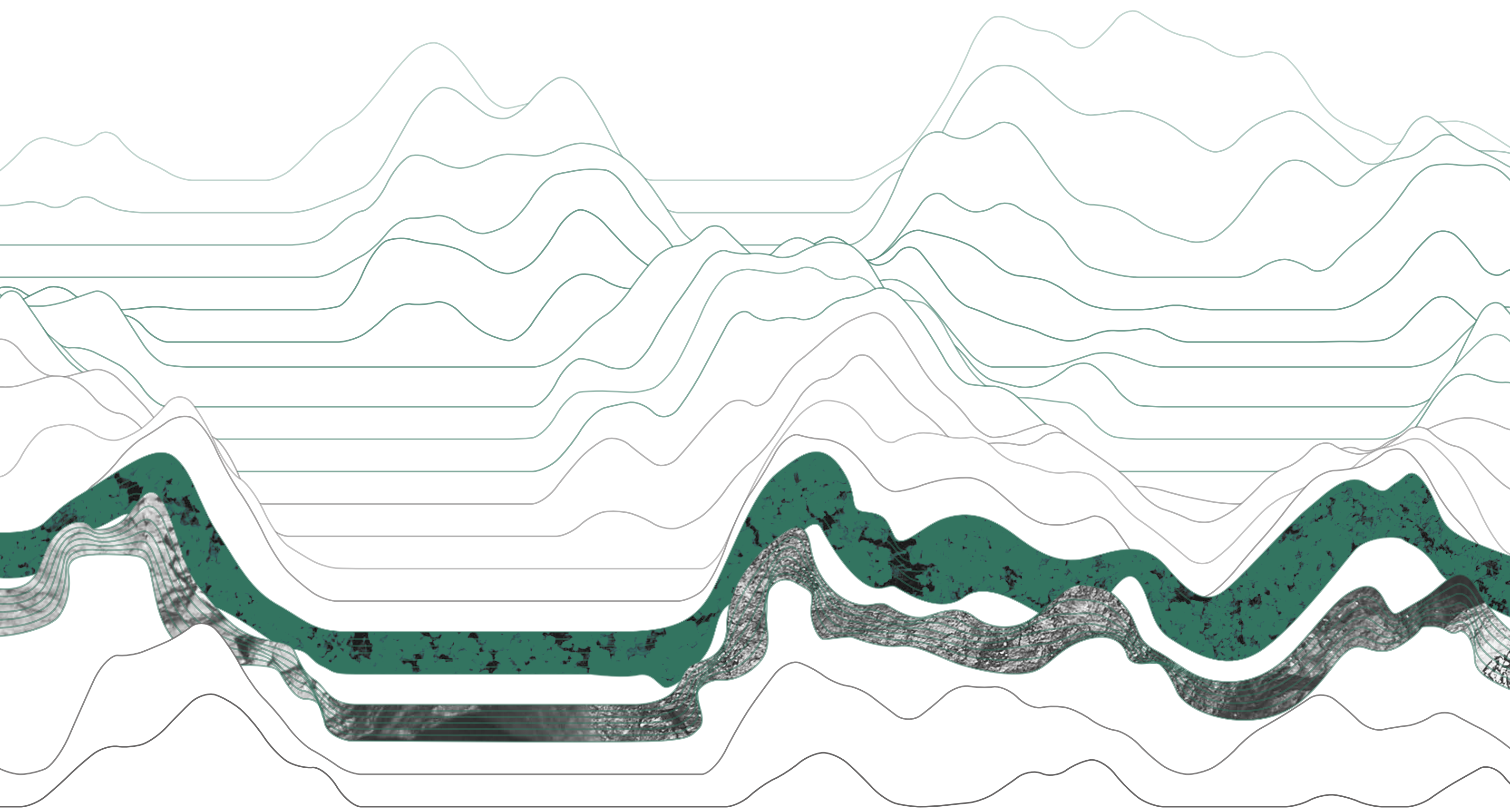
MEC

MONGOLIA ENERGY CORPORATION

蒙 古 能 源 有 限 公 司

Incorporated in Bermuda with limited liability

Stock Code: 276



ANNUAL REPORT 2021

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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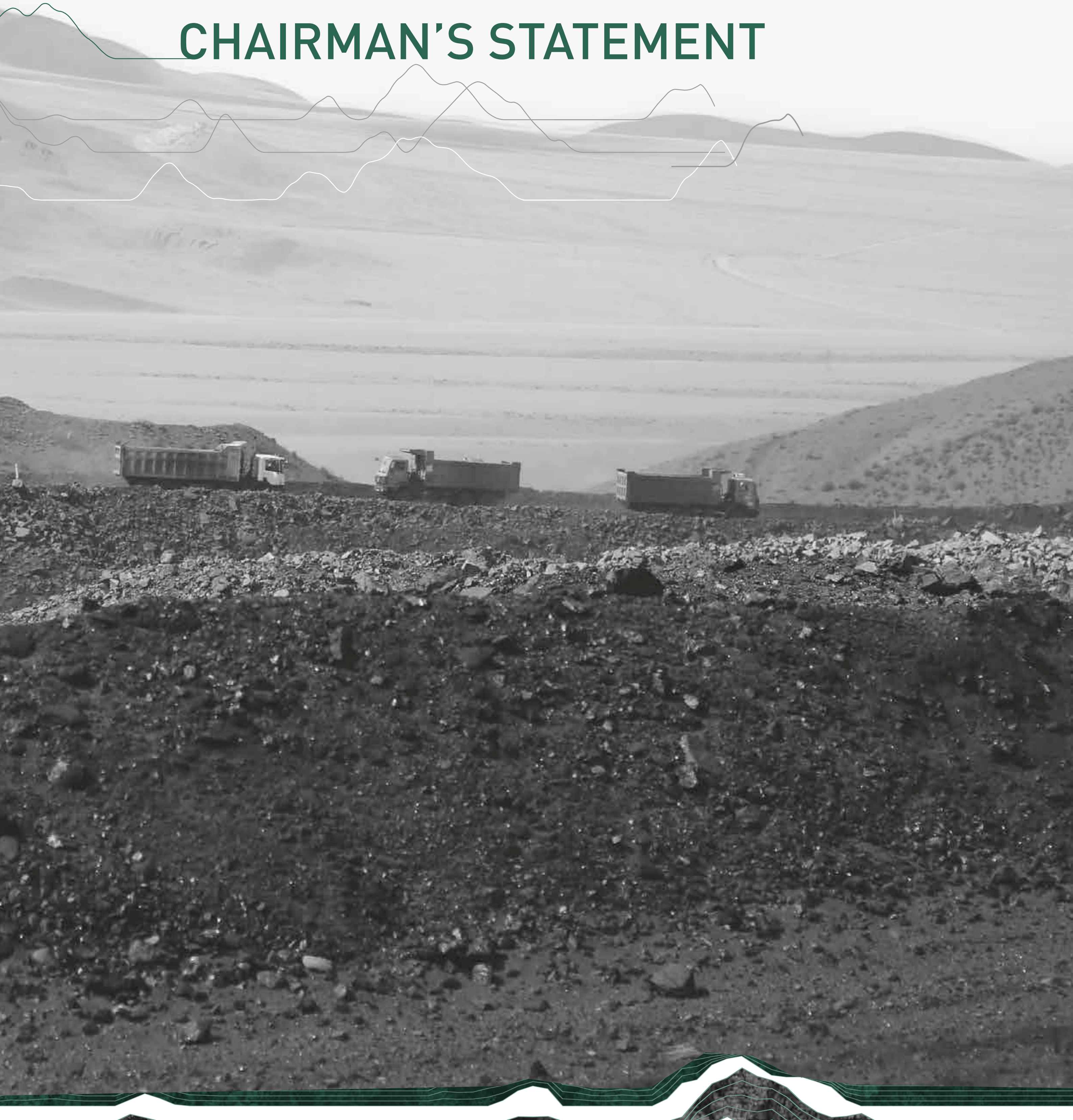
CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board, I hereby present the annual report for the financial year ended 31 March 2021 (the "**Financial Year**") and report to you our performance during this period.

