MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2025

The board of directors (the "**Board**") of Mongolia Energy Corporation Limited (the "**Company**" or "**MEC**") announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2025 (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 2025

	Notes	**2025** *HK$'000*	2024 *HK$'000*
Revenue	*4*	**2,861,190**	3,173,215
Cost of sales		**(2,010,019)**	(1,986,327)
Gross profit		**851,171**	1,186,888
Other income	*5*	**10,522**	19,586
Other gains and losses	*6*	**(76,936)**	(50,744)
Administrative expenses		**(303,472)**	(329,940)
Changes in fair value on derivative component of convertible notes	*15(a)*	**–**	959,326
Gain on derecognition of convertible notes	*15(a)*	**172,512**	–
Gain on modification of convertible notes	*15(a)*	**97,570**	–
(Impairment losses) reversal of impairment losses on property, plant and equipment	*3*	**(1,176,038)**	965,061
(Impairment losses) reversal of impairment losses on right-of-use assets	*3*	**(4,278)**	1,081
(Impairment losses) reversal of impairment losses on intangible assets	*3*	**(118,751)**	125,122
Reversal of impairment losses (impairment losses) on financial assets		**6,762**	(6,480)
Finance costs	*7*	**(653,795)**	(655,861)
(Loss) profit before taxation	*8*	**(1,194,733)**	2,214,039
Income tax expense	*9*	**(181,917)**	(536,118)
(Loss) profit for the year attributable to owners of the Company		**(1,376,650)**	1,677,921
(Loss) earnings per share attributable to ordinary equity holders of the Company	*11*		
– basic and diluted (loss) earnings per share (HK$)		**(7.32)**	8.92

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2025

	2025	2024
	HK$'000	*HK$'000*
(Loss) profit for the year	**(1,376,650)**	1,677,921
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of group companies	**(8,289)**	(32,387)
– Fair value changes on debt instruments at fair value through other comprehensive income	**(6,877)**	6,059
Other comprehensive expense for the year	**(15,166)**	(26,328)
Total comprehensive (expense) income for the year attributable to owners of the Company	**(1,391,816)**	1,651,593

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2025

	Notes	**2025** **HK$'000**	2024 HK$'000
Non-current assets			
Property, plant and equipment		**921,415**	2,053,437
Right-of-use assets		**9,328**	10,315
Intangible assets		**85,660**	214,973
Exploration and evaluation assets		**4,939**	1,972
Interest in an associate		**–**	–
Deferred tax assets	*16*	**59,421**	24,784
Long-term receivable		**205,297**	–
		1,286,060	2,305,481
Current assets			
Trade and bills receivables	*12*	**1,092,671**	1,037,155
Inventories		**444,860**	402,669
Other receivables, prepayments and deposits		**116,847**	341,306
Prepaid taxation		**78**	50
Financial asset at fair value through profit or loss ("**FVTPL**")		**46,522**	30,874
Amount due from an associate		**–**	–
Cash and cash equivalents		**88,283**	97,826
		1,789,261	1,909,880
Current liabilities			
Trade payables	*13*	**301,305**	337,406
Other payables and accruals		**1,109,183**	870,579
Contract liabilities		**16,496**	9,627
Tax liabilities		**211,274**	357,624
Advances from a Director	*14*	**845,357**	1,006,689
Short-term bank loan	*14*	**37,960**	–
Convertible notes	*15(a)*	**3,892,989**	3,664,199
Loan note	*14, 15(b)*	**655,210**	580,545
Lease liabilities		**3,696**	5,961
Deferred income		**278**	1,509
		7,073,748	6,834,139
Net current liabilities		**(5,284,487)**	(4,924,259)
Total assets less current liabilities		**(3,998,427)**	(2,618,778)

	Notes	2025 HK$'000	2024 HK$'000
Non-current liabilities			
Deferred income		**555**	476
Deferred tax liabilities	*16*	**39,814**	30,143
Lease liabilities		**815**	2,584
Provision for rehabilitation		**37,458**	33,272
		78,642	66,475
Net liabilities		**(4,077,069)**	(2,685,253)
Financed by:			
Capital and reserves			
Share capital		**3,763**	3,763
Reserves		**(4,080,832)**	(2,689,016)
Capital deficiencies attributable to owners of the Company		**(4,077,069)**	(2,685,253)

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. All values are rounded to the nearest thousand except when otherwise indicated.

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 2025. 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.

On 6 March 2025, the Company entered into subscription agreements with Chow Tai Fook Nominee Limited ("**CTF**") and Golden Infinity Co., Ltd. ("**Golden Infinity**") respectively, which conditionally agreed to subscribe for the new 3-year 3% convertible notes (the "**2025 Convertible Notes**") subject to the fulfilment of certain conditions. The subscription money of 2025 Convertible Notes were to be used by the Company for full settlement of the outstanding principal amount and accrued interests of the existing convertible notes which were issued in 2020 with maturity date on 6 March 2025. The subscriptions of the 2025 Convertible Notes were completed on 28 May 2025. Details of the convertible notes are set out in Note 15(a).

As at 31 March 2025, the Group has total provision of HK$988.6 million, including tax provision and penalty arising from the completion of the tax audit covering the fiscal year 2017 to 2020 (the "**2020 Tax Audit**") of HK$346.2 million and royalty tax payables of HK$642.4 million. Subsequent to the year ended on 16 April 2025, the Mongolian Tax Authority ("**MTA**") issued a tax payment reminder demanding for part of the payment of HK$852.2 million due 18 April 2025. The Group has requested to defer part of the payment related to the 2020 Tax Audit and proposed a settlement plan for its royalty tax payables of which no agreement has yet been reached or agreed by the MTA as at the date of these financial statements. Without reaching a solution, the local bank accounts of the Group's major operating subsidiary in Mongolia, MoEnCo LLC ("**MoEnCo**"), with a total amount of approximately HK$1.1 million were frozen and a significant portion of this amount was withdrawn by the MTA in May 2025. The Group has been and will continue to exercise its endeavour to negotiate with the relevant Mongolian authorities for an amicable solution and the Directors consider that the event would not result in a prolonged impact to the Group's operation. If the outstanding amount continues to remain outstanding, the MTA has the right to take further action including seizure of MoEnCo's assets in Mongolia. If such event happens, MoEnCo's operation would come to a halt. In addition, should the operation come to a halt, then such action may trigger an event of default under the 2025 Convertible Notes if the action could not be discharged within 60 days, where the noteholder may give notice for the note to be immediately due and payable.

In addition, Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder who has significant influence over the Group and being the Chairman and Director of the Company, has provided facilities amounting to HK$1,900.0 million by way of advances to the Group. As at 31 March 2025, advances from Mr. Lo in the sum of HK$845.4 million comprised the principal amount and accrued interest of HK$839.6 million and HK$5.8 million respectively. Excluding the accrued interest of HK$5.8 million, the balance of the unutilised facilities of HK$1,060.4 million remains valid until 24 March 2027. 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 and to provide financial support to the Group for the unutilised facilities as and when needed.

