MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2026

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 2026 (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 2026

	Notes	**2026** **HK$'000**	2025 *HK$'000*
Revenue	*4*	**2,017,320**	2,861,190
Cost of sales		**(1,623,950)**	(2,010,019)
Gross profit		**393,370**	851,171
Other income	*5*	**7,304**	10,522
Other gains and losses	*6*	**94,773**	(76,936)
Administrative expenses		**(336,566)**	(303,472)
Changes in fair value on derivative component of convertible notes	*15(a)*	**525,639**	–
(Loss) gain on derecognition of convertible notes	*15(a)*	**(2,339)**	172,512
Gain on modification of convertible notes	*15(a)*	**–**	97,570
Gain on derecognition of loan note		**172,900**	–
Reversal of impairment losses (impairment losses) on property, plant and equipment	*3*	**245,608**	(1,176,038)
Reversal of impairment losses (impairment losses) on right-of-use assets	*3*	**288**	(4,278)
Reversal of impairment losses (impairment losses) on intangible assets	*3*	**31,431**	(118,751)
(Impairment losses) reversal of impairment losses on financial assets		**(2,058)**	6,762
Finance costs	*7*	**(554,521)**	(653,795)
Profit (loss) before taxation	*8*	**575,829**	(1,194,733)
Income tax expense	*9*	**(103,853)**	(181,917)
Profit (loss) for the year attributable to owners of the Company		**471,976**	(1,376,650)
Earnings (loss) per share attributable to ordinary equity holders of the Company	*11*		
– basic and diluted earnings (loss) per share (HK$)		**2.51**	(7.32)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2026

	2026	2025
	HK$'000	*HK$'000*
Profit (loss) for the year	**471,976**	(1,376,650)
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of group companies	**40,495**	(8,289)
– Fair value changes on debt instruments at fair value through other comprehensive income	**1,839**	(6,877)
Other comprehensive income (expense) for the year	**42,334**	(15,166)
Total comprehensive income (expense) for the year attributable to owners of the Company	**514,310**	(1,391,816)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2026

	Notes	2026 HK$'000	2025 HK$'000
Non-current assets			
Property, plant and equipment		**1,203,604**	921,415
Right-of-use assets		**14,494**	9,328
Intangible assets		**112,687**	85,660
Exploration and evaluation assets		**5,250**	4,939
Interest in an associate		**–**	–
Deferred tax assets	*16*	**48,628**	59,421
Long-term receivable		**215,445**	205,297
		1,600,108	1,286,060
Current assets			
Trade and bills receivables	*12*	**1,028,092**	1,092,671
Inventories		**320,208**	444,860
Other receivables, prepayments and deposits		**142,691**	116,847
Prepaid taxation		**84**	78
Financial asset at fair value through profit or loss ("**FVTPL**")		**85,432**	46,522
Amount due from an associate		**–**	–
Cash and cash equivalents		**55,409**	88,283
		1,631,916	1,789,261
Current liabilities			
Trade payables	*13*	**292,123**	301,305
Other payables and accruals		**863,974**	1,109,183
Contract liabilities		**42,535**	16,496
Tax liabilities		**225,030**	211,274
Advances from a Director	*14*	**891,029**	845,357
Short-term bank loan	*14*	**54,600**	37,960
Convertible notes	*15(a)*	**–**	3,892,989
Loan note	*14, 15(b)*	**–**	655,210
Lease liabilities		**5,369**	3,696
Deferred income		**173**	278
		2,374,833	7,073,748
Net current liabilities		**(742,917)**	(5,284,487)
Total assets less current liabilities		**857,191**	(3,998,427)

	Notes	2026 HK$'000	2025 HK$'000
Non-current liabilities			
Convertible notes	*15(a)*	**3,790,603**	–
Loan note	*14, 15(b)*	**540,602**	–
Deferred income		**414**	555
Deferred tax liabilities	*16*	**47,134**	39,814
Lease liabilities		**3,131**	815
Provision for rehabilitation		**38,066**	37,458
		4,419,950	78,642
Net liabilities		**(3,562,759)**	(4,077,069)
Financed by:			
Capital and reserves			
Share capital		**3,763**	3,763
Reserves		**(3,566,522)**	(4,080,832)
Capital deficiencies attributable to owners of the Company		**(3,562,759)**	(4,077,069)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2026

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Mongolia Energy Corporation Limited (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 2026. 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.

MoEnCo LLC ("**MoEnCo**"), an indirect wholly-owned subsidiary of the Company, was under two tax demands from the Mongolian Tax Authority ("**MTA**"):

(i) a reassessed tax of approximately HK$902.6 million for the tax period between 2017 and 2020 ("**2017-2020 Tax Act**") mainly on transfer pricing, royalties tax, the treatment of repayment to the Company and unrealised exchange differences. Claims have been filed with the Administrative Court of Mongolia (the "**Administrative Court**") and the Appellate Court of Mongolia (the "**Appellate Court**") against the decision of the Tax Dispute Resolution Committee of Mongolia ("**TDRC**"). Subsequent to the financial year ended 31 March 2026, the Appellate Court ordered the tax dispute matters in respect of the 2017-2020 Tax Act be remitted to the MTA for re-assessment within six months from the issuance date of judgement. Accordingly, the MTA can no longer demand or enforce the payment in respect of 2017-2020 Tax Act during the re-assessment period; and

(ii) a tax demand of approximately HK$1.12 billion mainly on royalties tax for the tax period 2021 and 2022, and the treatment of repayment to the Company and unrealised exchange differences for the tax period between 2021 and 2023 ("**2021-2023 Tax Act**"). An appeal has been filed with TDRC and MoEnCo has requested for additional explanation from MTA but still pending to response.

Based on the advice from the external tax and legal advisors, management believes that the Group has compelling legal basis to contest the adjudged tax result. The Group has been and will continue to exercise its endeavour to negotiate with the relevant Mongolian authorities for an amicable solution. In this regard, the Group has made a total provision of HK$908.8 million, including tax provision and penalty arising from the above tax acts of HK$500.4 million and royalty tax payables of HK$408.4 million as at 31 March 2026. However, 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, 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 2026, advances from Mr. Lo in the sum of HK$891.0 million comprised the principal amount and accrued interest of HK$839.6 million and HK$51.4 million respectively. Excluding the accrued interest of HK$51.4 million, the balance of the unutilised facilities of HK$1,060.4 million remains valid until 24 March 2028. 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$3,562.8 million and net current liabilities of approximately HK$742.9 million as at 31 March 2026, 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 financing 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 AMENDED HKFRS ACCOUNTING STANDARDS

New and amended HKFRS Accounting Standards that are mandatorily effective for the current year

The Group has adopted amendments to HKAS 21 "Lack of Exchangeability" for the first time for the current year's consolidated financial statements. The Group has not yet early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable.