The coronavirus disease ("**COVID-19**") pandemic should top the news globally in 2020. It had crippled the world economy. Many countries experienced a sharp decline in gross domestic product ("**GDP**") since the second world war. Businesses were halted and millions unemployed or furloughed. Governments were under pressure to implement effective measures to contain the disease and to roll out plans to stimulate their economies. While business activities of some economies gradually resumed in the second half of 2020 as restrictions were partially lifted, they were still below the pre-coronavirus level. According to the World Trade Organization ("**WTO**"), the volume of world merchandise trade fell by 5.3% in 2020. It was better than previously forecasted as a result of the rolling out of new COVID-19 vaccines in November last year, which contributed to improving business and consumer confidence.

Under the pandemic, the global economic and political conditions were extremely complex and challenging. Yet, despite the adversities, China's economic performance in 2020 was comparatively outstanding compared with other major economies. The strong rebound in business trades and activities since the middle of last year had helped soften the blow of the pandemic for China. GDP of China recorded a growth of 2.3% last year. Though it was the slowest pace of growth in more than four decades, China was likely to be the only major economy to record positive growth under this backdrop. In respect of crude steel production, China remained top of the chart of the crude steel producing countries in 2020, producing 1,053 million tonnes and accounting for 56.5% of the world's crude steel production. Despite the fact that China is the largest crude steel producer in the world, its steel import (including semi-finished steel) also increased by 150% in 2020, according to the country's customs agency. The surging demand was mainly fuelled by the efforts of the Chinese government to boost its economy after the impact of the COVID-19.

Due to the strong demand of China, and the informal ban of the Australian coal, Mongolia should be in a good position to tap the Chinese demand by increasing its coal export to China. However, due to the outbreak of COVID-19 in Mongolia in the latter half of 2020, its plan was disrupted. Border traffic was slow as the border customs of both China and Mongolia have been administering strictest measures in the export and import process, to ensure no transmission of the virus across the borders in the course of shipping. In 2020, Mongolia's total coal exports plunged by 22% compared with prior year to 28.6 million tonnes, well below the target set by the Mongolian government for lifting the export to beyond 40 million tonnes. Among them 23.8 million tonnes of coking coal were shipped to China.

OUR PERFORMANCE

Under the impact of the pandemic, the borders of Mongolia were closed for shipping since mid-February 2020, suspending coal deliveries to China as a measure to prevent the spread of COVID-19. Under such circumstance, our raw coking coal export to China were temporarily suspended. Border restrictions were lifted three months later and our coal export was gradually resumed. However, efficiency and the volume of our export was still impacted by the tight border control measures of both border customs.

Although Mongolia had implemented a stringent policy control on COVID-19, unfortunately, a local outbreak took place in November of 2020. Since then the pandemic escalated quickly. By the end of March 2021, almost 16 provinces of Mongolia were reported with confirmed cases with over 8,800 infections, including its far western Khovd province where our mine situates. Our mine site has been on full alert and went into maximum pandemic protection measures. We imposed protocol which are even higher than the national standard, including lockdown of the mine site while operations are still continuing, all staff are required to take the virus test and on full personal protection equipment while working. We have placed the safety and preventive measures as our topmost priority in the operation chain and shipping process.

As a result of the temporary border restriction and stringent control, and coal mine protection measures, our coal production, coking coal export and operation of our washing plant in Xinjiang were adversely impacted during the Financial Year.

We produced approximately 1,229,300 tonnes of run-of-mine ("**ROM**") coal during the Financial Year, which was a drop of 37.5% from 1,967,400 tonnes in the last corresponding period. Our sales of coal were approximately 753,591 tonnes in the Financial Year, including approximately 675,800 tonnes of clean coking coal, 77,700 tonnes of thermal coal and 91 tonnes of raw coal. Comparing with 1,043,205 tonnes of coal sold to our customers in the last corresponding period, our performance fell by 27.8% in the Financial Year.

OUTLOOK

As we look forward, 2021 is no doubt a year of recovery. However, the extent of the global economic rebound may depend on whether the COVID-19 could be successfully curbed, the effectiveness of COVID-19 vaccines and their distribution. Yet the road is not straight. Many cases of new variants of virus and resurgence have been reported. There are definitely many challenges on the way.

According to the latest forecast of the World Bank, the global economic growth in 2021 will increase to 5.6%, up from 4.1% it estimated in the beginning of this year. The IMF also projected recovery this year, with China estimated to grow by 8.4% and the globe by 6%, though there is divergence in rebound speed in different countries.

While most major economies have been felled by the pandemic, China is the first country coming out of the economic crisis quickly. China set an economic growth target above 6% for the whole year of 2021.

China was the largest crude steel producing country and also the biggest consumer in 2020. The World Steel Association considers that global steel demand growth in 2021 will amount to 4.1%. As a result of China's policies to boost its economy, in particular, infrastructure investment, we anticipate the demand of steel will remain strong in 2021, and this would fuel the demand of coking coal through domestic production and import. However, China is also firm in its policy of accelerating its environmental push to control carbon emissions.

China's carbon emissions are 10 billion tonnes, accounting for 28% of the world's total. However, China's commitment to carbon neutrality is 30 years; therefore, it has a tight time frame and would consider carbon neutrality from now. Steel carbon emissions account for 15% of the country's carbon emissions. In the future, the steel and coal industries will definitely be a target that requires reduced production to lessen the carbon emission.