While recognising that the Group had net liabilities of approximately HK$4,077.1 million and net current liabilities of approximately HK$5,284.5 million as at 31 March 2025 and incurred a loss of approximately HK$1,376.7 million for the year then ended, the Directors are of the opinion that, taking into account of above and the internally generated funds, the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

2. APPLICATION OF NEW AND REVISED HKFRS

Revised HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "**2020 Amendments**")[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[3]

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

(1) Amendments to HKFRS 16 "Lease Liability in a Sale and Leaseback"

The amendments in HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Group's financial statements.

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

The amendments to HKAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement
- that a right to defer must exist at the end of the reporting period
- that classification is unaffected by the likelihood that an entity will exercise its deferral right
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's financial statements.

(3) **Amendments to HKAS 7 and HKFRS 7 "Supplier Finance Arrangements"**

The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments had no impact on the Group's financial statements.

3. RECOVERABLE AMOUNT ASSESSMENT ON KHUSHUUT RELATED ASSETS

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

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

The Group performed an impairment test of the Khushuut Related Assets as at 31 March 2025, of which the recoverable amount determined by the Independent Valuer was lower than their carrying values, and an impairment loss amounting to HK$1,299.1 million (2024: reversal of impairment loss of HK$1,091.3 million) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2025.

There are no significant changes in key assumptions adopted in the value in use calculation in determining the recoverable amount as at 31 March 2025 compared to 31 March 2024. In the opinion of the Directors, the consideration of 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 other third party washing facilities for the 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 and prepared on the assumption that the mining operations will operate on a business-as-usual basis normally throughout the forecasted period.

Discount rate

In calculating the value in use, a pre-tax discount rate of 25.61% (2024: 35.06%) was applied to the discounted cash flows. This discount rate is derived from the Group's weighted average cost of capital ("**WACC**"), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate.

An impairment loss (2024: reversal of impairment loss) was recognised in the consolidated statement of profit or loss in the current year against the respective assets on a pro-rata basis with reference to their carrying values as follows:

Carrying values of the Khushuut Related Assets as at 31 March 2025:

	Carrying values before impairment loss *HK$'000*	**Impairment loss** *HK$'000*	**Carrying values after impairment loss** *HK$'000*
Property, plant and equipment	**2,079,970**	**(1,176,038)**	**903,932**
Right-of-use assets	**9,342**	**(4,278)**	**5,064**
Intangible assets	**202,695**	**(118,751)**	**83,944**
Total	**2,292,007**	**(1,299,067)**	**992,940**

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

The reason for the impairment loss being recognised in profit or loss for the year ended 31 March 2025 was mainly due to the changes in coal prices (2024: the changes in production and sales volume of coking coal). 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 PRC and Mongolia, and is recognised at a point in time when coal is delivered to and accepted by the customers.

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

Segment revenue and results

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

For the year ended 31 March 2025

	Coal mining	Total
	HK$'000	*HK$'000*
Segment revenue *(Note (a))*	**2,861,190**	**2,861,190**
Segment loss	**(735,212)**	**(735,212)**
Unallocated expenses *(Note (b))*		**(97,472)**
Other income		**131**
Other gains and losses		**15,770**
Gain on derecognition of convertible notes		**172,512**
Gain on modification of convertible notes		**97,570**
Impairment losses on financial assets		**(18)**
Finance costs		**(648,014)**
Loss before taxation		**(1,194,733)**

For the year ended 31 March 2024

	Coal mining	Total
	HK$'000	*HK$'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

Notes:

(a) As at 31 March 2025, 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$16,496,000 as at 31 March 2025 (31 March 2024: HK$9,627,000), 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$9,627,000 as at 31 March 2024 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 Note 4. 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 2025

	HK$'000
ASSETS	
Segment assets – coal mining	**2,964,025**
Financial asset at FVTPL	**46,522**
Cash and cash equivalents	**18,092**
Other unallocated assets *(Note (a))*	**46,682**
Consolidated total assets	**3,075,321**
LIABILITIES	
Segment liabilities – coal mining	**1,701,942**
Convertible notes	**3,892,989**
Loan note	**655,210**
Advances from a Director	**845,357**
Other unallocated liabilities *(Note (b))*	**56,892**
Consolidated total liabilities	**7,152,390**

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

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

	2025	2024
	HK$'000	*HK$'000*
Capital additions	**127,753**	117,818
Amortisation of intangible assets	**10,724**	3,655
Depreciation of right-of-use assets	**2,432**	2,343
Depreciation of property, plant and equipment	**70,112**	46,759
Interest income	**(686)**	(876)
Impairment losses (reversal of impairment losses) on property, plant and equipment	**1,176,038**	(965,061)
Impairment losses (reversal of impairment losses) on right-of-use assets	**4,278**	(1,081)
Impairment losses (reversal of impairment losses) on intangible assets	**118,751**	(125,122)

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	
	2025	2024
	HK$'000	*HK$'000*
Mongolia	**3,720**	1,989
The PRC	**2,857,470**	3,171,226
	2,861,190	3,173,215

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

	Non-current assets	
	2025	2024
	HK$'000	*HK$'000*
Hong Kong	**9,100**	13,419
Mongolia	**1,167,810**	2,195,905
The PRC	**49,729**	71,373
	1,226,639	2,280,697

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:

	2025	2024
	HK$'000	*HK$'000*
Customer A	**1,618,245**	1,752,239

5. OTHER INCOME

	2025	2024
	HK$'000	*HK$'000*
Interest income	**732**	895
Government grants	**3,211**	5,932
Dividend income	**–**	6,178
Sundry income	**6,579**	6,581
	10,522	19,586

6. OTHER GAINS AND LOSSES

	2025	2024
	HK$'000	*HK$'000*
Changes in fair value on VAT receivables	**(112,757)**	–
Changes in fair value on financial asset at FVTPL	**15,648**	(20,724)
Gain on disposal of property, plant and equipment	**526**	301
Loss on write off of property, plant and equipment	**–**	(227)
Net exchange gain (loss)	**19,647**	(30,094)
	(76,936)	(50,744)

7. FINANCE COSTS

	2025	2024
	HK$'000	*HK$'000*
Interest on advances from a Director	**74,273**	108,472
Interest on lease liabilities	**416**	853
Interest on short-term bank loan	**1,281**	–
Effective interest expense on convertible notes *(Note 15(a))*	**498,872**	437,082
Effective interest expense on loan note *(Note 15(b))*	**74,665**	106,405
Effective interest expense on provision for rehabilitation	**4,288**	3,049
	653,795	655,861