As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries and associates for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the Hong Kong Institute of Certified Public Accountants has issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 Disclosures about Uncertainties in the Financial Statements, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

The Group has considered the guidance in these illustrative examples.

3. RECOVERABLE AMOUNT ASSESSMENT ON KHUSHUUT RELATED ASSETS

At the end of the reporting period, 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 2026, of which the recoverable amount determined by the Independent Valuer was higher than their carrying values, and a reversal of impairment loss amounting to HK$277.3 million (2025: impairment loss of HK$1,299.1 million) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2026.

There are no significant changes in key assumptions adopted in the value in use calculation in determining the recoverable amount as at 31 March 2026 compared to 31 March 2025. 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 26.97% (2025: 25.61%) was applied to the discounted cash flows. This discount rate is derived from the Group's weighted average cost of capital ("**WACC**"), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate.

A reversal of impairment loss (2025: 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 as follows:

Carrying values of the Khushuut Related Assets as at 31 March 2026:

	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	**944,895**	**245,608**	**1,190,503**
Right-of-use assets	**5,268**	**288**	**5,556**
Intangible assets	**79,790**	**31,431**	**111,221**
Total	**1,029,953**	**277,327**	**1,307,280**

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

The reason for the reversal of impairment loss being recognised in profit or loss for the year ended 31 March 2026 was mainly due to the increase in sales volume attributable to the increase in processing capacity upon the completion of commissioning intelligent processing plant and a change in product mix (2025: the changes in coal prices). The above changes have had a significant impact on the value in use assessment performed by the Directors in both years with the cash flows expected to be received.

4. REVENUE AND SEGMENT INFORMATION

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

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 2026

	Coal mining *HK$'000*	**Total** *HK$'000*
Segment revenue *(Note (a))*	**2,017,320**	**2,017,320**
Segment profit	**468,223**	**468,223**
Unallocated expenses *(Note (b))*		**(77,619)**
Other income		**21**
Other gains and losses		**38,937**
Changes in fair value on derivative component of convertible notes		**525,639**
Loss on derecognition of convertible notes		**(2,339)**
Gain on derecognition of loan note		**172,900**
Impairment loss on financial asset		**(10)**
Finance costs		**(549,923)**
Profit before taxation		**575,829**

For the year ended 31 March 2025

	Coal mining *HK$'000*	Total *HK$'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 loss on financial asset		(18)
Finance costs		(648,014)
Loss before taxation		(1,194,733)

Notes:

(a) As at 31 March 2026, 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$42,535,000 as at 31 March 2026 (31 March 2025: HK$16,496,000), 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$16,496,000 as at 31 March 2025 has been recognised as revenue in the current reporting period as the performance obligation of transferring the associated goods or services was met during the year.

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

The accounting policies of the operating segment are the same as the Group's accounting policies described in annual report. Segment profit represents the profit from the coal mining operation without allocation of expenses not directly related to the operating segment such as unallocated other income, certain finance costs, certain other gains and losses, changes in fair value of derivative component of convertible notes and reversal of impairment loss/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 2026

	HK$'000
ASSETS	
Segment assets – coal mining	**3,064,447**
Financial asset at FVTPL	**85,432**
Cash and cash equivalents	**27,125**
Other unallocated assets *(Note (a))*	**55,020**
Consolidated total assets	**3,232,024**
LIABILITIES	
Segment liabilities – coal mining	**1,547,313**
Convertible notes	**3,790,603**
Loan note	**540,602**
Advances from a Director	**891,029**
Other unallocated liabilities *(Note (b))*	**25,236**
Consolidated total liabilities	**6,794,783**

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

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

	2026	2025
	HK$'000	*HK$'000*
Capital additions	**66,827**	127,753
Amortisation of intangible assets	**4,412**	10,724
Depreciation of right-of-use assets	**2,688**	2,432
Depreciation of property, plant and equipment	**22,636**	70,112
Interest income	**(480)**	(686)
(Reversal of impairment losses) impairment losses on property, plant and equipment	**(245,608)**	1,176,038
(Reversal of impairment losses) impairment losses on right-of-use assets	**(288)**	4,278
(Reversal of impairment losses) impairment losses on intangible assets	**(31,431)**	118,751

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	
	2026	2025
	HK$'000	*HK$'000*
Mongolia	**4,070**	3,720
The PRC	**2,013,250**	2,857,470
	2,017,320	2,861,190

	Non-current assets	
	2026	2025
	HK$'000	*HK$'000*
Hong Kong	**10,244**	9,100
Mongolia	**1,468,035**	1,167,810
The PRC	**73,201**	49,729
	1,551,480	1,226,639

Note:

Non-current assets exclude deferred tax assets.

Information about major customer

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

	2026	2025
	HK$'000	*HK$'000*
Customer A	**1,206,543**	1,618,245

5. OTHER INCOME

	2026	2025
	HK$'000	*HK$'000*
Interest income	**501**	732
Government grants	**2,449**	3,211
Sundry income	**4,354**	6,579
	7,304	10,522

6. OTHER GAINS AND LOSSES

	2026	2025
	HK$'000	*HK$'000*
Changes in fair value on financial asset at FVTPL	**38,910**	15,648
Gain on disposal of property, plant and equipment	**5**	526
Gain (loss) on discounting of long-term receivable	**36,408**	(112,757)
Loss on write off of property, plant and equipment	**(47)**	–
Net exchange gain	**19,497**	19,647
	94,773	(76,936)

7. FINANCE COSTS

	2026	2025
	HK$'000	*HK$'000*
Interest on advances from a Director	**69,181**	74,273
Interest on lease liabilities	**572**	416
Interest on short-term bank loan	**1,936**	1,281
Effective interest expense on convertible notes *(Note 15(a))*	**421,757**	498,872
Effective interest expense on loan note	**58,586**	74,665
Effective interest expense on provision for rehabilitation	**2,489**	4,288
	554,521	653,795

8. PROFIT (LOSS) BEFORE TAXATION

	2026	2025
	HK$'000	*HK$'000*
Profit (loss) before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**27,526**	61,131
Other staff costs:		
Salaries and other benefits (net of reimbursement from a related party)	**142,486**	129,599
Retirement benefits scheme contributions (excluding contributions for Directors and net of reimbursement from a related party)	**17,327**	17,765
Total staff costs	**187,339**	208,495
Less: staff costs capitalised in inventories	**(75,340)**	(80,717)
	111,999	127,778
Impairment losses (reversal of impairment losses) on:		
Trade and bills receivables	**2,000**	(6,780)
Other receivable	**48**	–
Amount due from an associate	**10**	18
	2,058	(6,762)
Depreciation of property, plant and equipment	**29,073**	72,237
Depreciation of right-of-use assets	**6,190**	5,951
Amortisation of intangible assets	**4,412**	10,724
Auditor's remuneration		
– provided for the year	**5,200**	5,000

9. INCOME TAX EXPENSE

	2026	2025
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**69,181**	76,028
Mongolian corporate income tax *(Note)*	**18,284**	130,548
Deferred taxation charge (credit) *(Note 16)*	**16,388**	(24,659)
	103,853	181,917

Under the Law of the PRC on EIT (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 years.

