impact on the value in use assessment performed by the Directors in both years with the cash flows expected to be received.

4. REVENUE AND SEGMENT INFORMATION

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

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

Segment revenue and results

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

For the year ended 31 March 2024

	Coal mining *HK$'000*	**Total** *HK$'000*
Segment revenue *(Note (a))*	**3,173,215**	**3,173,215**
Segment profit	**2,018,216**	**2,018,216**
Unallocated expenses *(Note (b))*		**(96,835)**
Other income		**6,197**
Other gains and losses		**(20,491)**
Changes in fair value on derivative component of convertible notes		**959,326**
Finance costs		**(652,374)**
Profit before taxation		**2,214,039**
Timing of revenue recognition		
Goods transferred at a point in time		**3,173,215**
Services transferred over time		**–**
		3,173,215

For the year ended 31 March 2023

	Coal mining *HK$'000*	Total *HK$'000*
Segment revenue *(Note (a))*	2,905,309	2,905,309
Segment loss	(358,250)	(358,250)
Unallocated expenses *(Note (b))*		(114,186)
Other income		864
Other gains and losses		2,386
Changes in fair value on derivative component of convertible notes		(303,323)
Impairment loss on financial asset		(9)
Finance costs		(596,941)
Loss before taxation		(1,369,459)
Timing of revenue recognition		
Goods transferred at a point in time		2,901,087
Services transferred over time		4,222
		2,905,309

Notes:

(a) As at 31 March 2024, all outstanding contracts for the sale of coal have an original expected duration of less than one year. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

For contract liabilities of HK$9,627,000 as at 31 March 2024 (31 March 2023: HK$67,967,000), as the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component. Contract liabilities of HK$67,967,000 as at 31 March 2023 has been recognised as revenue in the current reporting period as the performance obligation of transferring the associated goods or services was met during the year.

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

The accounting policies of the operating segment are the same as the Group's accounting policies described in annual report. Segment profit (loss) represents the profit (loss) 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 2024

	HK$'000
ASSETS	
Segment assets – coal mining	**4,120,617**
Financial asset at FVTPL	**30,874**
Cash and cash equivalents	**14,469**
Other unallocated assets *(Note (a))*	**49,401**
Consolidated total assets	**4,215,361**
LIABILITIES	
Segment liabilities – coal mining	**1,633,116**
Convertible notes	**3,664,199**
Loan note	**580,545**
Advances from a Director	**1,006,689**
Other unallocated liabilities *(Note (b))*	**16,065**
Consolidated total liabilities	**6,900,614**

As at 31 March 2023

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

Notes:

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

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

Other segment information

For the year ended 31 March

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

Coal mining

	2024	2023
	HK$'000	*HK$'000*
Capital additions	**117,818**	231,148
Amortisation of intangible assets	**3,655**	10,540
Depreciation of right-of-use assets	**2,343**	2,492
Depreciation of property, plant and equipment	**46,759**	64,579
Interest income	**(876)**	(932)
(Reversal of impairment loss) impairment loss on property, plant and equipment	**(965,061)**	1,231,455
(Reversal of impairment loss) impairment loss on right-of-use assets	**(1,081)**	1,212
(Reversal of impairment loss) impairment loss on intangible assets	**(125,122)**	128,225
Write down of inventories to net realisable value	**–**	22,283

Geographical information

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

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

	Revenue	
	2024	2023
	HK$'000	*HK$'000*
Mongolia	**1,989**	3,213
The PRC	**3,171,226**	2,902,096
	3,173,215	2,905,309

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

	Non-current assets	
	2024	2023
	HK$'000	*HK$'000*
Hong Kong	**13,419**	6,951
Mongolia	**2,195,905**	1,045,481
The PRC	**71,373**	69,236
	2,280,697	1,121,668

Note:

Non-current assets exclude deferred tax assets.

Information about major customers

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

	2024	2023
	HK$'000	*HK$'000*
Customer A	**1,752,239**	1,556,392
Customer B	**NA**	326,428

5. OTHER INCOME

	2024	2023
	HK$'000	*HK$'000*
Interest income	**895**	955
Government grants	**5,932**	4,083
Dividend income	**6,178**	–
Sundry income	**6,581**	11,480
	19,586	16,518

6. OTHER GAINS AND LOSSES

	2024	2023
	HK$'000	*HK$'000*
Changes in fair value on financial asset at FVTPL	**(20,724)**	846
Gain on disposal of property, plant and equipment	**301**	191
Loss on write off of property, plant and equipment	**(227)**	–
Net exchange (loss) gain	**(30,094)**	30,404
	(50,744)	31,441

7. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interest on advances from a Director	**108,472**	128,618
Interest on lease liabilities	**853**	357
Interest on bank borrowing	**–**	1,076
Effective interest expense on convertible notes *(Note 15(a))*	**437,082**	381,438
Effective interest expense on loan note *(Note 15(b))*	**106,405**	86,689
Effective interest expense on provision for rehabilitation	**3,049**	1,028
	655,861	599,206

8. PROFIT (LOSS) BEFORE TAXATION

	2024	2023
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**56,537**	68,254
Other staff costs:		
Salaries and other benefits (net of reimbursement from a related party	**128,638**	129,955
Retirement benefits scheme contributions (excluding contributions for Directors and net of reimbursement from a related party	**14,650**	12,609
Total staff costs	**199,825**	210,818
Less: staff costs capitalised in inventories	**(66,992)**	(66,190)
	132,833	144,628
Impairment losses on:		
Trade and bills receivables	**6,480**	1,241
Amount due from an associate	**–**	9
	6,480	1,250
Depreciation of property, plant and equipment	**48,308**	65,275
Depreciation of right-of-use assets	**5,896**	6,344
Amortisation of intangible assets	**3,655**	10,540
Auditor's remuneration		
– provided for the year	**5,000**	5,000
– under provision in prior year	**–**	1,300
Write down of inventories to net realisable value	**–**	22,283

9. INCOME TAX EXPENSE

	2024	2023
	HK$'000	*HK$'000*
Current tax:		
Withholding tax	**618**	–
PRC Enterprise Income Tax ("**EIT**") *(Note (a))*	**233,527**	50,985
Mongolian corporate income tax *(Note (b))*	**262,073**	170,745
Deferred taxation *(Note 16)*	**39,900**	11,910
	536,118	233,640

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.