8. (LOSS) PROFIT BEFORE TAXATION

	2025	2024
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**61,131**	56,537
Other staff costs:		
Salaries and other benefits (net of reimbursement from a related party)	**129,599**	128,638
Retirement benefits scheme contributions (excluding contributions for Directors and net of reimbursement from a related party)	**17,765**	14,650
Total staff costs	**208,495**	199,825
Less: staff costs capitalised in inventories	**(80,717)**	(66,992)
	127,778	132,833
(Reversal of impairment losses) impairment losses on:		
Trade and bills receivables	**(6,780)**	6,480
Amount due from an associate	**18**	–
	(6,762)	6,480
Depreciation of property, plant and equipment	**72,237**	48,308
Depreciation of right-of-use assets	**5,951**	5,896
Amortisation of intangible assets	**10,724**	3,655
Auditor's remuneration		
– provided for the year	**5,000**	5,000

9. INCOME TAX EXPENSE

	2025	2024
	HK$'000	*HK$'000*
Current tax:		
Withholding tax	**–**	618
PRC Enterprise Income Tax ("**EIT**") *(Note (a))*	**76,028**	233,527
Mongolian corporate income tax *(Note (b))*	**130,548**	262,073
Deferred taxation (credit)/charge *(Note 16)*	**(24,659)**	39,900
	181,917	536,118

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 subsidiaries, 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. However, a notification was received last year from the PRC tax authority that the principal activity of 新疆蒙科does not satisfy the definition. As a result of changes in facts and circumstances, income tax has been provided at 25% for 2023 tax year and an additional tax provision of HK$132.1 million has been provided accordingly.

(b) On 28 July 2023, MoEnCo received a tax demand letter ("**First Tax Demand Letter**") from the MTA, arising from the completion of the tax audit covering the fiscal years 2017 to 2020, 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, 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 tax provision of HK$28.1 million (2024: HK$182.7 million) was provided during the year.

As at 31 March 2025, the Group has total provision of HK$988.6 million, including tax provision and penalty arising from the 2020 Tax Audit of HK$346.2 million and royalty tax payables of HK$642.4 million included in other payables.

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

	2025	2024
	HK$'000	*HK$'000*
(Loss) profit before taxation	**(1,194,733)**	2,214,039
Calculated at a tax rate of 25%	**(298,683)**	553,510
Tax effect on income not subject to tax	**(85,629)**	(514,193)
Tax effect on expenses not deductible for tax purposes	**589,371**	283,658
Under provision in prior years	**6,456**	177,624
Effect of different tax rate of subsidiaries	**(4,939)**	(4,999)
Withholding tax on distributed/undistributed profits of a subsidiary and dividend received	**10,096**	25,501
Recognition of deferred tax assets previously not recognised	**(34,755)**	15,017
Income tax expense	**181,917**	536,118

10. DIVIDENDS

No dividend was paid or proposed by the Company during the year ended 31 March 2025, nor has any dividend been proposed since the end of the reporting period (2024: Nil).

11. (LOSS) EARNINGS PER SHARE

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

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

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

	2025	2024
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings attributable to ordinary equity holders of the Company, as used in the calculation of basic and diluted (loss) earnings per share	**(1,376,650)**	1,677,921

	2025	2024
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**188,126**	188,126
Effect of dilutive potential ordinary shares *(Note)*:		
Convertible notes	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**188,126**	188,126

Note:

The computation of diluted loss per share for the year ended 31 March 2025 did not assume the exercise of share options.

The computation of diluted earnings per share for the year ended 31 March 2024 did not assume the exercise of share options and conversion of the convertible notes.

12. TRADE AND BILLS RECEIVABLES

	2025 *HK$'000*	2024 *HK$'000*
Trade receivables	**515,798**	511,398
Bills receivables	**577,360**	526,199
	1,093,158	1,037,597
Less: allowance for expected credit losses	**(487)**	(442)
	1,092,671	1,037,155

The Group generally allows a credit period of 30 to 45 days to its customers upon the issue of invoices, except for new customers, where payment in advance is normally required.

An ageing analysis of trade and bills receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	2025 *HK$'000*	2024 *HK$'000*
Not past due	**929,200**	801,458
Less than 30 days past due	**135,409**	140,779
30 – 60 days past due	**28,058**	94,914
61 – 90 days past due	**–**	–
Over 91 days	**4**	4
	1,092,671	1,037,155

13. TRADE PAYABLES

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

	2025	2024
	HK$'000	*HK$'000*
0 to 30 days	**82,840**	164,312
31 to 60 days	**59,593**	41,107
61 to 90 days	**44,770**	30,226
Over 90 days	**114,102**	101,761
	301,305	337,406

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

14. BORROWINGS

	2025	2024
	HK$'000	*HK$'000*
At amortised cost		
Advances from a Director – unsecured *(Note (a))*	**845,357**	1,006,689
Short-term bank loan – secured *(Note (b))*	**37,960**	–
Convertible notes – unsecured *(Note 15(a))*	**3,892,989**	3,491,687
Loan note – unsecured *(Note 15(b))*	**655,210**	580,545
	5,431,516	5,078,921

	2025	2024
	HK$'000	*HK$'000*
Analysed for reporting purposes as		
Current	**5,431,516**	5,078,921
Non-current	**–**	–
	5,431,516	5,078,921

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 Mongolia bank was a short-term bank loan. An equivalent carrying value of coal inventory at Khovd aimag, Khushuut mine, was pledged as collateral for an outstanding bank loan amount.

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 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**
Interest charge	**498,872**	**–**	**498,872**
Gain on derecognition of convertible notes	**–**	**(172,512)**	**(172,512)**
Gain on modification of convertible notes	**(97,570)**	**–**	**(97,570)**
At 31 March 2025	**3,892,989**	**–**	**3,892,989**

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 had a maturity period of five years from the issue date to 6 March 2025. They could 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 on the principal amounts would be paid in arrears on the maturity date.

On 6 March 2025, the Company entered into a conditional subscription agreements with CTF and Golden Infinity at the subscription price which would be used for full settlement of the outstanding principal amount and accrued interests of the 2020 Convertible Notes held by the noteholders at the maturity date due on 6 March 2025 (the "**2025 Subscription**"). The completion of the 2025 Subscription was subject to the fulfillment of certain conditions and was completed on 28 May 2025. The new convertible notes under the 2025 Subscription carries 3% coupon interest per annum for 3 years from the date of issue with principal amount of HK$3,977,221,339. They can be converted into 1 ordinary share of the Company of HK$0.02 each for every HK$0.65 at the holders' option at any time since the issue date up to the date immediately prior to their maturity date.

The 2020 Convertible Notes contained 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 was 14.26%.