Mongolian corporate income tax was calculated at 10% to the first MNT6 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.

Note:

2017-2020 Tax Act

On 28 July 2023, MoEnCo LLC received a tax demand letter (the "**First Tax Demand Letter**") from the MTA, arising from the completion of the tax audit. The letter imposed 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, the treatment of unrealised exchange differences, and royalty tax.

MoEnCo filed an appeal notice against the First Tax Demand Letter. Following a hearing on 29 January 2024, the TDRC ordered 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 from the MTA, increasing the total tax demand to MNT413.4 billion (approximately HK$929.8 million). The revision is mainly due to, among others, the MTA assertions of MoEnCo's under-reporting of the sales revenue, which was a transfer pricing issue under dispute at the TDRC hearing held on 29 January 2024.

On 24 July 2025, MoEnCo received the written decision resolution from the TDRC re-hearing held on 25 June 2025, where the representatives of MoEnCo attended for an appeal against the reassessment of the tax audit by the GTO regarding a revised total tax demand of MNT413.4 billion (approximately HK$929.8 million) for the fiscal years 2017 to 2020 (the "**reassessment tax**"). According to the decision, MoEnCo was ordered to pay the reassessment tax in the sum of MNT412.3 billion (approximately HK$902.6 million). The Group has engaged with independent external tax and legal advisors in assessing the findings and disagrees on a number of matters and the underlying calculation included in the above tax assessments. MoEnCo initiated the legal proceedings by filing relevant claims with the Administrative Court and the Appellate Court against the TDRC's decision to annul the entire reassessment tax. In February 2026, MoEnCo received the written judgment in respect of the claims from the Administrative Court which ruled in favour of MTA. Subsequently, MoEnCo lodged an appeal with the Appellate Court against the Administrative Court's decision. Subsequent to the financial year ended, the Group received written judgement form the Appellate Court which ordered the dispute matters under 2017-2020 Tax Act be remitted to the MTA for re-assessment within six months. Accordingly, MTA can no longer demand or enforce the payment of relevant tax and under 2017-2020 Tax Act during the re-assessment period and payment of the relevant tax by MoEnCo is temporarily suspended. Both parties have the right to appeal to the Supreme Court of Mongolia. At the best knowledge of the Directors, no action has been taken by MTA at the date of this announcement.

2021-2023 Tax Act

On 27 February 2026, MoEnCo received a notice of tax assessment and demand from the MTA, arising from the completion of the tax audit. This notice imposed a total tax demand (including additional taxes and penalties) of MNT512.2 billion (approximately HK$1.12 billion) on a number of tax matters, primarily on royalties tax for the tax period 2021 and 2022, alongside the treatment of repayments to the Company and unrealised exchange differences for the tax period between 2021 and 2023. On 27 March 2026, MoEnCo filed an appeal with TDRC and submitted official request to the TDRC for additional explanation from MTA, the response to which is still pending.

An assessment has been made on the uncertain tax position and tax provision of HK$17.9 million (2025: HK$28.1 million) was provided for the year ended 31 March 2026.

As at 31 March 2026, the Group has made a total provision of HK$908.8 million (2025: HK$988.6 million), including tax provision and penalty arising from the above tax acts of HK$500.4 million (2025: HK$346.2 million) and royalty tax payables of HK$408.4 million (2025: HK$642.4 million) included in other payables.

10. DIVIDENDS

No dividend was paid or proposed by the Company during the year ended 31 March 2026, nor has any dividend been proposed since the end of the reporting period (2025: Nil).

11. EARNINGS (LOSS) PER SHARE

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

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

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

	2026	2025
	HK$'000	*HK$'000*
Profit (loss)		
Profit (loss) attributable to ordinary equity holders of the Company, as used in the calculation of basic and diluted earnings (loss) per share	**471,976**	(1,376,650)

	2026	2025
	’000	*’000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**188,126**	188,126
Effect of dilutive potential ordinary shares *(Note)*:		
Convertible notes	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**188,126**	188,126

Note:

The computation of diluted earnings (loss) per share for the year ended 31 March 2026 and 2025 did not assume the exercise of share options since the adjusted exercise price was greater than the average market price of the Company’s shares during the outstanding period in 2026 and 2025.

12. TRADE AND BILLS RECEIVABLES

	2026	2025
	HK$’000	*HK$’000*
Trade receivables	**329,076**	515,798
Bills receivables	**699,856**	577,360
	1,028,932	1,093,158
Less: allowance for expected credit losses	**(840)**	(487)
	1,028,092	1,092,671

Note:

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) based on the overdue date that are neither individually nor collectively considered to be impaired is as follows:

	2026	2025
	HK$’000	*HK$’000*
Not past due	**892,064**	929,200
Less than 30 days past due	**125,077**	135,409
30 – 60 days past due	**63**	28,058
61 – 90 days past due	**10,003**	–
Over 91 days	**885**	4
	1,028,092	1,092,671

13. TRADE PAYABLES

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

	2026	2025
	HK$'000	*HK$'000*
0 to 30 days	**244,518**	82,840
31 to 60 days	**16,835**	59,593
61 to 90 days	**1,982**	44,770
Over 90 days	**28,788**	114,102
	292,123	301,305

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

14. BORROWINGS

	2026	2025
	HK$'000	*HK$'000*
At amortised cost		
Advances from a Director – unsecured *(Note (a))*	**891,029**	845,357
Short-term bank loan – secured *(Note (b))*	**54,600**	37,960
Convertible notes – unsecured *(Note 15(a))*	**3,270,631**	3,892,989
Loan note – unsecured *(Note 15(b))*	**540,602**	655,210
Lease liabilities	**8,500**	4,511
	4,765,362	5,436,027

	2026	2025
	HK$'000	*HK$'000*
Analysed for reporting purposes as		
Current	**950,998**	5,435,212
Non-current	**3,814,364**	815
	4,765,362	5,436,027

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 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**
Derecognition of convertible notes	**(3,977,221)**	**–**	**(3,977,221)**
Loss on derecognition of convertible notes	**2,339**	**–**	**2,339**
Issuance of convertible notes	**2,931,610**	**1,045,611**	**3,977,221**
Transaction costs on issuance of convertible notes	**(843)**	**–**	**(843)**
Interest charge	**421,757**	**–**	**421,757**
Changes in fair value of derivative component	**–**	**(525,639)**	**(525,639)**
At 31 March 2026	**3,270,631**	**519,972**	**3,790,603**

2020 Convertible Notes with maturity date 6 March 2025

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

CTF and Golden Infinity Convertible Notes

On 6 March 2020, the Company issued 3% convertible notes with a principal 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.