The economy of Mongolia shrank 5.3 percent in 2020 under the pandemic, the first contraction since 2009. However, difficult times have once again demonstrated the importance of its mining industry in the Mongolian economy. The mining sector alone accounts for a substantial portion of Mongolian GDP, and major trunk of its export. That explains why most mining operations are to continue without interruption during the pandemic, with miners working round the clock even as much of the rest of the country is under a lockdown.

Global economy recovered significantly in the first quarter of 2021. China's GDP growth in the first quarter was 18.3% year-on year, the strongest since in 1992, which was mainly driven by a surge in retail sales, industrial production and investment in fixed assets. China's economy has continued to grow since last year is much to Mongolia's advantage. On the other hand, the informal ban of Australian coal will also fuel the demand of Mongolia coking coal in 2021. Whether Mongolia could take the advantage would depend on its result in controlling the pandemic.

Although admittedly we should be on the road of recovery in 2021 after the launch of vaccination in most countries, the speed is still subject to uncertainties. Currently, both the China border and the Mongolia border have practiced stringent coal import and export measures, rendering the shipping process slow and inefficient. We hope the processes will soon be normalised through the efforts of both countries. We anticipate that high-quality coking coal is and will be in structural shortage and the market is positive. We will continue to adopt a prudent and flexible strategy in our operation and production planning. We look forward to a rebound in the remaining half of 2021.

The impacts of the pandemic further convince us that we should diversify our business risks for reliance on one single industry and sole mining project in Mongolia, and to broaden our revenue base. While we will continue to do our best in our coal mining business under the present unpredictable environment, we will actively look for other potential business opportunities which may add value to the Group and our shareholders.

ACKNOWLEDGEMENTS

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

Lo Lin Shing, Simon
Chairman
25 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

During the Financial Year, approximately 1,229,300 tonnes (2020: 1,967,400 tonnes) of ROM coal were produced and approximately 753,591 tonnes (2020: 1,043,205 tonnes) of coal, including clean coking coal, raw coal and thermal coal, were sold to our customers.

RESULTS ANALYSIS

Revenue

In the Financial Year, the Group's revenue was HK$858.4 million (2020: HK$1,125.0 million). The significant decrease of revenue was principally due to the on-going global outbreak of the COVID-19 pandemic which had resulted in widespread of travel restrictions and quarantines imposed in mainland China and Mongolia during the Financial Year. This had negatively impacted the Group's mining operations. During the Financial Year, the Group sold approximately 675,800 tonnes (2020: 887,200 tonnes) of clean coking coal and approximately 77,700 tonnes (2020: 155,900 tonnes) of thermal coal and approximately 91 tonnes (2020: 105 tonnes) of raw coal. The average selling prices of clean coking coal, thermal coal and raw coal net of sales tax were approximately HK$1,264.7 (2020: HK$1,261.0), HK$47.0 (2020: HK$42.0) and HK$655.3 (2020: HK$695.0) per tonne respectively.

Cost of Sales

Cost of sales includes mining costs, coal processing costs, transportation costs, costs on disposal of coal refuse and other relevant operating expenses. The cost of sales for the Financial Year was HK$549.6 million (2020: HK$645.8 million). The overall decrease was not in tandem with the reduction in sales volume due to the increase in production costs in coal mining during the Financial Year. It was divided into cash costs of HK$526.6 million (2020: HK$629.0 million) and non-cash costs of HK$23.0 million (2020: HK$16.7 million).

Gross Profit

Gross profit ratio for the Financial Year was declined to 36.0% (2020: 42.6%). The decrease in gross profit ratio was mainly attributable to the increase in production costs during the Financial Year.

Other Income

During the Financial Year, a subsidiary of the Group entered into a settlement agreement with an ex-exploration contractor (the "**Contractor**") in respect of a legal claim on prepaid contract deposit of approximately HK$34.2 million (equivalent to RMB30.0 million). Under the settlement agreement, the Contractor agreed to refund the deposit by instalments. The refund was treated as other income since the deposit was fully written off in previous financial years for accounting purpose. Apart from it, a gain on extinguishment of a balance payment of HK$39.0 million for acquisition of an iron ore exploration right in 2009 was recorded during the Financial Year. Based on an independent legal advice, the balance payment is no longer payable due to any action of recovery has been statute-barred under relevant law.

Other Gains and Losses

The net gain mainly comprised a fair value loss of HK$0.8 million arising from an investment in a Hong Kong listed company (2020: HK$33.0 million) and net exchange gain of HK$2.5 million (2020: Loss of HK$2.0 million).

Administrative Expenses

Administrative expenses were 6.9% lower than last year. It was mainly due to the community expenses of HK$1.7 million (2020: HK$22.6 million) in respect of funding the relocation of a village in proximity to the Khushuut mine were significantly lesser than last year. The effect from reduction of community expenses was neutralised by the one-off share option expenses of HK$12.3 million (2020: Nil) related to the granting of share options to the Directors and employees of the Group on 18 January 2021.

Changes in Fair Value on Derivative Component of Convertible Notes

The convertible notes issued by the Company last year (the "**2020 Convertible Notes**") containing both debt and derivative components. The conversion option derivative of the 2020 Convertible Notes requires remeasurement at the end of each reporting period and a resulting loss in fair value change amounting to HK$1,070.1 million was then recognized in the Financial Year (2020: gain of HK$377.8 million). The major inputs into the binomial valuation model to work out the valuation of the conversion option derivative have been disclosed in Note 29(a) to the consolidated financial statements.

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

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

Key changes in assumptions used in the discounted cash flow model as at 31 March 2021 and 2020 are set out as below:

	Notes	2021	2020
Discount rate	(a)	21.06%	25.09%
Average current coking coal price per tonne	(b)	US$137	US$133
Inflation rate	(c)	1.99%	2.38%
Predicted average annual growth rate of the coking coal price for the forthcoming four-year period since year ended	(d)	3.93%	0.18%

Notes:

(a) *The 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 Khushuut Coal Mine. The 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 2021. 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;*

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

(d) *The average annual growth rate was updated based on latest publicly available market data. For the remaining period of the discounted cash flow model, the growth rate is the same as the inflation rate.*

In pursuant to the recoverable amount assessment, a reversal of impairment amounted to HK$1,123.8 million was made in the Financial Year (2020: HK$592.3 million).

Finance Costs

The major components in the finance costs were the effective interest expenses on convertible notes, interest charge on advances from a Director and a loan note. The interest charge on the debt component of the convertible notes issued by the Company was calculated at an effective interest rate of 21.82% per annum (2020: 21.82%). The interest charge on the 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 is charged at an effective interest rate of 22.37% per annum (2020: 22.37%).