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.

Notes:

(a) In prior years, it was assessed that the principal activity of one of the Group's subsidiary, 新疆蒙科能源科技有限公司 ("**新疆蒙科**"), satisfied the definition as one of the encouraged industries stated in the "Tax incentives of Western Development Policy" and was entitled to enjoy a preferential income tax rate of 15% until 31 December 2030, which was also aligned with industry practice within the region. During the current year, a notification was received from the local tax authority that the principal activity of 新疆蒙科 does not satisfy the definition and income tax should be provided at 25%. As the detail of the basis of the local tax authority's interpretation is unclear, 新疆蒙科 plans to seek for clarification from the relevant government departments. While 新疆蒙科 is seeking for clarification, as a result of changes in facts and circumstances, management has reassessed its assessment and as a result, income tax has been provided at 25% for 2023 tax year. As such, an additional tax provision of HK$132.1 million has been provided accordingly.

(b) During the year, one of the Group's subsidiary, MoEnCo LLC ("**MoEnCo**"), received a tax demand letter ("**First Tax Demand Letter**") from the Mongolia Tax Authority, arising from the completion of the tax audit covering the fiscal years 2017 to 2020 on 28 July 2023, imposing a total tax demand (including additional taxes and penalties) of approximately HK$406.4 million (US$52.1 million) on a number of tax matters, including mainly transfer pricing, treatment of unrealised exchange differences and royalty tax, etc.

MoEnCo filed an appeal notice against the First Tax Demand Letter and a hearing took place on 29 January 2024, of which the Tax Dispute Resolution Committee of Mongolia ("**TDRC**") ordered for a reinvestigation on a number of tax matters identified in the First Tax Demand Letter.

As a result of the reinvestigation, on 21 May 2024, MoEnCo received a revised tax demand letter ("**Revised Tax Demand Letter**") from the MTA, imposing a revised total tax demand of approximately HK$929.8 million, The revision is mainly due to, among others, the MTA assertions of MoEnCo's under-reporting of the sales revenues which is a transfer pricing issue under dispute at the TDRC hearing held on 29 January 2024.

In addition, subsequent to the year end on 6 May 2024, MoEnCo received another demand notice from the MTA for an amount of HK$403.3 million for additional tax relating to mainly royalty tax for the period from 2022 to 2024.

The Group has engaged with independent external tax consultants and legal advisor in assessing the findings and further disagrees on a number of matters and its calculation included in the Revised Tax Demand Letter and on 14 June 2024, the Group has filed another appeal notice against the Revised Tax Demand Letter. An assessment has been made on the uncertain tax position and an additional tax provision of HK$273.0 million has been provided accordingly as at 31 March 2024.

10. DIVIDENDS

No dividend was paid or proposed by the Company during the year ended 31 March 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

11. EARNINGS (LOSS) PER SHARE

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

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

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

	2024	2023
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings (loss) attributable to ordinary equity holders of the Company, as used in the calculation of basic and diluted earnings (loss) per share	**1,677,921**	(1,603,099)

	2024	2023
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basis earnings (loss) per share	**188,126**	188,126
Effect of dilutive potential ordinary shares *(Note)*:		
Convertible notes	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**188,126**	188,126

Note:

The computation of diluted earnings per share for the year ended 31 March 2024 did not assume the exercise of share options since the adjusted exercise price was greater than the average market price of the Company's shares during the outstanding period in 2024.

The computation of diluted loss per share for the year ended 31 March 2023 did not assume the exercise of share options and the conversion of the Company's outstanding convertible notes since assuming the exercise of the share options or the conversion of the convertible notes would result in a decrease in loss per share.

12. TRADE AND BILLS RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Trade receivables and accrued income *(Note)*	**511,398**	212,891
Bills receivables	**526,199**	740,819
	1,037,597	953,710
Less: allowance for expected credit losses	**(442)**	(226)
	1,037,155	953,484

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

The following is an ageing analysis of trade receivables and accrued income and bills receivables net of allowance for credit losses based on the date of revenue recognition:

	2024	2023
	HK$'000	*HK$'000*
1 to 30 days	**278,673**	336,131
31 to 60 days	**137,563**	195,295
61 to 90 days	**122,205**	76,400
Over 90 days	**498,714**	345,658
	1,037,155	953,484

13. TRADE PAYABLES

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

	2024	2023
	HK$'000	*HK$'000*
0 to 30 days	**164,312**	201,344
31 to 60 days	**41,107**	5,509
61 to 90 days	**30,226**	5,222
Over 90 days	**101,761**	40,515
	337,406	252,590

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

14. BORROWINGS

	2024	2023
	HK$'000	*HK$'000*
At amortised cost		
Advances from a Director – unsecured *(Note (a))*	**1,006,689**	1,302,017
Interest-bearing bank borrowing – secured *(Note (b))*	**–**	–
Convertible notes – unsecured *(Note 15(a))*	**3,491,687**	3,054,605
Loan note – unsecured *(Note 15(b))*	**580,545**	474,140
	5,078,921	4,830,762

	2024	2023
	HK$'000	*HK$'000*
Analysed for reporting purposes as		
Current	**5,078,921**	1,302,017
Non-current	**–**	3,528,745
	5,078,921	4,830,762

Notes:

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

(b) The secured loan from a Mongolian bank was fully repaid during the year ended 31 March 2023 and the collateral, an equivalent carrying value of coal inventory at Khovd aimag, Darvi Soum, Murun bag, was discharged accordingly in the same year.