2025 Convertible Notes with maturity date 28 May 2028

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 and such subscription conditions were completed on 28 May 2025.

On 28 May 2025, the Company issued 3% convertible notes with a principal amount of HK$3,250,289,055 and HK$726,932,284 to CTF and Golden Infinity respectively (the "**2025 Convertible Notes**") to replace the 2020 Convertible Notes.

The 2025 Convertible Notes contain two components, a debt component and a derivative component with a conversion option derivative of the holders and a redemption option derivative of the issuer. The effective interest rate of the debt component is 13.92%. The Company may at any time before the maturity date by written notices to the holders, redeem the principal amount of the 2025 Convertible Notes (in whole or in part) with accrued interest. The conversion option and the redemption option are treated as a simple compound embedded derivative measured at fair value.

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

	28 May 2025	**31 March 2026**
Stock price	HK$0.52	**HK$0.50**
Exercise price	HK$0.65	**HK$0.65**
Volatility *(Note (i))*	84.72%	**85.95%**
Dividend yield	0%	**0%**
Option life *(Note (ii))*	3 years	**2.16 years**
Risk free rate	1.92%	**2.26%**

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 2025 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 (the "**2019 RP Loan Note**").

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 Note. 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 or redemption option. Mr. Lo and Mr. Rex Lo are directors of Ruby Pioneer.

16. DEFERRED TAXATION

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

Deferred tax liabilities

	Undistributed profits of a subsidiary *HK$'000*
At 1 April 2024	30,143
Charged to profit or loss	10,096
Exchange adjustments	(425)
At 31 March 2025	**39,814**
Charged to profit or loss	**4,968**
Exchange adjustments	**2,352**
At 31 March 2026	**47,134**

Deferred tax assets

	Depreciation and amortisation *HK$'000*
At 1 April 2024	24,784
Credited to profit or loss	34,755
Exchange adjustments	(118)
At 31 March 2025	**59,421**
Charged to profit or loss	**(11,420)**
Exchange adjustments	**627**
At 31 March 2026	**48,628**

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 (2025: 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 2026, deferred tax assets of HK$195,322,000 (2025: HK$150,325,000) have not been recognised in respect of deductible temporary differences of HK$781,289,000 (2025: HK$601,300,000) 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 Mongolia tax disputes are disclosed in Note 1 and Note 9.

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 2026 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 24 June 2026. 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 2026:

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

DISCLAIMER OF OPINION

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matter described in the *Basis for disclaimer of opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the 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

As set out in Note 1 to the consolidated financial statements, the Group had net liabilities of approximately HK$3,562.8 million and net current liabilities of approximately HK$742.9 million as at 31 March 2026, including short-term bank loan and advances from a Director in aggregate of HK$945.6 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$908.8 million, including tax provision and penalty of HK$500.4 million and royalty tax payables of HK$408.4 million as at 31 March 2026, against the two outstanding tax demands from the Mongolian Tax Authority ("**MTA**") in total of approximately HK$2 billion.

These conditions, together with other matters disclosed in Note 1 to the consolidated financial statements, 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, including:

(1) agreement with the MTA on deferral of payments of tax demands; 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 2026 of HK$1,060.4 million remains valid until 24 March 2028.

No written contractual agreements or other documentary supporting evidence with the MTA in respect of the payment deferral are available as at the approval date of the consolidated financial statements. In addition, we were unable to ascertain the availability of cash in the event of a drawdown of the unutilized facilities obtained from the Chairman and a Director of the Company. Accordingly, we were unable to obtain sufficient appropriate audit evidence we considered necessary to assess the assumptions underlying the cash flow forecasts and the likelihood of success of the plans and measures currently undertaken by the Group. There were no other satisfactory audit procedures that we could perform to satisfy ourselves with the appropriateness of the directors' use of the going concern basis of accounting and adequacy of the related disclosures in the consolidated financial statements.

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. The possible effects on the consolidated financial statements of undetected misstatements, if any, could be both material and pervasive.

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 2026, 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$1,307.3 million. During the year, the Group made a reversal of impairment loss of HK$277.3 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 demand for payment for current outstandings and collect the debt including seizure of the Khushuut Related Assets held by MoEnCo LLC, the Group's major operating subsidiary in Mongolia. 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 amount of reversal of impairment recognised during the year. We were unable to obtain sufficient reliable audit evidence to satisfy ourselves as to (i) whether the Group's reversal of impairment loss relating to the Khushuut Related Assets recognised in profit or loss for the year ended 31 March 2026 was appropriately recorded; and (ii) the carrying amount of the Group's Khushuut Related Assets as at 31 March 2026 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 2026 and the financial performance of the Group for the year ended 31 March 2026, and the related disclosures in the consolidated financial statements.

Even had there been no insufficient appropriate audit evidence 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 a scope limitation on the going concern assumption arising from ongoing tax disputes between the Mongolian Tax Authority ("**MTA**") and MoEnCo and the availability of cash in the event of a drawdown of the unutilised facilities obtained from the Chairman.

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 considers that, in the absence of any adverse recovery actions by the MTA, the Disclaimer does not materially affect the Group's operations. Most recently, the Appellate Court of Mongolia ordered that the tax dispute matters (in relation to the reassessment tax for the tax years 2017 to 2020 in the sum of approximately MNT 412.3 billion (approximately HK$902.6 million)) be remitted to the MTA for reassessment within six months. Accordingly, the MTA can no longer demand or enforce the payment in its present form during the re-assessment period and the payment of the relevant tax by MoEnCo is temporarily suspended. The Group is currently seeking legal advice on the implications of the court's written judgment. Based on advice from MoEnCo's legal and tax advisors, MoEnCo has the right to challenge the tax assessments through available legal procedures in Mongolia.

In parallel, the Group continues to engage constructively with the MTA to seek an expeditious and amicable resolution. These efforts include high-level discussions with senior MTA officials and engagement with relevant stakeholders, including the Minister of Finance and the Governor of Khovd Province. The Group will continue to provide quarterly updates to shareholders of the Company ("**Shareholders**") on its progress. In addition, the Group is actively exploring other possible avenues with its tax advisers to resolve the tax matters.

There is no disagreement between the Audit Committee and Management regarding (i) the Disclaimer and (ii) the Company's approach to addressing it. The Audit Committee concurs with Management that it remains appropriate to prepare the consolidated financial statements on a going concern basis, having considered 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 (2025: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**AGM**") of the Company will be held on Friday, 28 August 2026. The notice of the AGM will be published and despatched to the Shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 25 August 2026 to Friday, 28 August 2026, both dates inclusive, during which period no transfers of shares will be effected. The record date for determining entitlement to attend and vote at the AGM is Friday, 28 August 2026. 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 Monday, 24 August 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS ANALYSIS

Revenue

During the Financial Year, the PRC's real estate market had yet to bottom out, while infrastructure investment also experienced a slowdown. As a result, domestic steel demand continued to weaken, leading to cautious downstream procurement of coke and coking coal. Against this backdrop, customers increasingly shifted their preference toward mid-grade alternatives.