MARKET REVIEW

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

The global economy was a crisis in 2020, plaguing by the wide-spread of COVID-19 around the world. In the beginning of this year, the disease had been infecting over 100 million people with the death tolls exceeding 2 million around the globe. This brought a heavy blow to both the lives and economies across the planet. Almost all countries were doing their utmost, including implementing lockdowns, quarantines, mask mandates, and social distancing to combat the disease to prevent it from further exacerbation. Under the impact of the pandemic, according to the International Monetary Fund (IMF), the global economy was estimated to contract 3.5% in 2020. Rays of light only appeared when the scientists announced their success in vaccines testing at the end of 2020, raising the hope of mass vaccination to end the century pandemic in the year of 2021.

Throughout the entire 2020, the global economic activities had been stalled as a result of the pandemic. GDP fell generally. The Chinese economy dipped early last year when COVID-19 broke out, but recovered quickly. In the fourth quarter of 2020, China's GDP grew 6.5% year-on-year, up from 4.9% in the third quarter, which was driven by strong industrial production and export growth. China finished with 2.3% growth for the whole year of 2020. Though it was the slowest pace of growth in more than four decades, China was likely to be the only major economy to record positive growth under the backdrop of COVID-19.

According to the data of the National Bureau Statistics of China ("**NBS**"), industrial production, an important economic indicator, grew by 2.4% year on year in 2020, down almost 50% from previous year. Industrial production measures the output of businesses integrated in industrial sector of the economy such as manufacturing, mining, and utilities. The sectors recording most of the growth and strong performance were medical supplies, strong electronic products and holiday goods, while oil and natural gas exploitation industry, oil, coal and other fuel processing industry were generally unsatisfactory due to the impact of the pandemic. The profit of coal mining and washing industry in China last year was RMB2.2 billion, a decline of 21.1% year on year.

China's national fixed asset investment (excluding rural households) steadily recovered, with the investment in the high-tech industry and private sector rising rapidly. According to NBS, fixed asset investment in 2020 recorded an increase of 2.9% over the prior year. The fixed-asset investment includes capital spent on infrastructure, property, machinery and other physical assets.

The global crude steel production was approximately 1,864 million tonnes in 2020, down slightly by 0.9% compared with the prior year, according to the data of the World Steel Association. Apart from China and some of the Asian countries, crude steel production contracted in most regions globally last year. China remained the largest crude steel producing country in the world in 2020, producing 1,053 million tonnes and accounting for 56.5% of the world's crude steel production which was an increase of 5.2% compared with the same period in 2019. The increase was mainly from the better demand inside China due to its economic policy, and also to the widespread revivals of the manufacturing sectors out of China since the second half of the year.

According to the data of the China Customs, steel export of China last year was 53.67 million tonnes, declining 16.5% compared with the previous year while steel import also recorded a surge of 64.4% at 20.23 million tonnes. Based on the data of the National Development and Reform Commission, People's Republic of China ("**NDRC**"), the realized profit in the steel industry of China was RMB207.4 billion, up 6.6% year on year.

Apart from steel, China is also the world's largest coal producer and consumer. China's coal mining sector was one of the first industries to resume operations when COVID-19 in China was under control in the second half of 2020. According to the data of the NBS, China produced 3.84 billion tonnes of coal last year by coal producers, a slight increase compared with prior year. When the effect is taken out, coal production in China was rising due to the surging of industrial demand and an unofficial restriction on coal imports aimed at shoring up the domestic mining industry. Based on the data of the China Customs, coal import of 2020 was 304 million tonnes, an increase of 1.5% while the coal export recorded a drop of 47.1% year on year at 3.19 million tonnes. In the first quarter of 2021, coal import of China amounted to approximately 68.5 million tonnes, a drop of 28.5% compared with the same period of 2020.

The Chinese steel sector accounts for two-thirds of global coking coal consumption. According to the data of the China Customs, the accumulated coking coal import in 2020 was 72.56 million tonnes, a slight decrease of 2.7% compared with that of 2019. The decrease in volume of coking coal import was mainly due to the informal ban of import from Australia and the cross-border restriction by Mongolia under the impact of the pandemic.

The natural resources export is one of the largest contributors to the Mongolia's economy. Major export items from Mongolia to China include coal, copper, molybdenum, wool and cashmere. According to the National Statistics Office of Mongolia, coal production and export slashed in 2020 due to the COVID-19 outbreak in Mongolia. Mongolia produced approximately 40.48 million tonnes of coal in 2020, a decrease of 20.3% compared with the prior year. Based on the data of the National Statistics Office of Mongolia, coal export of Mongolia last year was 28.6 million tonnes, down by 21.7%.

Coking coal of Mongolia is important to the steel making industry of China. According to the data of China Customs, coking coal import from Mongolia accounted for 32% of China's total coking coal import in 2020. It was the second largest coking coal importer apart from Australia. The result of the Mongolia coking coal import should be better under the political tensions between China and Australia; however, the resurgence of COVID-19 cases in Mongolia had called for stricter border checks between both countries. In 2020, the import of coking coal was 23.76 million tonnes, down by 29.6% compared with prior year.

Mongolia's economy has been badly hit as a result of the coronavirus pandemic in 2020. It was the plan of Mongolia to actively promote its mineral exports in the second half of the last year to stabilize its economy. It was also in an advantageous position when China adopted an informal ban on coal import against Australia. However, the resurgence of COVID-19 had prevented Mongolia from achieving its target. The impact of the pandemic had plunged the whole export from Mongolia to China by 19% in term of export value from a year earlier. The prospect of Mongolia's export in the coming 2021 would depend on whether it could successfully curb the pandemic under its policies.

BUSINESS REVIEW

Coal Sales

The sales performance of the Financial Year was hit by COVID-19, with on and off border closures between Xinjiang, China and Yarant, Mongolia to combat the spread of the disease. Our coking coal production dropped under the adverse market conditions, and hence less coking coal was sold compared with the preceding year. We recorded a revenue of HK$858.4 million from the sales of coking coal and thermal coal to our customers in China and Mongolia, a fall of 23.7% compared with the last corresponding period.

Coal Production

During the Financial Year, approximately 5,018,000 bank cubic meters ("**BCM**") of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works (2020: 8,933,100 BCM). Production of coking coal (before processing) and thermal coal were approximately 905,200 tonnes and 324,100 tonnes respectively (2020: 1,617,800 tonnes and 349,600 tonnes).