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 2024
Stock price	HK$0.63	HK$0.65
Exercise price	HK$1.2	HK$1.2
Volatility *(Note (i))*	71.98%	105.99%
Dividend yield	0%	0%
Option life *(Note (ii))*	5 years	0.93 years
Risk free rate	0.67%	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 Limited ("**Ruby Pioneer**"). Subsequently, 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 and further extend to 30 June 2025 at a coupon rate of 3% per annum ("**2019 RP Loan Notes**").

On 28 May 2025, the Company and Ruby Pioneer entered into a loan note subscription agreement pursuant to which the Company agreed to issue and Ruby Pioneer agreed to subscribe for a new loan note (the "**2025 RP Loan Note**") for full settlement of the outstanding principals and accrued interests of the 2019 RP Loan Notes. The 2025 RP Loan Note with principal amount of HK$657,565,542 carrying 3% coupon interest per annum for 3 years was issued on the same date pursuant to the loan note subscription agreement.

Both loan notes contain no conversion option. Mr. Lo and Mr. Lo, Rex Cze Kei are among the 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 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**
Charged to profit or loss	**10,096**
Exchange adjustments	**(425)**
At 31 March 2025	**39,814**

Deferred tax assets

	Unrealised exchange difference on long-term borrowing *HK$'000*	Depreciation and amortisation *HK$'000*	Total *HK$'000*
At 1 April 2023	14,785	25,381	40,166
Charged to profit or loss	(14,785)	(232)	(15,017)
Exchange adjustments	–	(365)	(365)
At 31 March 2024	**–**	**24,784**	**24,784**
(Charged) credited to profit or loss	**–**	**34,755**	**34,755**
Exchange adjustments	**–**	**(118)**	**(118)**
At 31 March 2025	**–**	**59,421**	**59,421**

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 (2024: 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 2025, deferred tax assets of HK$150,325,000 (2024: HK$116,930,000) have not been recognised in respect of deductible temporary differences of HK$601,300,000 (2024: HK$467,719,000) arising from depreciation and amortisation, as it is not probably there will be sufficient future taxable profits to utilise these deductible temporary differences.

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

17. EVENTS AFTER THE REPORTING PERIOD

Major subsequent events related to tax and renewal of convertible notes are disclosed in Note 1 to the consolidated financial statements.

On 25 June 2025, the TDRC issued an oral ruling in favour of the MTA regarding the Group's tax disputes, details of the ruling will be confirmed in writing in which the Group has not yet received the official letter as of the date of these financial statements.

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 2025 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 25 June 2025. 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 2025:

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 potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as 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$4,077.1 million and net current liabilities of approximately HK$5,284.5 million as at 31 March 2025, including short-term bank loan, advances from a Director, convertible notes and a loan note in aggregate of HK$5,431.5 million. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, from a substantial shareholder who is also the Chairman and a director of the Company.

As further set out in Note 1 to the consolidated financial statements, the Group has total provision of HK$988.6 million, including tax provision and penalty arising from the tax audit covering the fiscal years 2017 to 2020 of HK$346.2 million and royalty tax payables of HK$642.4 million as at 31 March 2025, of which, subsequent to the reporting date, the Mongolian Tax Authority ("**MTA**") demanded for a payment relating to the above of HK$852.2 million due 18 April 2025. The Group has requested to defer part of this payment and proposed a settlement plan for its royalty tax payables of which no agreement has yet been reached or agreed by the MTA.

These conditions, together with other matters disclosed in note 1 to the consolidated financial statements, indicate the existence of material uncertainties that cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including:

(1) agreement with the MTA to postpone part of the HK$852.2 million tax demand payment and agree to the settlement plan for its royalty tax payables; and

(2) successful drawdown of cash regarding the facilities amounting to HK$1,900 million obtained from the Chairman and a director of the Company, of which the balance of the unutilised facilities as at 31 March 2025 of HK$1,060.4 million remains valid until 24 March 2027.

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amount of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

ADDITIONAL MATTER – QUALIFICATION ON ASSESSMENT OF THE RECOVERABLE AMOUNT OF PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS RELATED TO THE KHUSHUUT MINE OPERATIONS (THE "KHUSHUUT RELATED ASSETS")

As at 31 March 2025, the carrying value of the Group's Khushuut Related Assets, including property, plant and equipment, right-of-use assets and intangible assets, in aggregate amounted to HK$992.9 million. During the year, the Group made an impairment loss of HK$1,299.1 million in respect of the Khushuut Related Assets.

As disclosed in Note 3 to the consolidated financial statements, the directors of the Company performed an impairment assessment on the Khushuut Related Assets based on the management's projection of the respective future cash flows. One of the key assumptions in estimating the future cash flows for the recoverable amount assessment was that the mining operations will operate on a business-as-usual ("**BAU**") basis normally throughout the forecasted period notwithstanding the fact that the MTA may exercise its right to take further action including seizure of the Khushuut Related Assets held by MoEnCo LLC, the Group's major operating subsidiary in Mongolia, as the requested settlement of the tax payment of HK$852.2 million is currently over-due. Should such an event occur, the cash flows for the recoverable amount assessment may be significantly impacted, which would result in an impact to the recoverable amount and the impairment amount. We were unable to obtain sufficient reliable audit evidence to satisfy ourselves as to (i) whether the Group's impairment loss relating to the Khushuut Related Assets recognised in profit or loss for the year ended 31 March 2025 was properly recorded; and (ii) the carrying amount of the Group's Khushuut Related Assets as at 31 March 2025 was properly stated.

Any adjustments to the figures as described above might have consequential effects on the financial position of the Group as at 31 March 2025 and the financial performance of the Group for the year ended 31 March 2025, and the related disclosures in the consolidated financial statements.

Even had there been no multiple uncertainties relating to going concern as described in the *Basis for disclaimer of opinion* section of our report which precluded us from expressing an opinion on the consolidated financial statements, our opinion would have been qualified for the additional matter as described above.

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

The independent auditor issued a disclaimer of opinion (the "**Disclaimer**") for the Financial Year, primarily due to material uncertainty arising from ongoing tax disputes between the Mongolian Tax Authority ("**MTA**") and MoEnCo.

The audit committee of the Board (the "**Audit Committee**") has reviewed and understood the basis for the Disclaimer. The Company's management (the "**Management**") has also assessed the impact of the Disclaimer on the Group and is of the view that, barring any further adverse recovery actions by the MTA, it does not materially affect the Group's business operations.

According to MoEnCo's legal counsel in Mongolia, despite the freezing of MoEnCo's bank accounts, MoEnCo has the right to contest the tax assessment before the TDRC and through applicable Mongolian legal procedures. In parallel, the Group will continue to exert its best efforts to engage constructively with the MTA to pursue an amicable resolution as promptly as possible. These efforts include, but are not limited to, holding high-level meetings with senior MTA officers and seeking supports from, among others, the Mongolian Minister of Finance and the Governor of Khovd, in relation to the ongoing tax disputes.