Amid these challenging market conditions, the Group faced a dual impact of declining average selling prices and reduced sales volumes. Consequently, revenue for the Financial Year decreased to HK$2,017.3 million, representing a 29.5% decline compared with HK$2,861.2 million in the corresponding period in 2025.

During the Financial Year, the Group sold approximately 1,852,800 tonnes (2025: 1,980,800 tonnes) of clean coking coal, approximately 288,400 tonnes (2025: 96,200 tonnes) of thermal coal and approximately 97 tonnes (2025: 52 tonnes) of raw coal. The average selling prices of clean coking coal, thermal coal and raw coal net of sales tax were approximately HK$1,081.7 (2025: HK$1,441.1), HK$44.7 (2025: HK$38.3) and HK$474.3 (2025: HK$675.5) per tonne respectively.

Cost of Sales

Cost of sales primarily comprises mining expenses, coal processing costs, transportation charges, coal refuse disposal fees, and other related operating expenditures.

For the Financial Year, cost of sales decreased to HK$1,624.0 million, compared with HK$2,010.0 million in the corresponding period in 2025, reflecting the Group's disciplined cost management efforts amid prevailing market conditions. Besides, the Group implemented a series of cost optimization initiatives. These included renegotiating more favorable transportation terms with trucking companies and commissioning a state-of-the-art intelligent dry processing plant. The new facility is expected to enhance coal screening efficiency and deliver sustainable cost savings over the long term.

The cost of sales was divided into cash costs of HK$1,581.4 million (2025: HK$1,953.2 million) and non-cash costs of HK$42.6 million (2025: HK$56.8 million).

Gross Profit

The gross profit margin was approximately 19.5% (2025: 29.7%), primarily due to a decline in the average selling price of coking coal. The rate of decrease in the average selling price outpaced the Group's efforts to reduce the cost of sales, leading to a sharp drop in gross profit margin.

Other Gains and Losses

Other gains and losses mainly comprised (i) a net gain on discounting of VAT receivables due from the MTA of HK$36.4 million (2025: loss of HK$112.8 million). This is a non-cash accounting item. The offsetting of these receivables are pending the conclusion of the MTA and the Ministry of Finance. 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, the VAT receivables were discounted to the expected recovery period; (ii) a fair value gain of HK$38.9 million (2025: HK$15.6 million) from an investment in a listed company in Hong Kong, and (iii) a net exchange gain of HK$19.5 million (2025: HK$19.6 million).

Changes in Fair Values on Derivative Component of Convertible Notes

The convertible notes issued by the Company in 2025 (the "**2025 Convertible Notes**") contain both debt and derivative components. The conversion option derivative of the 2025 Convertible Notes requires remeasurement at the end of each reporting period and a resulting gain in fair value change amounting to HK$525.6 million was recognized in the Financial Year (2025: Nil). The major inputs into the valuation model to work out the valuation of the conversion option derivative for the Financial Year were stated in Note 15(a) to the consolidated financial statements in this announcement.

Gain on derecognition of Loan Note

On 28 May 2025, the Company issued a loan note with a principal amount of HK$657,565,542 bearing a 3% annual coupon over a three-year term, to Ruby Pioneer Limited as full settlement of a previously outstanding loan note payable. In accordance with Hong Kong accounting standards, the loan note was initially recognized at its fair value on the date of issuance, determined as the present value of all future cash flows-including coupon payments and principal repayment-discounted using the effective interest rate applicable to instruments with similar characteristics at that time. The difference between the fair value and the principal amount was recognized as a gain on derecognition of loan note.

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 2026 and 31 March 2025 are set out below:

	Notes	**31 March 2026**	31 March 2025
Discount rate	*(a)*	**26.97%**	25.61%
Average current coking coal price per tonne	*(b)*	**US$135**	US$153
Inflation rate	*(c)*	**1.99%**	2.02%
Predicted average annual growth rate of the coking coal price for the forthcoming four-year period since financial year end	*(d)*	**1.54%**	4.6%
Annual projected sales volume (tonnes)		**2.2 million**	1.9 million

Notes:

(a) The discount rate is a pre-tax discount rate and is derived from the Group's weighted average cost of capital ("**WACC**") with appropriate adjustments made to reflect the risks specific to the Khushuut Coal Mine. The computation of WACC takes into account both cost of debt and equity, and weighted based on the Group's and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors and based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of comparable peer companies. The change of discount rate from last year was a combined result of the updates on the WACC including the risk-free rate and other risk premium factors. The risk-free rate adopted was the yield of China 10-year government bond as at 31 March 2026. 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 2026;

(c) Inflation rate was updated with 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 2026. For the remaining year of the discounted cash flow model, the growth rate is the same as the inflation rate.

Pursuant to the recoverable amount assessment, a reversal of impairment loss amounting to HK$277.3 million was recognized in the Financial Year (2025: impairment loss of HK$1,299.1 million). The primary factor contributing to the increase in the Mine Assets' recoverable amount is the increase in the projected sales volume of coking coal attributable to the increase in processing capacity upon the completion of commissioning of intelligent processing plant and change in product mix.

Finance Costs

The major components of finance costs were the effective interest expenses on convertible notes and a loan note, interest charge on advances from a Director. The interest charge on the debt component of the convertible notes issued by the Company was calculated at an effective interest rate of 13.92% per annum (2025: 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 13.92% per annum (2025: 22.37% per annum up to its maturity date on 21 November 2024 and at 3% per annum thereafter during the moratorium period).

MARKET REVIEW

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

According to the World Steel Association, the world's total crude steel production was 1,803.8 million tonnes in 2025, falling 2% slightly from a year earlier. China remained the biggest crude steel producing country in the world during this period. According to the National Bureau of Statistics of China ("**NBS**"), China's steelmaking companies produced 960.8 million tonnes of crude steel in 2025, down 4.4% year-on-year, which is the lowest level since 2019. China's steel production continued to fall 4.6% year-on-year to 247.6 million tonnes in the first quarter of 2026, according to the latest data released by the World Steel Association.

According to the latest data released by the General Administration of Customs of the PRC ("**GAC**"), China exported 120 million tonnes of steel in 2025, representing a year-on-year increase of 7.5%. However, China's total steel imports decreased by 11.1% year-on-year to 6.05 million tonnes. The increase in steel exports of China during 2025 was due to its construction slowdown, steel production surplus and competitive pricing, while imports declined because of its weak domestic demand, substitution by local production, and trade restrictions. In the first quarter of 2026, China's steel export decreased by 9.9% year-on-year to 24.71 million tonnes, with the total export values of US$17.262 billion, representing a decrease of 10.8% year-on-year. The average export price of Chinese steel in the first quarter of 2026 was US$698.4 per tonne, representing a decrease of 1.0% year-on-year, according to the latest data released by the GAC.