Coal Processing

During the Financial Year, approximately 796,500 tonnes of ROM coal (2020: 1,567,300 tonnes) were processed by the dry coal processing plant, producing approximately 782,300 tonnes of raw coking coal (2020: 1,263,300 tonnes). The average recovery rate was 98.2%. The raw coking coal would then stand for export to Xinjiang for further washing before delivery to our customers. In Xinjiang, approximately 905,300 tonnes of raw coking coal (2020: 1,206,400 tonnes) were processed by the washing plant, producing approximately 723,000 tonnes of clean coking coal (2020: 932,500 tonnes). The average recovery rate was 79.9%.

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 935,400 tonnes of raw coking coal were shipped from Mongolia to Xinjiang.

Customers and Sales

We entered into a master coal supply contract for 2021 with our major customer in Xinjiang for 1,500,000 tonnes (raw coal without processing).The actual sales price and the quantity to be delivered had to be negotiated and mutually agreed from time to time, monthly in general, between the parties during this period. Under the said master contract, the clearing is based on the actual clean coking coal delivered after washing, and on this basis, we sold 441,300 tonnes of clean coking coal to this customer during the Financial Year. It accounted for approximately 64.6% of our revenue in the Financial Year.

In respect of our other customers, we have also signed two long term coal supply contracts for 2021-2023 with our two customers to annually supply a minimum 1,000,000 tonnes and 500,000 tonnes of raw coal respectively. Same as our major customer, we negotiated the actual sales and delivery orders shortly before delivery under the then prevailing market price and our quantity of coal available.

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

Licences

During the Financial Year, we maintained nine mining licences, of which eight are for our Khushuut operations, and one exploration licence. Please refer to the section headed "**EXPLORATION AND MINING CONCESSIONS OF THE GROUP**" for further details.

Legal and Political Aspects

Since early 2020, the Government of Mongolia has imposed serious and stringent preventive measures against the COVID-19 outbreak. In March 2020, when the first local case of the pandemic was reported, the Government presented its economic and social stimulus plans. For realizing these efforts to sustain the country's economy, over 10 different laws concerning taxes, social security and customs duties had been amended for smooth realization of the stimulus, such measures include exemptions from paying social insurance premiums and personal income tax as well as the corporate income tax from the majority of businesses. The Law on Prevention and Fight against the Coronavirus (COVID-19) and Mitigation of its Social and Economic Impact was approved in April 2020. The Law on State of Emergency and Law on Protection Against Disasters also underwent some amendments to give better coordination functions to the relevant government bodies.

Since the formation of the new Government in March 2020, vaccination and repatriation of the citizens from overseas have been the utmost priority under the pandemic. Recognizing the importance of the mining industry in the country's economy, the new Cabinet aims to strengthen the National Sovereign Wealth Fund established to make mining revenues more profitable and distribute natural resources fairly and equitably. Funding for this wealth fund would come from mining royalty fees and profits of the state-owned companies, and will be spent on promoting economic goals and improving livelihoods. Further, the Government aims to accelerate the development of science, technology and innovation through a coordinated and unified cluster and promote large-scale infrastructure projects to develop energy, railway and roads of Mongolia.

Similar to other countries worldwide, the COVID-19 pandemic has been a critical challenge for the Mongolian Government. It demanded the policy makers to address multiple dimensions which go far beyond the implications of the pandemic for health and well-being of the people. The pandemic necessitates a focus on the connections between development policy sectors. Thus, Mongolian Parliament realized a number of important legal changes concerning the promotion of the country's sustainable development. First of all, a new version of the Development Policy, Planning and Administration Law was adopted in May, 2020, with aim to ensure sustainability and continuity of the Mongolia's development policy and planning, define the principles of this policy, create an integrated and rational system of planning, delivering, monitoring and evaluating the development and promote proper partnership of development policy and planning participants. Following the adoption of this strategic law, a number of relevant laws governing the administration of the Mongolia's territorial units, urban planning and development have also been amended. Then, the long-term development policy of Mongolia called "Vision-2050" was approved by the Parliament on May 13, 2020. A large number of government bodies, NGOs, research institutes and academia was involved in developing this policy document defining the next 30 years of development for Mongolia. This long-term vision outlines the common national values, human development guidelines, quality of life and middle class, priority sectors of the economy, good governance measures, green development principles, peace and security of the society, regional development, the capital city and its satellites and many other relevant provisions.

In preceding years, Mongolian Government focused on reducing the bureaucracy and making the public service more transparent, efficient and less burdensome for public and businesses through digitalizing the government services. After a year of piloting, the "E-Mongolia" portal became official in October, 2020, now offering 181 government services online through the website and mobile application. This digital transition of the public service was a very timely step in the face of COVID-19 lockdowns and restrictions. The Parliamentary Standing Committee on Innovation and Online Policy is developing a package of bills on digital transition, including bills on the Protection of Information Safety and Data and Digital Use of Government.

During the COVID-19 pandemic, Mongolia and China continued with their close collaboration. Two virtual conferences for Mongolia-China cooperation mechanism in response to COVID-19 pandemic were also held in May and July 2020 as organized by Ministries of Foreign Affairs of the two countries and attended by representatives of border, customs, specialized inspection, trade and transport agencies. After the outbreak of COVID-19 at the end of 2020, China promptly provided its vaccine to the Mongolian people. Though the border control for import and export becomes stricter than before because of the escalation of COVID-19 confirmed cases, both government officials worked very hard to ensure continuation of in and out of goods for the betterment of their respective people.

Environmental policies, relevant laws and regulations affecting us

As a responsible corporation, environmental stewardship is one of the pillars of our sustainable business strategy to safeguard people and the environment, and to create enduring values for our customers, employees, host communities, shareholders, and business and supply chain partners. The Group has adopted an environmental policy focusing primarily on, among others, complying with the host-country legislation and regulations; establishing management systems and programs relevant to our environmental risks to prevent, reduce and mitigate impacts at all stages of our operations; regularly assessing our performance through evaluating our business processes and practices and monitoring the surrounding environment in which we operate.

Our business operation is mainly carried out by MoEnCo in Mongolia. MoEnCo has a detailed environmental assessment of the Khushuut Mine covering five years environmental management and protection related matters in our mine operation.

Based on such documentation, the Ministry of Environment and Tourism of Mongolia will approve an annual environmental plan while monitoring the implementation of the previous year's environmental plan through an implementation report submitted by MoEnCo. 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.

When preparing its annual Environmental Management Plan ("**EMP**"), MoEnCo works closely with the local soum government and provincial environmental agencies to reflect their proposals in the EMP. We also conduct joint assessment of the execution of each EMP.