There is no disagreement between the Audit Committee and Management regarding (i) the Disclaimer and (ii) the Company's approaches to addressing it. The Audit Committee concurs with Management's position that preparation of the consolidated financial statements on a going concern basis remains appropriate, taking into account the actions and assumptions disclosed in Note 1 to the consolidated financial statements.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Financial Year (2024: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**AGM**") of the Company will be held on Wednesday, 27 August 2025. 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 Friday, 22 August 2025 to Wednesday, 27 August 2025, 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 Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration not later than 4:30 p.m. on Thursday, 21 August 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS ANALYSIS

Revenue

Since 2023, the continuous decline in coking coal prices in the PRC has adversely impacted the Group's revenue. In response, Management strategically increased raw coal production and diversified the product mix to drive sales volume and mitigate the downward pressure from falling average coal prices. Despite these efforts, the Group experienced a revenue decline of approximately 10% year on year, resulting in a total revenue of HK$2,861.2 million (2024: HK$3,173.2 million). During the Financial Year, the Group sold approximately 1,980,800 tonnes (2024: 1,742,900 tonnes) of clean coking coal, approximately 96,200 tonnes (2024: 76,900 tonnes) of thermal coal and approximately 52 tonnes (2024: 53,800 tonnes) of raw coal. The average selling prices of clean coking coal, thermal coal and raw coal net of sales tax were approximately HK$1,441.1 (2024: HK$1,796.5), HK$38.3 (2024: HK$24.4) and HK$675.5 (2024: HK$695.3) per tonne respectively.

Cost of Sales

Cost of sales includes mining costs, coal processing costs, transportation costs, costs on disposal of coal refuse and other relevant operating expenses. The cost of sales for the Financial Year was HK$2,010.0 million (2024: HK$1,986.3 million). The modest increase in cost of sales was primarily driven by higher sales volume during the Financial Year. It was divided into cash costs of HK$1,953.2 million (2024: HK$1,930.4 million) and non-cash costs of HK$56.8 million (2024: HK$55.9 million).

Gross Profit

Gross profit margin was approximately 29.7% (2024: 37.4%), primarily due to a decline in the average coking coal selling price, especially in the second half of the Financial Year.

Other Income

The decline in other income was primarily due to a reduction in government grants from the PRC government related to foreign trade and economic initiatives, which decreased from HK$5.9 million in 2024 to HK$3.2 million in the Financial Year. In addition, there was no dividend income in the Financial Year, compared to HK$6.2 million received from a listed investment in the previous financial year.

Other Gains and Losses

The principal component under other gains and losses was an impairment loss of HK$112.8 million (2024: Nil) recognised on VAT receivables due from the MTA. The refund of these receivables was suspended pending the conclusion of a tax audit by the MTA. The Group expects that recovery of the VAT receivables will proceed upon final resolution of the current tax dispute. However, given the prolonged delay in settlement, there is a risk that the full amount may not be recovered. In accordance with generally accepted accounting principles, when recoverability of a receivable is uncertain, an impairment is required to reflect the expected credit loss. Accordingly, the impairment loss was recognised during the Financial Year.

Gain on Derecognition of Convertible Notes

In 2020, MEC issued 3% convertible notes (the "**2020 Convertible Notes**") to CTF and Golden Infinity respectively. These notes matured on 6 March 2025. On 5 May 2025, the derivative components associated with the convertible notes were extinguished. Subsequently, the unutilised balances remaining on the consolidated balance sheet were recognised as a gain in the consolidated statement of profit or loss.

Gain on Modification of Convertible Notes

In 2020, the Company issued the 2020 Convertible Notes to CTF and Golden Infinity, respectively, with a maturity date of 6 March 2025. On 6 March 2025, the Company entered into the subscription agreements in relation to the 2025 Convertible Notes, under which, CTF and Golden Infinity have respectively agreed that the Company was not obliged to make any payment or repayment of any outstanding sum or further interest accrued on the principal amount of the 2020 Convertible Notes during the moratorium period, which commenced on the maturity date of the 2020 Convertible Notes and expired on the earlier of (a) 30 June 2025; (b) the completion date of the subscription agreements for 2025 Convertible Notes; and (c) the long stop date (i.e. 30 May 2025). The subscriptions of the 2025 Convertible Notes were completed on 28 May 2025.

In accordance with applicable accounting standards, the above standstill clause constituted a modification of the terms of the expired 2020 Convertible Notes. Accordingly, the notes were remeasured using an effective interest rate of 14.26%, reflecting the prevailing market borrowing rate during the moratorium period. The difference between the original coupon-based interest and the remeasured effective interest was recognised as a gain on modification of convertible notes and presented in the consolidated profit and loss account.

This adjustment was non-cash in nature and was made to ensure a fair presentation of the financing costs associated with the expired convertible notes.

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

At the end of the Financial Year, the Group engaged an independent qualified professional valuer to assess the recoverable amount of the Mine Assets. This assessment was conducted using a discounted cash flow model, incorporating the Management's best estimates on key factors such as coking coal price trends, coking coal ore grades, production capacity and rates, future capital expenditures, inflation, and operating costs over the life of the mine. The cash flow projection covers the full operational lifespan of the mine. Critical assumptions including selling price trends, capital and operating costs, sales volume, inflation rates, and discount rate play a significant role in the valuation, and the recoverable amount is particularly sensitive to changes in these assumptions.

Key assumptions used in the discounted cash flow model as at 31 March 2025 and 31 March 2024 are set out below:

	Notes	**2025**	2024
Discount rate	*(a)*	**25.61%**	35.06%
Average current coking coal price per tonne	*(b)*	**US$153**	US$213
Inflation rate	*(c)*	**2.02%**	2.22%
Predicted average annual growth rate of the coking coal price for the forthcoming four-year period since year ended 31 March	*(d)*	**4.6%**	-4.26%
Annual projected sales volume (tonnes)		**1.9 million**	1.9 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 2025. 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 2025;

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

(d) The predicted average annual growth rate was updated based on the latest publicly available market data as at 31 March 2025. 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, an impairment loss amounting to HK$1,299.1 million was recognised in the Financial Year (2024: reversal of impairment loss of HK$1,091.3 million). The primary factor contributing to the decrease in the Mine Assets' recoverable amount is the approximately 28% decline in the average current coking coal price compared to 2024.

Finance Costs

The major components of 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 (2024: 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 up to its maturity date on 21 November 2024 and at 3% per annum thereafter during the moratorium period (2024: 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.