15. CONVERTIBLE NOTES AND LOAN NOTE

(a) Convertible notes

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

	Debt component *HK$'000*	**Derivative component** *HK$'000*	**Total** *HK$'000*
At 1 April 2022	2,673,167	828,515	3,501,682
Interest charge	381,438	–	381,438
Changes in fair value of derivative component	–	303,323	303,323
At 31 March 2023	**3,054,605**	**1,131,838**	**4,186,443**
Interest charge	**437,082**	**–**	**437,082**
Changes in fair value of derivative component	**–**	**(959,326)**	**(959,326)**
At 31 March 2024	**3,491,687**	**172,512**	**3,664,199**

2020 Convertible Notes with maturity date 6 March 2025

In prior years, the Company issued HK$2,424,822,000 3% convertible note to CTF (the "**3% CTF Convertible Note**"), HK$542,315,000 3% convertible note to 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 amount of HK$2,809,671,052 and HK$628,387,371 to CTF and Golden Infinity respectively (the "**2020 Convertible Notes**") to replace the 3% CTF Convertible Note and the 3% GI Convertible Note.

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

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

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

	6 March 2020	31 March 2023	**31 March 2024**
Stock price	HK$0.63	HK$1.05	**HK$0.65**
Exercise price	HK$1.2	HK$1.2	**HK$1.2**
Volatility *(Note (i))*	71.98%	77.91%	**105.99%**
Dividend yield	0%	0%	**0%**
Option life *(Note (ii))*	5 years	1.93 years	**0.93 years**
Risk free rate	0.67%	3.31%	**4.10%**

Notes:

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

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

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

No conversion was made during both years.

(b) Loan note

The 3% ZV Convertible Note matured on 21 November 2019. On 21 November 2019, Mr. Lo took up the full amount owing to the 3% ZV Convertible Note holder through Ruby Pioneer. 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. Mr. Lo and Mr. Lo, Rex Cze Kei are directors of Ruby Pioneer.

16. DEFERRED TAXATION

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

Deferred tax liabilities

	Undistributed profits of a subsidiary *HK$'000*
At 1 April 2022	19,383
Charged to profit or loss	12,730
Utilised during the year	(11,713)
Exchange adjustments	(1,469)
At 31 March 2023	**18,931**
Charged to profit or loss	**24,883**
Utilised during the year	**(12,581)**
Exchange adjustments	**(1,090)**
At 31 March 2024	**30,143**

Deferred tax assets

	Unrealised exchange difference on long-term borrowing *HK$'000*	**Depreciation and amortisation** *HK$'000*	**Total** *HK$'000*
At 1 April 2022	27,145	12,702	39,847
(Charged) credited to profit or loss	(12,360)	13,180	820
Exchange adjustments	–	(501)	(501)
At 31 March 2023	**14,785**	**25,381**	**40,166**
(Charged) credited to profit or loss	**(14,785)**	**(232)**	**(15,017)**
Exchange adjustments	**–**	**(365)**	**(365)**
At 31 March 2024	**–**	**24,784**	**24,784**

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 (2023: HK$46,972,000) that are available indefinitely for offsetting against future taxable profits of the companies in which losses arose. No deferred tax assets have been recognised as it is not probable that there will be sufficient future taxable profits to utilise these tax losses.

As at 31 March 2024, deferred tax assets of HK$116,930,000 and HK$nil (2023: HK$158,175,000 and HK$342,332,000) have not been recognised in respect of deductible temporary differences of HK$467,719,000 (2023: HK$655,809,000) arising from depreciation and amortisation and HK$nil (2023: HK$1,369,327,000) 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.

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

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2024 as set out in this announcement have been agreed by the Company's auditor, EY, to the amounts set out in the Group's consolidated financial statements for the year as approved by the Board on 19 June 2024. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this announcement.

AUDIT OPINION

The below sections set out an extract of the report by EY regarding the Group's consolidated financial statements for the year ended 31 March 2024:

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the multiple uncertainties described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As set out in Note 1 to the consolidated financial statements, the Group had net liabilities of approximately HK$2,685.3 million and net current liabilities of approximately HK$4,924.3 million as at 31 March 2024, including advances from a Director, convertible notes and a loan note in aggregate of HK$5,251.4 million. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, including from a substantial shareholder who is also the Chairman and a director of the Company, and the holders of the convertible notes and loan note.

As further set out in Note 30* to the consolidated financial statements, the Company's convertible notes and loan note, with a carrying amount in aggregate of HK$4,244.7 million as at 31 March 2024 have maturity dates due within one year. Management plans to negotiate with the existing holders of the convertible notes and loan note in relation to the potential refinancing of these borrowings to allow the Group to continue to meet its financial obligations. In addition, the Group is also dependent on the continuous financial support over the facilities amounting to HK$1,900 million from the Chairman of the Group, including 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. If the refinancing from the existing holders of the convertible notes and loan note, and finance from its shareholder were not to be available, the Group would be unable to meet its financial obligations as and when they fall due. We are unable to assess the likelihood of an agreement being reached, and as such, whether the Group will have sufficient finance available to continue to meet its financial obligations.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. In view of the significance of the extent of the multiple uncertainties relating to the ongoing availability of finance to the Group, we disclaim our opinion in respect of the year ended 31 March 2024.