The relevant laws and regulations having significant impact on our operation include Minerals Law and various laws on the environmental protection such as Law on Environmental Protection, Law on Environmental Impact Assessment, the Mining Prohibition Law ("**MPL**"), etc. So far as the Board and management are aware, MoEnCo has generally complied with its environmental duties as required by the Mongolian laws and regulations during the Financial Year. More details are set out in the Environmental, Social and Governance Report.

Key stakeholders relationship

Engaging and building relationships with stakeholders is the key to sustaining business. Our stakeholders are individuals, groups or organisations that affect and/or being affected by our business activities and performance. The stakeholders of the Group include our shareholders, employees, customers, contractors, various Mongolian governmental authorities (such as the Ministry of Environment and Tourism, the Ministry of Mining and Heavy Industry, the State Specialised Inspection Agency, the Mineral Resources and Petroleum Authority of Mongolia ("**MRPAM**") and their local governmental agencies), various Chinese governmental authorities (such as the Environmental Protection Bureau, the Safe Production Supervision Administration, the General Administration of Customs and their local governmental agencies), and local communities. In general, we maintain a good relationship with them.

There was no material and significant dispute between the Group and its customers, suppliers and other business partners regarding our operation in the Financial Year.

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

In respect of the claim of US$13.5 million lodged by Thiess since 2013, there have not been any substantial case developments since the exchange of the Supplemental Witness Statements in May 2018. The parties have also yet to agree on the list of issues to be addressed in the expert report.

Thiess amended its Statement of Claims during the Financial Year. We have responded by filing our amended Defence. We will continue to pursue the case to protect our best interest.

FINANCIAL REVIEW

Liquidity and Financial Resources

In preparing the consolidated financial statements, the Directors have given careful consideration of the future liquidity of the Group. While recognising that the Group had net liabilities of HK$2,608.4 million and net current liabilities of approximately HK$1,383.3 million as at 31 March 2021, 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 unutilised facilities of HK$936.9 million as at 31 March 2021 remains valid until 31 March 2023; and (2) Mr. Lo does not intend to demand immediate repayment of his advances to the Company. The borrowings of the Group as at 31 March 2021 were convertible notes, loan note and advances from Mr. Lo in aggregate of HK$5,692.3 million (2020: HK$4,136.3 million). Apart from advances from Mr. Lo which are unsecured and classified as current liabilities, the convertible notes and loan note are classified as non-current liabilities. As at 31 March 2021, the cash and bank balances of the Group were HK$57.6 million (2020: HK$61.8 million) and the liquidity ratio was 0.35 (2020: 0.30).

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$990.5 million (2020: HK$522.4 million). During the Financial Year, the Group had incurred capital expenditures of approximately HK$57.7 million (2020: HK$81.8 million).

Trade and Bills Receivables

The Group allows a credit period of 30 to 60 days for trade receivables and the maturity dates for bills receivables should be within 180 days or less. As at 31 March 2021, the majority of the trade receivables were within our credit period. For the bills receivables, they were non-interest bearing bank acceptance bills with settlement being guaranteed by the licensed banks in the PRC.

Other Receivables, Prepayments and Deposits

It mainly comprised prepaid value added tax of HK$129.8 million (2020: HK$106.2 million) to be refunded by the government of Mongolia.

Financial Assets at Fair Value Through Profit or Loss

As at 31 March 2021, the fair value of the financial assets at fair value through profit or loss was HK$50.8 million (2020: HK$51.6 million), which was approximately 1.5% (2020: 2.4%) of the total assets of the Group. It represents the Group's interest in Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "**Jade Bird**"), a company listed in Hong Kong. The principal activities of Jade Bird and its subsidiaries are engaging in the technology research, development, marketing and sale of embedded system products and related products in security and fire alarm systems. The Group's investment is approximately 5.58% (2020: 6.13%) of the total issued share capital of Jade Bird. During the Financial Year, the Group did not receive any dividend from Jade Bird. The decrease in carrying value of the financial assets at fair value through profit or loss was mainly due to the fair value loss of HK$0.8 million (2020: HK$33.0 million).

Other Payables and Accruals

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

Charge on Group's Assets

There was no charge on the Group's assets as at 31 March 2021 (2020: Nil).

Gearing Ratio

As at 31 March 2021, the gearing ratio of the Group was 1.7 (2020: 1.9) which was calculated based on the Group's total borrowings to total assets.

Foreign Exchange

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

Contingent Liabilities

As at 31 March 2021, there were no material changes to the nature of the Group's contingent liabilities and they were all related to the legal claims made by a former mining contractor in 2013.

MATERIAL EVENT AFTER THE FINANCIAL YEAR

Tenancy Agreement

We entered into an office tenancy agreement on 3 May 2021. The subject premises have been used as the principal place of business of the Company in Hong Kong since 2015, and the tenancy of which is for a term of two years commencing from 8 May 2021 and expiring on 7 May 2023 at a monthly rental of HK$319,207 (exclusive of rates, government rent, management fees and all other outgoings).

The Landlord is an investment holding company wholly and beneficially owned by Mr. Lo, the Chairman and executive Director of the Company. As Mr. Lo is a connected person of the Company, the tenancy agreement constituted a connected transaction for the Company under Chapter 14A to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). For details, please refer to the announcements made by the Company on 3 May 2021.

RISK FACTORS

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

Cyclical nature of coal markets and fluctuations in coal prices

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

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

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

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

The coking coal demand and prices in recent years remain elevated due to the China national policy of Supply Side Reform and the economic factors. However, there is no assurance that the demand of the PRC, which we assume as our major market, for coal and related products will continue to grow, or that the demand for these products will not experience excess supply. The trade tension between United States and China and the imposition of steep tariffs on import steel products may have an adverse impact on the stable market conditions and economy worldwide.

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

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

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

Significant and continuous capital investment

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

Policies and regulations

Mining business is subject to extensive governmental regulations, policies, and controls. There can be no assurance that the relevant governments will not change such laws and regulations, or impose additional or more stringent requirements. Failure to comply with the relevant laws and regulations in any mine development and coal production projects may adversely affect the Group. Some of the relevant laws and regulations in Mongolia are as follows:

Minerals Law

Under the Minerals Law, mineral exploration licences are granted for an initial period of three years. Holders may apply for an extension of the licences for three successive additional periods of three-year each, making twelve years in total. Renewal of licences must be made timely and subject to payment of annual licence fee. The Minerals Law also states that the licence holders are obligated to meet a minimum exploration expenditure requirement.

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

Mining Prohibition Law

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

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

Strategic Deposits

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

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

In the event a Strategic Deposit is ruled, the Mongolian government will negotiate with the entity concerned as to the mode or percentage of the government's participation and it will depend on the results of individual negotiations.