China recorded an annual gross domestic product ("**GDP**") growth of about 5% in 2024, achieving the annual growth target set by the government. In the fourth quarter of 2024, the Chinese economy grew 5.4% year on year, following a 4.6% growth in the third quarter, making the annual GDP at RMB134.9 trillion last year, according to the data of the National Bureau of Statistics of China ("**NBS**"). Among various sectors, value-added industrial output went up 5.8% year on year in 2024, accelerating from 4.6% growth achieved in 2023; retail sales, a main gauge of consumption, gained 3.5% year on year, while fixed-asset investment grew 3.2%. In addition, China has made significant achievements in high grain output, new energy vehicle production, railway trips, and foreign trade volume, among other key indicators. NBS data also showed that over the past five years, China's contribution to global economic growth has averaged around 30%, making it the largest driver of growth for the world economy.

According to the World Steel Association, the world's total crude steel production was 1,882.6 million tonnes in 2024, falling slightly from a year earlier. China remained the biggest crude steel producing country in the world during this period. According to the NBS, China's steelmaking companies reduced steel production by 1.7% year on year in 2024, producing 1,005 million tonnes of steel. The decline in production is due to the ongoing real estate crisis, which has a significant impact on steel demand.

Global crude steel output continued to fall by 0.4% to 468.6 million tonnes in the first quarter of 2025 year on year. According to the NBS, the crude steel production of China for the first quarter of 2025 was 259.3 million tonnes, slightly up 0.6% year on year. China's steel exports in the first quarter of 2025 reached nearly 27.43 million tonnes, an increase of 6.3% compared with the same period last year. However, the average export price fell by 11%, reflecting oversupply pressures at home. East Asia remains its main market.

China's total raw coal production in 2024 was 4.75 billion tonnes, up 1.3% year on year. According to the data of General Administration of Customs of the PRC ("**GAC**"), China imported over 542 million tonnes of coal last year, an increase of 14.4% year on year, of which 122 million tonnes were coking coal. The major coal supplying countries to China were Indonesia, Russia, Australia and Mongolia. Coal exports for China in 2024 reached 6.66 million tonnes, up 49.1% year on year. However, due to the slipping of domestic coal prices, weaker demand, and high coal inventories at ports, China's coal import declined for the first quarter of 2025. According to GAC, coal imports of China ticked down 0.9% year on year to 115 million tonnes.

According to the Mongolian Customs Services, 83.75 million tonnes of Mongolian coal were exported to China in 2024, a surge of 20.3% year on year, marking the first time in history that its coal exports have exceeded 80 million tonnes. Among the Mongolian coal exported to China, 56.8 million tonnes were coking coal. Mongolia became one of the key suppliers of coking coal to China in 2024.

Mongolia's GDP expanded by 4.9% year on year in 2024, according to the data of Mongolia National Statistics Office. The economic growth was primarily driven by significant expansions in the mining and service sectors. Mongolia is a resource-rich country. Coal and other mineral resources are an important pillar of its economy. In 2024, China's demand for Mongolian coal continued to grow. The bilateral trade volume between China and Mongolia reached US$19 billion, of which Mongolia's exports to China were US$14.4 billion, accounting for 91.3% of its total exports. Mongolia accounts for 47% of China's imports of coking coal for steelmaking. Despite the downturn of China's steel industry, Mongolia has been able to maintain or even increase its market share on its affordable raw material price.

BUSINESS REVIEW

Coal Sales

We recorded a revenue of HK$2,861.2 million from the sales of coking coal, thermal coal and raw coal to our customers in China and Mongolia in the Financial Year, representing a fall of 9.83% compared with the previous financial year.

Coal Production

During the Financial Year, approximately 15,271,200 bank cubic meters ("**BCM**") of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works (2024: 17,570,900 BCM). Production of run-of-mine ("**ROM**") coking coal and thermal coal were approximately 2,940,500 tonnes and 3,878,300 tonnes respectively (2024: 3,101,400 tonnes and 4,010,800 tonnes).

Coal Processing

During the Financial Year, approximately 2,190,800 tonnes of ROM coal (2024: 1,900,600 tonnes) were processed by the dry coal processing plant, producing approximately 1,705,400 tonnes of raw coking coal (2024: 1,536,500 tonnes). The average recovery rate was 77.84%. 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 3,023,600 tonnes of raw coking coal (2024: 2,734,400 tonnes) were processed by our washing plant or through subcontractors, producing approximately 2,147,300 tonnes of clean coking coal (2024: 1,944,100 tonnes). The average recovery rate was 71.02%.

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 3,046,900 tonnes of raw coking coal were shipped from Mongolia to Xinjiang.

Customers and Sales

We signed a master coal contract with one of our customers during the Financial Year. The actual terms 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 1,068,600 tonnes of clean coking coal to our largest customer and it accounted for approximately 56.6% of our revenue in the Financial Year. In general, our production and shipment of coal are closely linked to the market and other conditions, and shipment negotiations between us and the customers from time to time. We will closely monitor the developments and adjust our operation schedule from time to time.

Apart from our major customer, we had eleven other customers in Xinjiang and five 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

Mongolia held its parliamentary elections on 28 June 2024 under a newly adopted mixed-member proportional representation system, following a constitutional amendment that expanded the State Great Khural (Parliament) from 76 to 126 seats. Of these, 78 members were elected through majoritarian voting and 48 members were elected through proportional representation.

The Mongolian People's Party ("**MPP**") secured a majority with 68 seats, while the Democratic Party ("**DP**") increased its presence to 42 seats. The HUN Party won eight seats, and the newly formed National Coalition obtained four seats. Following the election, a coalition government was established, bringing together the MPP, DP, and HUN Party. This inclusive coalition reflects a bipartisan commitment to national development and a more consensus-driven approach to governance.

The electoral system reforms were designed to strengthen democratic processes by enhancing proportional representation and reducing the dominance of any single party. A landmark reform included the enforcement of gender quotas, mandating that at least 30% of party list candidates be women, and set to increase to 40% by 2028. Observers noted marked improvements in voter access and a surge in youth participation.

Established in July 2024, the coalition government prioritises political stability and long-term policy continuity. Its approach supports the effective implementation of development initiatives that transcend political cycles. Central to this effort is the government's 2024-2028 Action Plan (Resolution No. 21), which includes 14 mega projects aimed at accelerating economic growth and diversification across key sectors.

Among these strategic initiatives, infrastructure development is a top priority, particularly the construction of cross-border railways such as the Gashuunsukhait – Gantsmod link. This railway is expected to improve trade logistics and connectivity with regional markets, especially China. In the energy sector, planned projects include the construction of power plants and water diversion systems, enhancing Mongolia's energy independence and security. Mineral processing also features prominently, with the government supporting the creation of domestic facilities to add value to raw mineral exports and spur industrialisation.

Additionally, the government has partnered with France's Orano Mining SAS to develop the Zuuvch-Ovoo uranium project, marking a strategic entry into the nuclear energy value chain and expanding Mongolia's international mining partnerships. Together, these projects are expected to boost Mongolia's per capita GDP from USD 7,580 to USD 10,000 by 2030, laying the foundation for more inclusive and sustainable economic development.