According to data from the NBS, in 2025, the cumulative fixed asset investment in coal mining and washing increased by 7.0% year-on-year. However, the industry faced operational pressure. The operating revenue of coal enterprises above designated size nationwide decreased by 17.8% year-on-year; and the total profit fell 41.8% year-on-year.

According to data from the NBS, coal production in China increased by 1.4% year-on-year in 2025, reaching 4.85 billion tonnes. In contrast, imports of coal decreased by 9.6% year-on-year, falling to 490 million tonnes, according to GAC. China's coal imports in 2025 were mainly from four countries: Indonesia, Russia, Mongolia and Australia. The amount of coal imported from these four countries accounted for 95% of China's total coal imports. In respect of coking coal, China's cumulative coking coal imports in 2025 reached 120 million tonnes, representing a year-on-year decrease of 3.0%. However, China's imports of coking coal shows sign of improvement in the first quarter of 2026, with 32.25 million tonnes imported, representing a year-on-year increase 17.6%.

According to National Statistics Office of Mongolia, Mongolia exported 89.7 million tonnes of coal in 2025, surpassing 83.3 million tonnes in 2024 and the government's annual target of 85 million tonnes. It was a record high for Mongolia's coal exports in 2025. Out of the coal exported, around 80 million tonnes were coking coal and nearly all Mongolian coal were exported to China. In the first quarter of 2026, Mongolia's coal exports reached 27.53 million tonnes, representing a 57.03% increase year-on-year, according to Mongolia's General Administration of Customs.

China's imports of Mongolian coal increased significantly, primarily due to improved transportation efficiency. Mongolia has implemented export incentive policies and deepened cross-border logistics and cooperation to fundamentally address transportation bottlenecks. With optimized customs clearance procedures, smoother connections between short-haul road transport and rail transport, and reduced port congestion and demurrage costs, Mongolia has firmly established itself as China's largest source of coking coal provider.

The overall picture of Mongolia's coal exports to China in 2025 was record-breaking in volume but weaker in value, driven largely by weak domestic demand in China's construction and infrastructure sectors.

BUSINESS REVIEW

Coal Sales

We recorded a revenue of HK$2,017.3 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 29.5% compared with the previous financial year.

Coal Production

During the Financial Year, approximately 7,088,300 bank cubic meters ("**BCM**") of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works (2025: 15,271,200 BCM). Production of ROM coking coal and thermal coal were approximately 3,031,000 tonnes and 1,374,500 tonnes respectively (2025: 2,940,500 tonnes and 3,878,300 tonnes).

Coal Processing

During the Financial Year, among 3,205,000 tonnes of ROM coal (2025: 2,190,800 tonnes), approximately 467,500 tonnes were processed by the dry coal processing plant ("**DPP**") and approximately 2,737,500 tonnes were processed by the new Khushuut Intelligent Processing Plant ("**IPP**") which has been gradually taking over from the DPP since July 2025. Approximately 2,457,000 tonnes of raw coking coal (2025: 1,705,400 tonnes), including approximately 392,500 tonnes by the DPP and approximately 2,064,500 tonnes by the IPP, were produced. The average recovery rate were 83.96% and 75.42% for DPP and IPP, respectively. The raw coking coal would then stand for export to Xinjiang. The coal exported from Mongolia to Xinjiang was raw coking coal in nature. It is inferior in quality and lower in selling price and requires further handling and processing. In Xinjiang, approximately 2,765,900 tonnes of raw coking coal (2025: 3,023,600 tonnes) were processed by our washing plant or through subcontractors, producing approximately 2,061,200 tonnes of clean coking coal (2025: 2,147,300 tonnes). The average recovery rate was 74.52%.

Coal Shipping

Apart from the field work contractors, we hired external coal trucking companies with heavy duty trucks to provide coal transportation services for our coal export. During the Financial Year, approximately 2,714,200 tonnes of raw coking coal were shipped from Mongolia to Xinjiang.

Customers and Sales

We signed three master coal contracts with two of our customers during the Financial Year. The specific 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, on a monthly basis in general, during this period. Our sales contract clearing is based on the actual quantity of clean coking coal delivered after washing. During the Financial Year, we sold approximately 1,045,000 tonnes of clean coking coal to our largest customer and it accounted for approximately 59.8% 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 market developments and adjust our operation schedule from time to time. Apart from our major customer, we had nine other customers in Xinjiang and six customers in other areas of China for our coking coal during the Financial Year.

Licences

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

Legal and Political Aspects

In late 2025, the Mongolia Parliament ("**Parliament**") approved the 2026-2030 Five-Year Development Plan ("**Plan**") for Mongolia. It aims to boost the country's economy, tackle corruption, improve the investment climate, and promote the nation's human capital, education, and science and technology. To enable the effective realization of the Plan, the Parliament approved a large number of actions and short term economic and financial policy directives with a goal to control inflation, strengthen fiscal discipline and improve competitiveness. Within the mining sector, the Government's priority actions shall include detaching, by means of legal amendments, mining transportation from the exchange trading of mining products, fully digitizing the customs and border operations to reduce delays and logistics costs, accumulating the additional revenues gained through the increase of price of mining products. The Mongolian government shall then invest these fundings into manufacturing, agriculture, tourism, energy, infrastructure, education, and technology, and developing safeguards against fiscal overexpansion caused by the rapid growth of the mining sector.

During the Financial Year, both the speaker of Parliament and the Prime Minister of Mongolia were replaced. In late March 2026, the leader of the ruling party and speaker of the Parliament, N.Uchral, was named the Prime Minister. In April 2026, the new Prime Minister presented his "Unlocking" reform program building on four pillars: economic freedom, legal and regulatory freedom, green development, and against corruption. In early May 2026, the cabinet submitted a package of a number of amendments to four basic tax laws as a response to the current challenging international situation and prevention of potential economic downfall. The changes aimed at reducing the tax burden, supporting small and medium businesses, and making the tax environment more flexible and effective. For example, the individual income tax will continue to provide progressive discounts to low-and middle-income individual entrepreneurs who will pay one percent of their sales revenue if their annual sales revenue is less than MNT 1 billion. A new 15 percent corporate tax bracket will be created for enterprises with a turnover of MNT 6–10 billion while reducing the tax rate to one percent for smaller businesses with sales revenue below MNT 2.5 billion. The threshold for VAT withholding will be increased from the current MNT 50 million to MNT 400 million. Various easements are planned concerning tax reporting schemes, tax payment terms, the technology startups, and so on. The Law on Economic Freedom, the bill of which has been submitted to the Parliament in late December 2025, is expected to be a capstone of laws related to investment and business operations. The law intends to protect interests of businesses through prohibiting any inspections and audits not provided for by law, and any regulations that go beyond the law. Any discretionary period of decision-making at all stages of government services shall be eliminated. Following the enactment of the Law on Economic Freedom, amendments will be made to the relevant laws to clearly specify the decision-making deadlines. The authority to issue almost 120 categories of business licenses will be transferred from the state institutions to professional associations.