In order to boost the confidence of the investors, amendments have been made to the Minerals Law relating to Strategic Deposit in 2015. The amendments provide an option for the Mongolian government either to take an equity interest in such deposits or to impose a special royalty in lieu of such interest. The exact amount of royalty to be levied will vary depending on the specifics of the deposits, but the maximum is 5% in addition to other royalties payable under the Minerals Law and supplementary legislation. The Khushuut Coal Mine is not within the list of Strategic Deposits. However, there is no assurance that our Mine will not be considered for Strategic Deposit in the future.

Licence risk

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

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

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

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

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

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

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

Country risk

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

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

Environmental protection policies

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

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

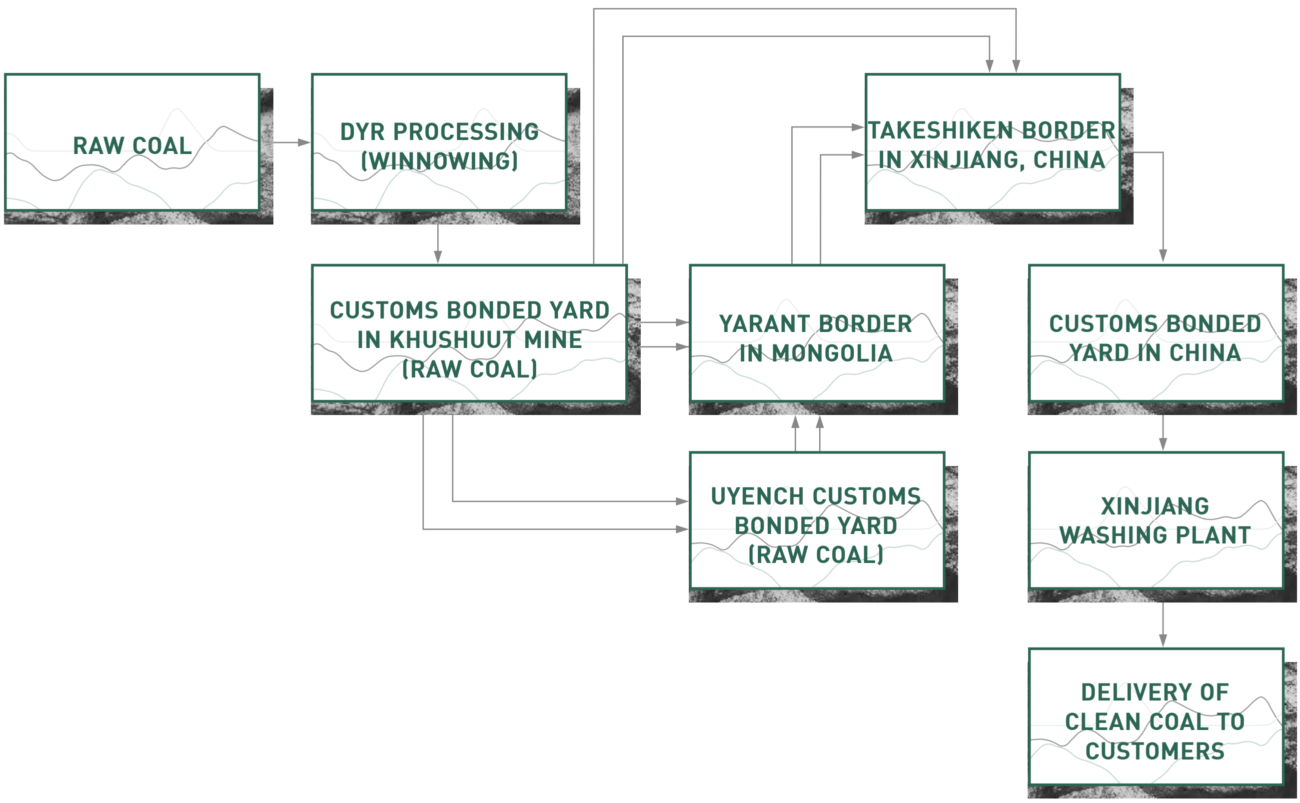
In addition, environmental protection is currently one of the core policies of China which advocates for the use of alternative or renewable energies by burning less fossil fuel. It is a trend that environmental controls will become more stringent in the future. Our business development will be affected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

Operational risks

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

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

PRODUCTION FLOW AND LOGISTICS



Taxation

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

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

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

(i) Dividends;

(ii) Royalties;

(iii) Interest;

(iv) Gambling, betting games, and lotteries;

(v) Sale of immovable property;

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

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

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

Financial risks

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

Political stability

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

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

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

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

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

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

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

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

EXPLORATION AND MINING CONCESSIONS OF THE GROUP

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

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

Δ *1 hectare = 10,000 square metres*

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

▲ *(X) stands for exploration licence*

▲▲ *(A) stands for mining licence*

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

(a) Open-pit mining method;