* Being Note 15 in this announcement

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

The fundamental reason for the disclaimer of audit opinion (the "**Disclaimer**") made by the independent auditor for the Financial Year is the material uncertainty arising from the soon expiry of the loan note and convertible notes (the "**Notes**") in November 2024 and March 2025 respectively. Despite the fact that the Company would exercise its best endeavor to complete the negotiation and reach an agreement with the holders of the Notes (the "**Debt Refinancing**"); however, the Debt Refinancing was only at a very preliminary stage at the date which the consolidated financial statements were approved and authorised for issue by the Board. Therefore, the independent auditor was unable to obtain solid audit evidence to form an audit opinion on the consolidated financial statements. For details of the Notes, please refer to Note 15 to this announcement. The audit committee of the Company (the "**Audit Committee**") has reviewed the Disclaimer for the Financial Year and understood the basis thereof. The management of the Company (the "**Management**") has reviewed the impact of the Disclaimer on the Group and considers that it does not have significant impact on the Group's daily operation subject to the Debt Refinancing could be completed on or before the expiry of the Notes. By reference to the experience gained in similar debt refinancing exercises successfully completed in 2014 and 2019, the Management has confidence that the Debt Refinancing could be reached in due course and expects the Disclaimer will be removed in the financial year ending 31 March 2025.

There was no disagreement between the views of the Audit Committee and the Management in respect of (i) the Disclaimer and (ii) the Company's plan to address the Disclaimer.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Financial Year (2023: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**AGM**") of the Company will be held on Friday, 23 August 2024. The notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the Register of Members of the Company will be closed from Tuesday, 20 August 2024 to Friday, 23 August 2024, both dates inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS ANALYSIS

Revenue

MEC achieved record-breaking sales result in the Financial Year. The management of MEC deliberately increased the sales volume of clean coking coal to counteract the fall in the average coal selling price trend. During the Financial Year, the Group sold approximately 1,742,900 tonnes (2023: 1,351,600 tonnes) of clean coking coal and approximately 76,900 tonnes (2023: 247,500 tonnes) of thermal coal and approximately 53,800 tonnes (2023: 30,900 tonnes) of raw coal. The average selling prices of clean coking coal, thermal coal and raw coal net of sales tax were approximately HK$1,796.5 (2023: HK$2,123.4), HK$24.4 (2023: HK$55.4) and HK$695.3 (2023: HK$544.0) per tonne respectively.

Cost of Sales

Cost of sales includes mining costs, coal processing costs, transportation costs, costs on disposal of coal refuse and other relevant operating expenses. The cost of sales for the Financial Year was HK$1,986.3 million (2023: HK$1,820.2 million). The overall increase reflected the increase in sales activities. It was divided into cash costs of HK$1,930.4 million (2023: HK$1,741.5 million) and non-cash costs of HK$55.9 million (2023: HK$78.7 million).

Gross Profit

Gross profit margin was approximately 37.4% (2023: 37.3%) at around the same level of 2023.

Other gains and losses

The net losses mainly comprised a fair value loss of HK$20.7 million arising from an investment in a Hong Kong listed company (2023: Gain of HK$0.8 million) and net exchange loss of HK$30.1 million (2023: Gain of HK$30.4 million). The weakening of RMB during the Financial Year accounted for the net exchange loss.

Administrative expenses

The significant increase in administrative expenses during the Financial Year was mainly due to the provision of tax penalty and undue loss arising from the tax audit conducted by the Mongolian General Tax Office for the tax period from 2017 to 2020. For details, please refer to the Company's announcements dated 21 August 2023, 28 February 2024, 7 May 2024 and 23 May 2024.

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$959.3 million was recognised in the Financial Year (2023: Loss of HK$303.3 million). The major inputs into the binomial valuation model to work out the valuation of the conversion option derivative for the Financial Year were stated in Note 15(a) to this announcement.

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

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

Key changes in assumptions used in the discounted cash flow model as at 31 March 2024 and 31 March 2023 are set out below:

	Notes	**2024**	2023
Discount rate	*(a)*	**35.06%**	34.75%
Average current coking coal price per tonne	*(b)*	**US$213**	US$244
Inflation rate	*(c)*	**2.22%**	2.00%
Predicted average annual growth rate of the coking coal price for the forthcoming four-year period since year ended	*(d)*	**-4.26%**	-6.97%
Annual projected sales quantity (tonnes)		**1.9 million**	1.3 million

Notes:

(a) The discount rate is a pre-tax discount rate and is derived from the Group's WACC with appropriate adjustments made to reflect the risks specific to the Khushuut Coal Mine. The computation of WACC takes into account both cost of debt and equity, and weighted based on the Group's and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors and based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of comparable peer companies. The change of discount rate from last year was a combined result of the updates on the WACC including the risk-free rate and other risk premium factors. The risk-free rate adopted was the yield of China 10-year government bond as at 31 March 2024. The risk premium factors are to reflect the business risks of the Khushuut Coal Mine;

(b) The average current coking coal price was updated based on latest sales contracts signed by around 31 March 2024;

(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 2024. For the remaining year of the discounted cash flow model, the growth rate is the same as the inflation rate.

Pursuant to the recoverable amount assessment, a reversal of impairment loss amounting to HK$1,091.3 million was recognised in the Financial Year (2023: Impairment loss of HK$1,360.9 million). The key contributor to the increase in recoverable amount on Khushuut Related assets are mainly due to the increase in projected sales quantity based on the mining plans proposed by the management as part of the long-term planning process and take into account additional coals processed by the thirty party washing facilities.