A flagship infrastructure project, the 233.6 km Tavan Tolgoi – Gashuunsukhait railway, was inaugurated in September 2022. Designed to streamline coal exports to China, the railway significantly reduces transportation costs and travel time. In February 2025, Mongolia and China ratified an agreement to extend this line to the Gantsmod border crossing. Once completed, the extension is projected to raise coal transport capacity by 30 million tonnes annually, with potential expansion to 120 million tonnes by 2030.

To ensure responsible resource management and maximise long-term benefits, Mongolia has established a sovereign wealth fund structured around three core components: the Savings Fund, serving as a fiscal buffer; the Future Heritage Fund, safeguarding intergenerational equity; and the Development Fund, which supports strategic investments in infrastructure, social programmes, and economic diversification.

Mongolia is actively pursuing economic diversification by building strategic partnerships beyond its traditional neighbours. One notable example is its collaboration with France on the Zuuvch-Ovoo uranium project, positioning Mongolia in the global nuclear energy supply chain and expanding its ties to European markets. Further efforts involve partnerships with Germany and South Korea to explore and develop critical minerals such as rare earth elements and battery metals – key inputs for green technologies and the digital economy. These alliances aim to strengthen Mongolia's integration into global value chains, improve technological capacity, and reduce reliance on any single trading partner, thereby enhancing national economic resilience.

Between April 2024 and March 2025, Mongolia introduced significant legal reforms aimed at improving governance, promoting economic growth, and advancing social welfare. These measures underscore the government's commitment to transparency, legal modernisation, and alignment with international standards.

In August 2024, Parliament approved amendments to the 2024 State Budget Law and revised key tax laws, including those on corporate income tax (CIT), value added tax (VAT), excise tax, and customs duties. These revisions provide incentives for social development activities and restructure tax frameworks to stimulate economic expansion. Additional draft amendments to the General Tax Law and the Personal Income Tax Law were proposed to simplify the tax system and improve compliance. Public consultations on these proposals were conducted, and the implementation of the new tax regime is scheduled for 1 January 2026.

Reforms to the Minerals Law were enacted to enhance state oversight of strategic mineral assets and ensure fair distribution of mining revenues. These legislative changes are integral to the formation of the Sovereign Wealth Fund, also referred to as the Chinggis Fund, and reflect a strategic approach to resource management that balances foreign investment interests with national priorities.

In the realm of justice reform, the national anti-corruption strategy for 2024-2028 gained traction, introducing measures such as protection for witnesses and victims, and the creation of a specialised unit within the Prosecutor's Office to investigate misconduct by law enforcement personnel and judges.

Finally, recognising the dynamic nature of the media environment, Mongolia initiated a reform of its media laws. In March 2025, multi-stakeholder consultations were conducted on a draft Law on Media Freedom. Supported by the United Nations Educational, Scientific and Cultural Organization (UNESCO), the initiative aims to align domestic regulations with international standards on freedom of expression and media independence, thereby reinforcing democratic institutions and safeguarding journalists' rights.

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 programmes 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 of 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 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 is 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 MPL, 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 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 disputes with the MTA which had been disclosed in our announcements dated 21 August 2023, 7 November 2023, 28 February 2024, 7 May 2024, 23 May 2024, 22 May 2025, 23 May 2025 and 26 May 2025, there was no material and significant dispute between the Group and its customers, suppliers and other business partners regarding our operation in the Financial Year.

Connected Transaction

Mongolia Energy Corporation (HK) Limited, a wholly-owned subsidiary of the Company, as tenant, renewed the tenancy agreement in relation to the rental of the Company's office premises on 8 May 2025 with the landlord (the "**Landlord**"), Cambo Management Limited, for a term of two years at a monthly rent of HK$288,000 from 8 May 2025 to 7 May 2027.

The Landlord is an investment holding company wholly and beneficially owned by Mr. Lo. As Mr. Lo is a connected person of the Company, the tenancy agreement constitutes a connected transaction for the Company under Chapter 14A to the Listing Rules. Please refer to the announcement of the Company dated 8 May 2025 for details.

Tax Disputes

Mongolian Tax

MoEnCo, an indirect wholly-owned subsidiary of the Company, was under two tax demands from the MTA during the Financial Year: (i) a revised tax demand of approximately HK$929.8 million for the tax period between 2017 and 2020 ("**2017-2020 tax demand**") mainly on transfer pricing and royalties issues; and (ii) a tax demand of approximately HK$403.3 million for the tax period between 2022 and 2024 ("**2022-2024 tax demand**") mainly on royalties.

We strongly disagree with the basis of calculation for taxes by the MTA as the assessment made was based on its own data of market price for coal which has been fully washed and processed, while MoEnCo's coal for export is raw in nature (which requires further washing, processing and transporting); and therefore, could only be sold at a lower price, as opposed to the market price of the fully processed clean coal. An appeal against the 2017-2020 tax demand has been lodged with the TDRC, and an application against the 2022-2024 tax demand has been filed with the Mongolia Administrative Court.

Subsequently after the Financial Year, the bank accounts of MoEnCo with MNT 498,060,188 (approximately HK$1,148,000) was frozen by the MTA for the alleged outstanding tax payment under the 2017-2020 tax demand, and out of frozen amount, MNT 492,764,261 (approximately HK$1,135,700) had been transferred to the bank account of the MTA. Under the Mongolian law, MTA has the right to take further action including seizure of MoEnCo's other assets in Mongolia. If further enforcement action is taken, depending on the type of assets seized, the impacts could be varied. In the hypothetic worst event that our mining properties are seized which is material to our mining operation, our mining operation in Mongolia would come to a halt.

In the meantime, MoEnCo has been exercising all its reasonable endeavours to negotiate with the Mongolian authorities for an amicable solution. The Company has formulated a conditional part payment proposal to the Mongolian government without admission on the alleged tax liabilities for its consideration. 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 2025.

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 approximately net liabilities of HK$4,077.1 million and net current liabilities of HK$5,284.5 million as at 31 March 2025, the Directors are of the opinion that the Group will be able to meet is financial obligations as they fall due for the foreseeable future given that: (1) Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder and chairman of the Company who has significant influence over the Group, has provided facilities amounting to HK$1,900.0 million. The balance of the unutilised facilities of HK$1,060.4 million as at 31 March 2025 remains valid until 24 March 2027; (2) Mr. Lo does not intend to demand immediate repayment of his advances to the Company; and (3) on 28 May 2025, MEC successfully completed agreements to issue new loan note and convertible notes with a three-year tenor, fully refinancing the 2019 RP Loan Notes and the 2020 Convertible Notes. The borrowings of the Group as at 31 March 2025 were the convertible notes, loan note, advances from Mr. Lo and a short-term bank loan in aggregate of HK$5,431.5 million (2024: HK$5,251.4 million). These borrowings as at 31 March 2025 were classified as current liabilities.