Through the above domestic political changes, the Mongolian Government continues pursuing its long term strategy to expand economic links with its two neighbors, Russia and China, while attracting diverse and sectoral investments from the "third neighbor" partners. In September 2025, the leaders of Mongolia, Russia and China held a trilateral meeting in Beijing during which the parties summarized the implementation of the joint flagship projects under the China-Mongolia-Russia Economic Corridor programme as "gaining a fresh momentum", and outlined the mid term plans of the trilateral cooperation. In November 2025, the then-Prime Minister Zandanshatar attended the Shanghai Cooperation Organization (SCO) Heads of Government Council meeting in Moscow. This attendance was an important step in prioritizing the regional partnership through strengthening the economic engagement and developing the potential cooperation mechanisms among SCO member states. Further expanding its ties with the "third neighbor" countries, Mongolian Government and French Orano Group signed an agreement for the development and operation of Zuuvch Ovoo and Dulaan Uul uranium deposits. Furthermore, marking the 35th anniversary of diplomatic relations, Mongolia and Republic of Korea held a number of political and people-to-people events and cooperative initiatives throughout 2025. The two countries held a high level, comprehensive meeting of the Korea-Mongolia Joint Committee in November 2025. The Korea-Mongolia Rare Metals Research Center was inaugurated in December 2025, in Ulaanbaatar, with the aim of developing advanced technologies for refining and processing rare earth elements and rare metals, as well as strengthening supply chain stability for critical minerals for Korea, and shifting Mongolia from a raw material supplier to a high-value producer.

Through 2025-2026, Mongolia has remained committed to reducing the country's air pollution. The Mongolian Government's recent stricter policies to tackle air pollution combined with diligent enforcement of those policy directives resulted in improvement of the air quality in Ulaanbaatar during winters of 2025 and 2026 comparing to that in 2022 and 2023. Further, in June 2025, the Parliament approved two important resolutions, including:

The resolution No. 53 directs the Cabinet to take a significant number of broad measures which focused on air pollution reduction, public health, monitoring, and accountability. Under this resolution, the Government is to formulate, with participation from citizens, non-governmental organizations, and independent monitoring bodies, new long-, medium-, and short-term national air pollution reduction plans after the current program ends in 2025. The plan is to achieve stricter air quality standards within three years by reducing $PM_{2.5}$, PM_{10}, NO_2, and SO_2 pollution levels to internationally recognized targets, halt government subsidies for polluting technologies, protect vulnerable populations through evidence-based health measures and stronger risk prevention efforts, expand the national laboratory capacity to measure harmful pollutants and improve provincial monitoring equipment and staff training, research links between air pollution and deaths, improve healthcare preparedness, establish a legal basis for compensation to affected families, and many other actions.

The resolution No. 57 instructs the Cabinet to create a comprehensive green financing and legal framework enabling the reduction of air pollution, improvement of energy efficiency, and promotion of green buildings in urban and ger areas. This would be achieved through, among other initiatives, establishing long-term subsidized green loans to make financing for energy-efficient housing more accessible, creating a transparent national system of monitoring the disbursement of green loans and subsidies, enforcing green building standards and certification systems, and creating legal incentives including a personal income tax relief for highly energy-efficient home insulation, and reduced property sale taxes for certified green residential buildings, etc.

The Cabinet resolution No. 55, adopted in September 2025, introduced significant reforms to Mongolia's mineral royalty framework. The resolution redefines the calculation method for mining royalties by linking them to domestic market prices rather than international benchmarks. Now, mining companies are required to sell a minimum of 25% of their annual mineral output through the domestic commodity exchange, and royalties are to be calculated based on the weighted average of those domestic trading prices. The reform aims to enhance transparency, reduce under-reporting of export prices, and ensure that royalty payments more accurately reflect the real value of mineral sales within Mongolia.

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 Minerals Law, 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 various announcements since August 2023, there was no material and significant dispute between the Group and its customers, suppliers and other business partners regarding our operation in the Financial Year.

Tax Disputes

Mongolian Tax

MoEnCo, an indirect wholly-owned subsidiary of the Company, was subject to the following tax issues during the Financial Year.

2017-2020 Tax Act

In respect of the demand by the MTA to MoEnCo for payment of the reassessment tax for the tax years 2017 to 2020 in the sum of approximately MNT 412.3 billion (approximately HK$902.6 million) ("**2017-2020 Tax Act**"), in February 2026, MoEnCo received the written judgment in respect of its claims from the Administrative Court of Mongolia (the "**Court**"), which ruled in favour of MTA. In March 2026, MoEnCo lodged an appeal with the Appellate Court of Mongolia (the "**Appellate Court**") against the Court's decision.

On 19 May 2026, legal representatives of MoEnCo appeared before the Appellate Court. The written judgment of the Appellate Court was delivered on 9 June 2026, whereby the Appellate Court ordered the matters in dispute under the 2017-2020 Tax Act be remitted to the MTA for re-assessment within six months. Accordingly, the MTA can no longer demand or enforce the payment of the relevant tax and penalties under the 2017-2020 Tax Act in its present form during the re-assessment period and payment of the relevant tax by MoEnCo is temporarily suspended. Both parties have the right to submit an appeal to the Supreme Court of Mongolia ("**Supreme Court**") to initiate a cassation procedure within 14 days from the date of receipt of the Appellate Court decision. Under the Administrative Procedure Law, the Supreme Court of Mongolia then has 21 days to decide whether to accept the complaint for further review. As at the date of this announcement, the Directors are not aware of any action taken by the MTA in relation to the appeal to the Supreme Court.

2022-2023 Royalty Tax

As disclosed in the Company's announcement dated 2 July 2025, MoEnCo agreed to make the settlement amount to the MTA in a total sum of MNT 120.8 billion (approximately HK$279 million), representing mostly the royalty tax payables for the tax years 2022 and 2023 by way of six (6) instalments within six (6) months. MoEnCo settled all instalments in accordance with the terms of the proposal during the Financial Year.

2021-2023 Tax Act

On 27 February 2026, MoEnCo received a notice of tax assessment and demand dated 10 February 2026 ("**2021-2023 Tax Act**") from the MTA for the tax period between 2021 and 2023, demanding additional tax payments and penalties from MoEnCo. The total amount under the 2021-2023 Tax Act is MNT 512.2 billion (approximately HK$1.12 billion), mainly comprising: (i) additional taxes: MNT 253 billion (approximately HK$555 million); (ii) penalty: MNT 133.7 billion (approximately HK$293 million); and (iii) undue loss: MNT 125.5 billion (approximately HK$275 million).