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 (2023: 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 (2023: 22.37%).

MARKET REVIEW

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

According to the data of the National Bureau of Statistics of China ("**NBS**"), China's recorded a gross domestic product ("**GDP**") growth of about 5.2% in 2023. This was better than the target set for 2023 and also outshone the growth of 3% in 2022 under the pandemic. Consumption was the primary driver, contributing 82.5% to the GDP growth, followed by investment and trade. However, the property sector continued to contract, with real estate investment fell by 8.1% and sales revenue of housing property decreased by 6%. According to the NBS, China's GDP growth in the first quarter of the year was 5.3%, reaching 29.63 trillion yuan (about 4.17 trillion U.S. dollars). The growth was mainly attributed to the rising production demand, stable employment and prices, and growing market confidence, and also with the implementation of supportive government policies and intensified macro-control efforts. In terms of economic contribution by industry, the value added of the primary industry grew 3.3% year on year in the first quarter; that of the secondary industry grew 6%, almost double than 3.3% in the last corresponding period, mainly boosted by strong growth in high-tech manufacturing; and that of the tertiary industry grew 5%.

According to the World Steel Association, the world's total crude steel production was 1,888.2 million tonnes in 2023, which was flat from a year earlier. China remained the biggest crude steel producing country in the world during this period. Global crude steel output only increased slightly by 0.5% in the first quarter of 2024 year on year. According to the NBS, the crude steel production of China for the first quarter of 2024 was 256.6 million tonnes, down by 1.9% year on year. China's steel exports in the first quarter of 2024 reached nearly 26 million tonnes, an increase of 30.7% compared with the same period last year. East Asia remains its main market, but exports to India, the Middle East and Latin America have also been increasing. This is China's biggest wave of steel exports since global supply glut in mid-2010s.

In respect of the coal and washing industry of China, the combined revenue of large coal enterprises was RMB3.49 trillion last year, a decrease of 13.1% from the previous year, and their total profits were RMB762.8 billion, fell by 25.3%, according to the NBS.

China's total raw coal production in 2023 was 4.71 billion tonnes, up 3.4% year-on-year while coal imports recorded a significant surge at 474 million tonnes, a year-on-year increase of 61.8%. The surge was partly due to the implementation of the zero-tariff policy in 2023. Imports of Mongolian thermal coal also increased as it was cheaper in comparison and could be used for coal blending resulting in lower production costs. As the coal import tariffs in China was restored in January 2024, the surge of imported coal may slow down in 2024. The major coal supplying countries to China were Indonesia, Russia, Mongolia and Australia. Coal exports for China in 2023 was 447 million tonnes, up 11.7%.

During the first quarter of 2024, the output of industrial raw coal above designated size was 1.11 billion tonnes, a year-on-year decrease of 4.1%. However, imported coal was approximately 116 million tonnes, a year-on-year increase of 13.9%

According to the data of General Administration of Customs ("**GAC**"), China imported over 100 million tonnes of coking coal last year, an increase of 60.6% year-on-year. 53.96 million tonnes of coking coal were imported from Mongolia, surging 110% year-on-year. Import from Russia also increased 26.8% year-on-year, amounting to 26.63 million tonnes, and ranking as the second largest coking coal supplier to China next to Mongolia.

Mongolia continued to expand its mining industry after coming out of Covid. According to the National Statistics Office of Mongolia, coal production of Mongolia came in at 81.19 million tonnes in 2023, a year-on-year increase of 118%. It exported 66.38 million tonnes of coal to China in 2023, surging 123%. The uptrend continues. According to Mongolian Customs General Administration, Mongolia exported 17.66 million tonnes of coal in the first quarter of 2024, up 28.14% compared with the last corresponding period, but the export value decreased 1.36%, indicating the falling trend of the export coal price.

BUSINESS REVIEW

Coal Sales

We recorded a revenue of HK$3,173.2 million from the sales of coking coal, thermal coal and raw coal to our customers in China and Mongolia in the Financial Year, a rise of 9.22% compared with the previous financial year.

Coal Production

During the Financial Year, approximately 17,570,900 bank cubic meters ("**BCM**") of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works (2023: 17,031,700 BCM). Production of run-of-mine ("**ROM**") coking coal and thermal coal were approximately 3,101,400 tonnes and 4,010,800 tonnes respectively (2023: 2,481,900 tonnes and 382,500 tonnes).

Coal Processing

During the Financial Year, approximately 1,900,600 tonnes of ROM coal (2023: 1,397,400 tonnes) were processed by the dry coal processing plant, producing approximately 1,536,500 tonnes of raw coking coal (2023:1,152,800 tonnes). The average recovery rate was 80.84%. The raw coking coal would then stand for export to Xinjiang.

The coal exported from Mongolia to Xinjiang was raw coking coal in nature, it is inferior in quality and lower in selling price and requires further handling and processing. In Xinjiang, approximately 2,734,400 tonnes of raw coking coal (2023: 2,112,800 tonnes) were processed by our owned washing plant or through subcontractors, producing approximately 1,944,100 tonnes of clean coking coal (2023: 1,474,700 tonnes). The average recovery rate was 71.10%.

Coal Shipping

Apart from the field work contractors, we hired external coal trucking companies with heavy duty trucks to provide coal transportation services for our coal export. During the Financial Year, approximately 2,707,100 tonnes of raw coking coal were shipped from Mongolia to Xinjiang.

Customers and Sales

We signed a master coal contract with our customer during the Financial Year. The actual sales including price and the quantity of coal to be delivered were negotiated and mutually agreed from time to time between us and the customers, monthly in general, during this period. Our sales contract clearing is based on the actual clean coking coal delivered after washing.