Despite the recent tax disputes and consequential actions taken by the tax authority in Mongolia – including the freezing of a Mongolian subsidiary's bank accounts in Mongolia – the Management has taken swift and comprehensive measures to mitigate the impact on operations. These include engaging senior government officials, including the provincial governor in Khovd and senior tax officers, and initiating formal legal proceedings to challenge the tax assessment. While the independent auditor has issued a disclaimer of opinion due to the material uncertainty arising from this situation, Management remains of the view that the preparation of the Company's consolidated financial statements on a going concern basis is appropriate. This conclusion is based on:

– Ongoing legal recourse being actively pursued;

– High-level government engagement;

– Continued business operations; and

– Management's expectation of a favourable or negotiated resolution within a timeframe that allows continued operations.

Management will continue to closely monitor developments and evaluate additional contingency measures as and when necessary.

Property, Plant and Equipment

The decrease in the carrying values of the property, plant and equipment was due to the impairment loss amounting to HK$1,176.0 million (2024: reversal of impairment loss of HK$965.1 million). During the Financial Year, the Group had incurred capital expenditures of approximately HK$117.4 million (2024: HK$122.4 million).

Trade and Bills Receivables

The Group allows a credit period of 30 to 45 days for trade receivables and the maturity dates for bills receivables should be within 180 days or less. In the final quarter of the Financial Year, delays by the Mongolia Customs Department in completing quality inspections and issuing confirmations contributed to an increase in receivables aged over 90 days. As at 31 March 2025, 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 licenced banks in the PRC.

Long Term Receivables

It represented prepaid value added tax of HK$205.3 million (2024: HK$280.0 million) to be refunded by the Government of Mongolia or offset against future taxes and royalties payable to the Government of Mongolia. The utilisation of the prepaid value added tax is subject to the approval of the MTA on our Mongolian subsidiary. The decrease in VAT receivables was due to an impairment loss of HK$112.8 million recognised in the Financial Year.

Financial Assets at Fair Value Through Profit or Loss

As at 31 March 2025, the fair value of the financial assets at fair value through profit or loss was HK$46.5 million (2024: HK$30.9 million), which was approximately 1.5% (2024: 0.7%) 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% (2024: 5.58%) of the total issued share capital of Jade Bird. During the Financial Year, the Group did not receive dividend (2024: HK$6.2 million) from Jade Bird.

Charge on Group's Assets

Coal inventory at Khushuut mine was provided as collateral with an equivalent carrying value to secure a short-term bank loan in Mongolia. Apart from it, there was no charge on the Group's assets as at 31 March 2025 (2024: Nil). As at 31 March 2025, the gearing ratio of the Group was 1.77 (2024: 1.25) which was calculated based on the Group's total borrowings to total assets.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

The Group had no significant investments held, material acquisitions or disposals of subsidiaries, associates or joint venture during the Financial Year.

Future Plans for Material Investments and Capital Assets

As at the date of this announcement, the Group did not have any concrete future plans for material investments or capital 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 2025 (2024: Nil).

Significant Subsequent Events Occurred after the Financial Year

Shortly after the end of the Financial Year, the MTA took enforcement action against MoEnCo by freezing MoEnCo's bank accounts for the outstanding additional tax assessed by it on MoEnCo for the tax period between 2017 and 2020. Please refer to the paragraph of Tax Disputes for details.

In addition, the subscriptions of the 2025 Convertible Notes were completed on 28 May 2025. On the same date, the Company and Ruby Pioneer entered into a loan note subscription agreement pursuant to which the Company agreed to issue and Ruby Pioneer agreed to subscribe for 2025 RP Loan Note for full settlement of the outstanding principals and accrued interests of the 2019 RP Loan Notes. The 2025 RP Loan Note with a principal amount of HK$657,565,542 carrying a 3% coupon interest per annum for 3 years was issued pursuant to the loan note subscription agreement. Details of the 2025 Convertible Notes and the 2025 RP Loan Note are set out in Note 15(a) and 15(b) in this announcement.

OUTLOOK

China's economy met its 2024 growth target despite a complex domestic and global landscape. However, steep tariffs initiated by the United States have significant impact on China's exports, weakening the support for economic growth. According to International Monetary Fund, China's economic growth is expected to be 4% this year, lower than its previous estimate of 4.6% under the global backdrop of trade tariffs and market uncertainty. Looking ahead, if China is to maintain the growth momentum, it needs to roll out responsive policies to address external uncertainties and stimulate internal economic growth.

Though the property market of China has been stabilised compared to last year, experts mostly expect further market moderation to continue until year end. A weak property sector and moderating growth in infrastructure investment will keep China's steel demand sluggish in 2025. Oversupply of steel will persist. On the other hand, overseas demand of steel remains uncertain due to trade protection policies and anti-dumping disturbances in many jurisdictions. Under such backdrop, China's steel demand and prices, both internal and export, are expected to decline further in 2025. The continuous decline in steel consumption will undoubtedly bring negative effects to the coking coal market.

Coking coal market in China remains intricately connected to steel industry performance. Due to the impacts of the steel market and global economic climate, steel makers and refineries are cautious in filling their coking coal stocks. Recently, we observe slow purchasing power and pace in coking coal, and overall market activity has declined compared to previous months. Most of the coking coal buyers adopt a wait-and-see sentiments. We expect the coking coal demand in China and its market price will continue to decline in 2025.

Challenges and unpredictable circumstances, globally and at local levels, are looming against our operations in both Mongolia and China. Our developments are being impacted by the global economic uncertainties, geopolitical tensions and the escalating trade wars between the biggest economies. We are also facing the persistent weakness of coking coal price due to oversupply and the diminished demand of the steel market in China. Our average coking coal selling price in China has been declining from its peak since 2023, and the trend is still persisting. In addition, together with the recent aggressive moves of the MTA, significant burden was placed on the sustainability of our operations. Under these challenges, we will adjust our strategies flexibly and from time to time including economising on costs and scaling down our production in response to the ever-changing internal and external conditions.

HUMAN RESOURCES

As at 31 March 2025, excluding site and construction workers directly employed by our contractors, the Group employed 876 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 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 of the Board was unable to attend the 2024 AGM. The chairman of the Audit Committee and remuneration committee of the Board took the chair of the 2024 AGM and answered questions raised by the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Other than the AGM, the shareholders may communicate with the Company through the contact methods listed on the Company's website.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Code for Securities Transactions by Directors (the "**Code**"), which are on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 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 Financial Year.

AUDIT COMMITTEE

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

The 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, 25 June 2025

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, Mr. Lo, Chris Cze Wai and Mr. Lo, James Cze Chung as executive Directors, Mr. To Hin Tsun, Gerald as non-executive Director, and Mr. Tsui Hing Chuen, William JP, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank as independent non-executive Directors.