The main audit findings and adjustments by the MTA under the 2021-2023 Tax Act are: (i) royalty adjustment by using market price as determined by the MTA (instead of the contract price fixed by MoEnCo); (ii) the repayment of outstanding payables to the Company should be treated as dividend distribution, which is subject to 20% withholding tax; and (iii) realised foreign exchange loss arising from payment of payables to the Company should be reclassified as non-tax deductible expenses to be taxed at 25% Corporate Income Tax.

In accordance with the applicable Mongolian laws, MoEnCo is entitled to lodge an appeal to the TDRC within 30 days from the receipt of the 2021-2023 Tax Act if MoEnCo does not agree. On 27 March 2026, MoEnCo filed an appeal with the TDRC against the 2021-2023 Tax Act.

Notwithstanding the legal and proceedings above, we remain committed to explore all possible avenues with the relevant authorities for amicable settlement in hopes of reaching a mutually agreeable outcome.

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 approximately had net current liabilities of HK$742.9 million as at 31 March 2026, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future given that: (1) Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder and Chairman of the Company who has significant influence over the Group, has provided facilities amounting to HK$1,900.0 million. The balance of the unutilized facilities of HK$1,060.4 million as at 31 March 2026 remains valid until 24 March 2028; (2) Mr. Lo does not intend to demand immediate repayment of his advances to the Company; and (3) the internally generated funds. The borrowings of the Group as at 31 March 2026 were the convertible notes, loan note, short-term bank loan and advances from Mr. Lo in aggregate of HK$5,276.8 million (2025: HK$5,431.5 million).

Property, Plant and Equipment

The increase in the carrying values of the property, plant and equipment was due to the reversal of impairment loss amounting to HK$245.6 million (2025: impairment loss of HK$1,176.0 million). During the Financial Year, the Group had incurred capital expenditures of approximately HK$63.3 million (2025: HK$117.4 million).

Long-Term Receivable

It represented a prepaid value-added tax of HK$215.4 million (2025: HK$205.3 million), which is expected to be either refunded by the Government of Mongolia or offset against future taxes and royalties payable to the same authority. The utilization of this prepaid value added tax is subject to approval by the MTA concerning our Mongolian subsidiary. Due to the uncertainty regarding the exact timing of settlement, the VAT receivables have been discounted based on the anticipated recovery period.

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. As at 31 March 2026, 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.

Financial Assets at Fair Value Through Profit or Loss

As at 31 March 2026, the fair value of the financial assets at fair value through profit or loss was HK$85.4 million (2025: HK$46.5 million), which was approximately 2.6% (2025: 1.5%) of the total assets of the Group. It represents the Group's interest in Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "**Jade Bird**"), a company 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% (2025: 5.58%) of the total issued share capital of Jade Bird. During the Financial Year, the Group did not receive dividend (2025: Nil) from Jade Bird.

Charge on Group's Assets

As at 31 March 2026, coal inventory at Khushuut mine was provided as collateral with an equivalent carrying value to secure a short-term bank loan in Mongolia (2025: 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 2026 and 31 March 2025 respectively. As at 31 March 2026, the gearing ratio of the Group was 1.63 (2025: 1.77) 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 2026 (2025: Nil).

Significant Subsequent Events after the Financial Year

Save as disclosed in the paragraph headed "Tax Disputes" above, the Group has no significant subsequent events up to the date of this announcement.

OUTLOOK

Global growth remained steady into 2026, following the resilience demonstrated in 2025. Due to the unexpected onset of conflict in the Middle East, the situation significantly weighs on growth, putting upward pressure on inflation and creating heightened uncertainties. The immediate impact is energy and global oil supplies. As a result of these developments, the Organisation for Economic Co-operation and Development projects global growth at 2.9% in 2026 and 3.0% in 2027, while the International Monetary Fund projects global growth at 3.1% for 2026.

In view of the international and domestic challenges, China set its official gross domestic product ("**GDP**") growth target for 2026 at 4.5% to 5%, the lowest on record since the early 1990s. The target is deliberately set to allow flexibility in responding to global uncertainties. Authorities emphasized that while the target is modest, they aim to "strive for better results" by focusing on structural reforms, risk prevention, and long-term development goals. According to NBS, China's GDP grew 5 percent year-on-year in the first quarter of 2026, which was 0.5 percentage points faster than in the fourth quarter of 2025. The main drivers were manufacturing, cars and other exports.

World Steel Association has projected the growth of global steel demand by 0.3% in 2026 to 1,724 million tonnes. Key drivers include resilient infrastructure investment, anticipated monetary easing, and strong growth in emerging economies. However, the outlook faces headwinds, including persistent pressures in the global manufacturing sector, escalating trade tensions, and geopolitical uncertainties that could dampen investment and consumer sentiment. The performance of China's property market remains a critical variable, with potential for further government stimulus representing an upside risk.

Steel supply and demand in China are anticipated to remain subdued in 2026, with crude steel output and apparent consumption forecast to decrease by 1.1% and 0.9%, respectively, compared with 2025. World Steel Association expects the China's steel demand will continue to contract but the decrease will narrow down to 1.3% in 2026 as the housing market correction is near its bottom.

Coal remains central to Mongolia's economy, underscored by its dominant role in industrial output, exports, fiscal revenue, and the logistics network. The mining sector contributes substantially to its total industrial output. Mining also dominates Mongolia's export portfolio, making coal a key driver of foreign-exchange inflows and external liquidity. Mongolia's coal exports in 2025 were marked by a widening gap between volume and value, as shipments increased while coal prices declined significantly. In the second half of 2026, export volumes are anticipated to remain robust, but prices are expected to remain under pressure due to global oversupply and weaker China's steel demand. Analysts forecast exports of approximately 85 to 90 million tonnes, with revenues constrained by subdued pricing.

Externally, our developments are being impacted by the global economic uncertainties, geopolitical tensions and the escalating trade wars between the biggest economies. Due to oversupply and diminished demand in the steel market of China, we anticipate that the persistent weakness in coking coal price will continue to impact us. Domestically, the Group has been faced with considerable challenges, including the tax assessments by the authorities which constrained our cash flow and hindered operations. To address the issues, we have been compelled to devote significant efforts to court applications and engage in protracted, intermittent negotiations, which have diverted management attention and consumed valuable organizational resources.

HUMAN RESOURCES

As at 31 March 2026, excluding site and construction workers directly employed by our contractors, the Group employed 777 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.1.3 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 2025 AGM. The chairman of the Audit Committee and remuneration committee of the Board took the chair of the 2025 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 four independent non-executive Directors, namely Mr. Lau Wai Piu, Mr. Tsui Hing Chuen, William *JP*, Mr. Lee Kee Wai, Frank and Mr. Wei, Chi Kuan Kenny. 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 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, 24 June 2026

As at the date of this announcement, the Board comprises ten 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, Mr. Lee Kee Wai, Frank and Mr. Wei, Chi Kuan Kenny as independent non-executive Directors.