During the Financial Year, we sold approximately 945,500 tonnes of clean coking coal to our largest customer and it accounted for approximately 54.04% of our revenue in the Financial Year. In general, our production and shipment of coal are closely linked to the market and other conditions, and shipment negotiations between us and the customers from time to time. We will closely monitor the developments and adjust our operation schedule from time to time.

Apart from our major customer, we had nine other customers in Xinjiang and three customers in other areas of China for our coking coal during the Financial Year.

Licences

During the Financial Year, the Group had ten mineral licences including nine mining licences, of which eight are for our Khushuut operations and one in other area not within Khushuut; and one exploration licence.

Legal and Political Aspects

In 2023, Mongolia's economy experienced robust growth driven by increased mineral output and exports, culminating in 70 million tonnes of coal exports by year-end. The growth facilitated fiscal surpluses and contributed to the expansion of international reserves. Despite facing the extreme winter weather, locally known as dzud, which affected most of Mongolia between November 2023 and March 2024, and led to significant livestock losses, damaging the livelihoods of numerous pastoral households, the economy maintained its upward trajectory. Inflation, although declining, remained relatively high. Looking ahead, the growth prospects for 2024 and 2025 are anticipated to be led by the mining sector, notably the Oyu Tolgoi mine, which is projected to ramp up concentrate production.

On 31 May 2023, the Mongolian Parliament enacted a significant constitutional reform, enlarging the legislative body from 76 to 126 members. The core aim of this constitutional reform is to enhance legislators' service by reducing the average number of voters represented by each lawmaker. Additionally, another constitutional amendment empowers Mongolia's Constitutional Court to render final decisions on citizen petitions alleging constitutional civil rights breaches, including gender equality, freedom of expression, thought, and peaceful assembly.

Aligned with these constitutional reforms, the Parliament amended the Law on Elections, focusing on five key regulations. These changes aim to bolster political party accountability, nurture them as policy institutions, ensure transparency in party finances, foster equal member participation, and strengthen internal party democracy.

The Mongolian government declared 2023 as the "Year to Combat Corruption" and initiated the implementation of the five "W" operations, a multi-dimensional initiative targeting corruption. These operations underscore transparency, accountability, and active citizen engagement. Discussions are ongoing regarding draft laws concerning the legal status of whistleblowers, regulation of public and private interests in public service, and conflict of interest prevention, alongside the National Anti-Corruption Program.

To attract foreign investment, Mongolia is committed to enhancing legal protection for foreign investors. A proposed revision to the Law on Investment, presented to the Parliament in February 2024, aims to furnish investors with vital information, simplify business registration, ensure efficient compliance resolution, remove investment-related prohibitions and restrictions, fortify protection through international arbitration, streamline government procedures, and to foster an investor-friendly climate while reducing bureaucracy.

Additionally, the Investment and Trade agency under the Ministry of Economy and Development was established to safeguard foreign investors' rights and interests, ensuring legal protection, resolving investment disputes, advocating for investor-friendly policies, providing information, streamlining regulations, monitoring policy implementation, and collaborating with stakeholders.

The Law on Public-Private Partnership, previously regulated by the Law on Concession, came into force on 1 January 2024. It improves the entire economic competitiveness of the country and accelerates the development of infrastructure such as power plants, roads, railways, and public transport are included in Mongolia's medium-term development policy document "New Revival Policy". The law regulates issues relating to providing land for private construction and investment, special permit issuance, solving price issues, especially price liberalization in the energy and civil aviation sectors, development based on economic and business principles and providing opportunities to attract private sector investment.

Pursuant to Decree No. 466 dated 14 December 2022, issued by the Government of Mongolia, the 'Export Procedures for Open Electronic Trading of Coal' were officially approved in 2023. Since the commencement of the initial trial phase within state-owned enterprises, participation in this initiative has significantly expanded to include private enterprises. According to 2023 annual report of the Mongolian Stock Exchange, a total of 204 coal auctions were held, trading 14.9 million tonnes of coal for 7.3 trillion MNT (2.15 billion USD) in 2023. The average price increase for auctioned coal was 8.5%.

In December 2023, the Government declared 2024 as the "Year to Support Regional Development," aiming to revitalize urban and rural areas, diversify the national economy, and to accelerate overall development. At present, 46% of Mongolia's population resides in the capital city of Ulaanbaatar, 75.8% of enterprises and 84% of trade and services are focused in the capital city and 63% of GDP is produced solely in Ulaanbaatar.

In this regard, Mongolia plans to work towards urban and rural revitalization as part of a post-pandemic new revival policy in 2024, to diversify the national economy and accelerate the development of the country. Mongolia plans to implement a number of measures in near future to promote regional development, dividing its 21 provinces into several integrated regions by its locations.

The Government of Mongolia adopted a revised Environmental Impact Assessment Regulation ("**EIAR**") on 8 February 2024. The New EIAR requires project implementers to assess not only the environmental impact but also the social impact of their projects, using more detailed criteria such as enhanced Environmental Status Assessment and expanded scope of management plan.

In April 2024, the Mongolian Parliament approved the Law on the Sovereign Wealth Fund. This legislation outlines the procedures for establishing, distributing, and managing the Sovereign Wealth Fund. The primary objective of this law is to ensure the equitable and fair distribution of mineral resource benefits to every citizen of Mongolia, both present and future.

In connection with the approval of this law, respective amendments have been made to the Minerals Law. These amendments brought key changes to the Minerals law in terms of restrictions imposed on shares, authorised representative, state ownership of shares in derivative deposits associated with strategically important mineral deposits and special tax rate. The Group will continue to monitor the potential development and/or amendments to the Minerals Law, and will assess and (where appropriate) make disclosure about the impact (if any) on the Group.

The tax is levied at a rate of 30% if the beneficial owner of a mining license holder for a strategically important mineral deposit fully or partially transfers the right to own and use land, as well as exploration and exploitation licenses for minerals, radioactive minerals, and oil. Such transfers may occur through gifting or bequeathing shares, participation, or voting rights of a legal entity.

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 production is mainly carried out by MoEnCo in Mongolia. MoEnCo has a detailed environmental assessment of the Khushuut Mine covering five years environmental management and protection related matters in our mine operation. Based on such documentation, the Ministry of Environment and Tourism of Mongolia will approve an annual environmental plan while monitoring the implementation of the preceding year's environmental plan through an implementation report submitted by MoEnCo. When preparing its annual Environmental Management Plan ("**EMP**"), MoEnCo works closely with the local soum government and provincial environmental agencies to reflect their proposals in the EMP. We also conduct joint assessment on the execution of each EMP.

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

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

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. Apart from the tax dispute with the Mongolia Tax Authority which they had been disclosed in our announcements dated 21 August 2023, 7 November 2023 and 28 February 2024, 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.

Tax disputes

PRC Tax

In prior years, it was assessed that the principal activity of one of the Group's subsidiary, 新疆蒙科能源科技有限公司 ("**新疆蒙科**"), satisfied the definition as one of the encouraged industries stated in the "Tax incentives of Western Development Policy". Hence, 新疆蒙科 was entitled to enjoy a preferential income tax rate of 15% until 31 December 2030, which was also aligned with industry practice within the region. During the current year, a notification was received from the local tax authority that the principal activity of 新疆蒙科 does not satisfy the definition and income tax should be provided at 25%. As the detail of the basis of the local tax authority's interpretation is unclear, 新疆蒙科 plans to seek for clarification from the relevant government departments. While 新疆蒙科 is seeking for clarification, as a result of changes in facts and circumstances, management has reassessed its assessment and as a result, income tax has been provided at 25% for 2023 tax year. As such, an additional tax provision of HK$132.1 million has been provided accordingly.

Mongolian Tax

During the year, the Group's subsidiary, MoEnCo, received a tax demand letter ("**First Tax Demand Letter**") from the Mongolia Tax Authority, arising from the completion of the tax audit covering the fiscal years 2017 to 2020 on 28 July 2023, imposing a total tax demand (including additional taxes and penalties) of approximately HK$406.4 million (US$52.1 million) on a number of tax matters, including mainly transfer pricing, treatment of unrealised exchange differences and royalty tax, etc.

MoEnCo filed an appeal notice against the First Tax Demand Letter and a hearing took place on 29 January 2024, of which the Tax Dispute Resolution Committee of Mongolia ("**TDRC**") ordered for a reinvestigation on a number of tax matters identified in the First Tax Demand Letter.

As a result of the reinvestigation, on 21 May 2024, MoEnCo received a revised tax demand letter ("**Revised Tax Demand Letter**") from the MTA, imposing a revised total tax demand of approximately HK$929.8 million, The revision is mainly due to, among others, the MTA assertions of MoEnCo's under-reporting of the sales revenues which is a transfer pricing issue under dispute at the TDRC hearing held on 29 January 2024.

In addition, subsequent to the year end on 6 May 2024, MoEnCo received another demand notice from the MTA for an amount of HK$403.3 million for additional tax relating to mainly royalty tax for the period from 2022 to 2024.

The Group has engaged with independent external tax consultants and legal advisor in assessing the findings and further disagrees on a number of matters and its calculation included in the Revised Tax Demand Letter and on 14 June 2024, the Group has filed another appeal notice against the Revised Tax Demand Letter. An assessment has been made on the uncertain tax position and an additional tax provision of HK$273.0 million has been provided accordingly as at 31 March 2024.

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$2,685.3 million and net current liabilities of approximately HK$4,924.3 million as at 31 March 2024, 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 2024 remains valid until 24 March 2026; (2) Mr. Lo does not intend to demand immediate repayment of his advances to the Company and (3) Agreement in principle to renew the loan note and convertible notes upon their maturity in November 2024 and March 2025 respectively were obtained from the note holders by the Company. The borrowings of the Group as at 31 March 2024 were the convertible notes, loan note and advances from Mr. Lo in aggregate of HK$5,251.4 million (2023: HK$5,962.6 million). Advances from Mr. Lo, convertible notes and loan note as at 31 March 2024 are all classified as current liabilities.

As at 31 March 2024, the cash and bank balances of the Group were HK$97.8 million (2023: HK$60.3 million) and the liquidity ratio was 0.28 (2023: 0.68).

Property, Plant and Equipment

The increase in the carrying values of the property, plant and equipment was due to the reversal of impairment loss amounting to HK$965.1 million (2023: Impairment loss of HK$1,231.5 million). During the Financial Year, the Group had incurred capital expenditures of approximately HK$122.4 million (2023: HK$227.2 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 2024, 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$280.0 million (2023: HK$197.3 million) to be refunded by the Government of Mongolia or offset against future taxes and royalties payable to the Government of Mongolia. The utilisation of the prepaid value added tax is subject to the approval of the Mongolian tax authority on our Mongolian subsidiary.

Financial Assets at Fair Value Through Profit or Loss

As at 31 March 2024, the fair value of the financial assets at fair value through profit or loss was HK$30.9 million (2023: HK$51.6 million), which was approximately 0.7% (2023: 1.8%) 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 whose shares are listed on GEM of the Stock Exchange. 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% (2023: 5.58%) of the total issued share capital of Jade Bird. During the Financial Year, the Group received HK$6.2 million (2023: Nil) dividend from Jade Bird.

Other Payables and Accruals

The major components were being unsettled royalty tax in Mongolia and liabilities related to discounted bills receivables which had not been matured.

Charge on Group's Assets

There was no charge on the Group's assets as at 31 March 2024 (2023: Nil). As at 31 March 2024, the gearing ratio of the Group was 1.25 (2023: 2.1) which was calculated based on the Group's total borrowings to total assets.

Foreign Exchange

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

Contingent Liabilities

The Group did not have material contingent liabilities as at 31 March 2024 (2023: Nil).

OUTLOOK

Though the Global economy was steady last year, the outlook is still rocky in 2024. It could be weakened if any of the downside factors escalate or emerge. The International Monetary Fund ("**IMF**") projected 3.2% growth in global economy both in 2024 and 2025. This was partly due to the announcement of China's growth target of about 5% in 2024. The growth in Asia will be the main driver and will contribute roughly 60% of global economic growth this year. However, risks remain high under the high interest rates, increased energy prices and the slowdown of the two world's top economies. Wars in Ukraine and the Middle East, if escalates, could further worsen the world's food and energy supply, casting shadow on the global economic outlook.

Although China has announced its GDP growth target of 5% in 2024, this is not without challenge, particularly, the stresses in the property sector still exists. Last year, the growth of China was mainly attributed to consumption, contributing to approximately 80% of the growth. However, the overall trade fell by 5% in 2023, with exports contracting 4.6% and imports declining 5.5%. While China's consumption expenditure will continue to play a stabilizing role in the country's economic development, the manufacturing activities also begin to show signs of continued strengthening. The Caixin manufacturing purchasing managers index indicated a seventh straight month of expansion in May this year. To achieve the target set, China needs a strong policy to support its growth, confidence to be restored to the property market, and with the continuous expansion in consumption, infrastructure and the automobile manufacturing sectors.

The steel industry is an indispensable measuring stick to the global economy. Global steel demand is forecasted to grow again in the year of 2024, though at 1.7%, and demand is forecasted to grow by 1.2% in 2025, according to the World Steel Association. The International Stainless Steel Forum projects the global consumption of stainless steel will grow by 3.6% in 2024. According to Mysteel report, the manufacturing industry is poised to be the focal point of China's economic development in 2024, which will also offer substantial support to the country's domestic steel demand as many local governments of China have designated manufacturing as the core sector to drive economic growth for the current year, focusing on key fields of emerging industries, energy, and transportation and water conservancy. With China's policy support, steel structure demand in China is optimistic in 2024.

Last year, coal import sets a new record for China. The surge in imports was largely due to the continuing price advantage over its domestic coal, slow domestic coal production and excess international coal supply as many western countries are shifting away from coal and relying on renewable energy. In 2024, coal imports to China will remain elevated as the energy security is still the core policy of China's central government.

Due to expansion of the mining industry in Mongolia, we anticipate the exports of its coking coal will continue to rise in the year of 2024. As China's domestic high-quality coking coal resources are facing supply continuity problems, high-quality imported coking coal is still in need. We anticipate China's coking coal imports in 2024 will remain high.

In order to cope with the increased production, competitiveness and developments of our mine, we are going to build a new dry coal processing plant ("**DPP**") with a processing capacity of five million-tonne per annum to replace the existing set up. The new DPP is expected to commence operation in the second half of 2025. In addition, we will also relocate our mine office, administrative complex and a series of supporting facilities ("**Support Facilities**") to a new location of the mine. The current location will be used as a soil dumping site under our mining plan. The building of the new DPP and relocation of the Support Facilities will facilitate our mine production in a more efficient manner and save costs.

Though we achieved a satisfactory result in the Financial Year, unforeseeable challenges may come up at any time against the backdrop of global uncertainties. We will continue to adopt a prudent and flexible strategy in our operation and production planning in response to the ever-changing internal and external conditions.

HUMAN RESOURCES

As at 31 March 2024, excluding site and construction workers directly employed by our contractors, the Group employed 831 full-time employees in Hong Kong, Mongolia, and the PRC. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on a periodic basis. Apart from the retirement benefits scheme, year-end bonus, and share options are awarded to the employees according to performance of the Group, assessment of individual performance, and industry practice. Appropriate training programs are also offered for staff training and development.

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

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

CORPORATE GOVERNANCE

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

During the Financial Year, the Company had applied the principles of and meets the code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules save for the following deviation:

i. Code provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the AGM.

   Due to another business engagement, the Chairman was unable to attend the 2023 AGM. The Managing Director of the Company took the chair of the 2023 AGM and answered questions raised by the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Chairman of the Audit Committee and the Remuneration Committee of the Company was also present to answer shareholders' questions at the 2023 AGM. Other than the AGM, the shareholders may communicate with the Company through the contact methods listed on the Company's website.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Code for Securities Transactions by Directors (the "**Code**"), which are on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 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 must not 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 must not deal in the securities and derivatives of the Company until such results have been published.

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

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

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

AUDIT COMMITTEE

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

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 19 June 2024

As at the date of this announcement, the Board comprises nine Directors, including Mr. Lo Lin Shing, Simon, Ms. Yvette Ong, Mr. Lo, Rex Cze Kei and Mr. Lo, Chris Cze Wai as executive Directors, Mr. To Hin Tsun, Gerald and Mr. Lo, James Cze Chung as non-executive Directors, and Mr. Tsui Hing Chuen, William JP, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank as independent non-executive Directors.