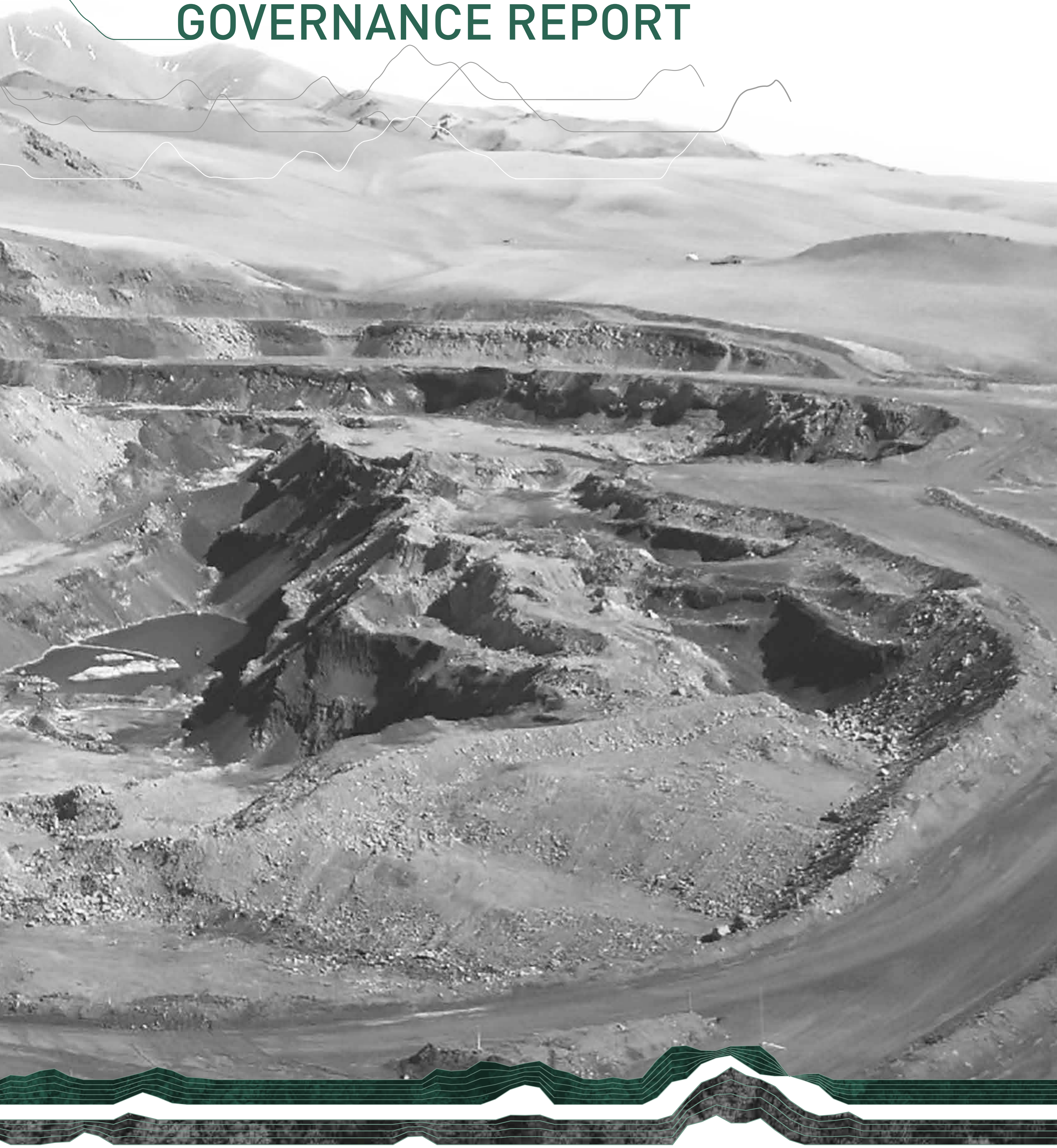
(b) Maximum mining depth of 400 meters. At 200 meters depth, the approximate JORC resources are 85 million tonnes;

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

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

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

CORPORATE GOVERNANCE REPORT



CORPORATE GOVERNANCE PRACTICES

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

During the Financial Year, the Company had applied the principles of and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing Rules**"), save for the following deviations:

i. Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

   None of the existing non-executive Directors is appointed for a specific term which constitutes a deviation from the code provision A.4.1 of the CG Code. However, they are subject to retirement by rotation in accordance with the Bye-laws of the Company. Therefore, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those of the CG Code.

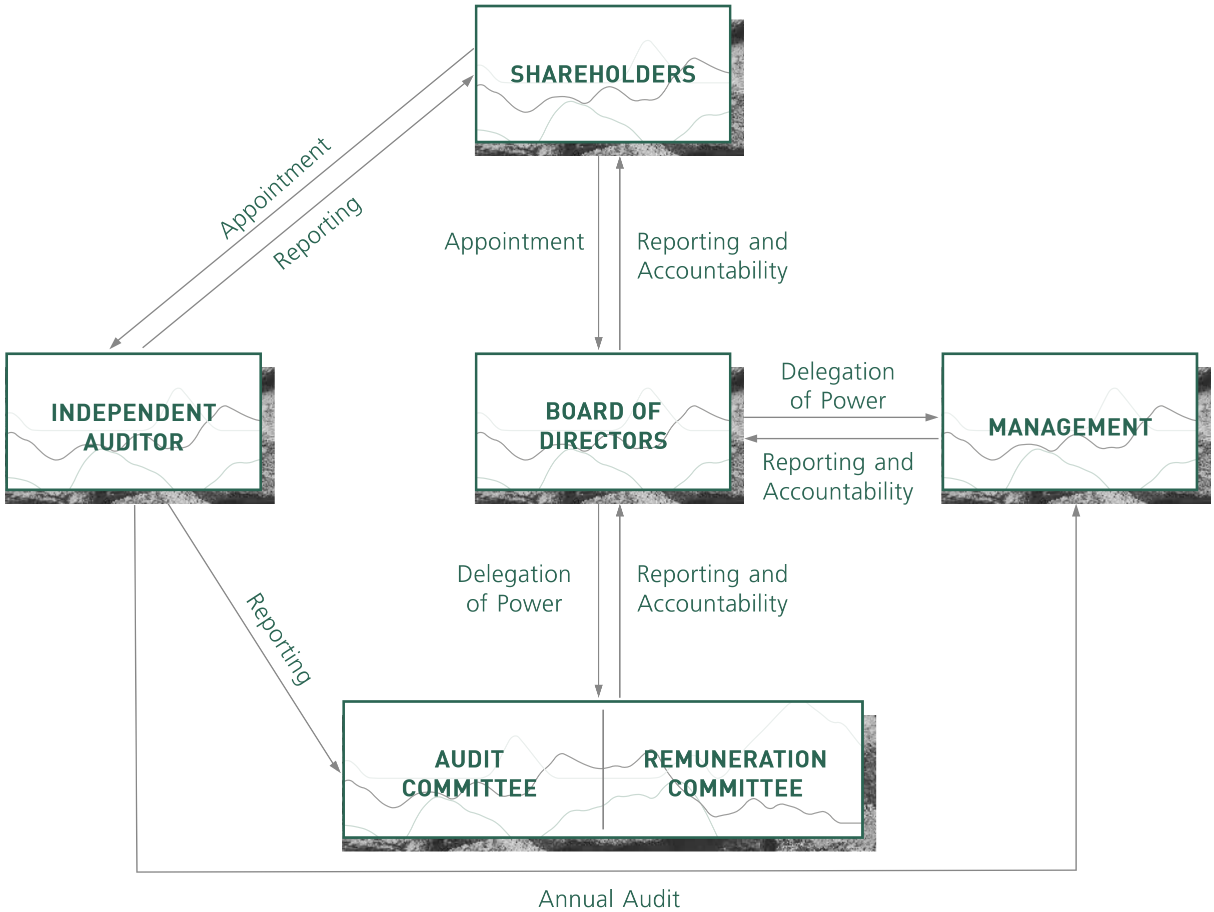
ii. Code provisions A.5.1 to A.5.4 of the CG Code require a nomination committee to be set up, chaired by the chairman of the board or an independent non-executive director to review the structure, size and composition of the board at least annually to complement the issuer's corporate strategy.

   The Company has not set up a nomination committee as required. The Board considers that it should be the responsibility of the full Board to collectively review, deliberate on and approve the structure, size and composition of the Board and appointment of the Directors. The Board has already set out the criteria for selection of a Director under its nomination policy for recruitment of Board members. In addition, according to the Bye-laws of the Company, any newly appointed Directors are required to offer themselves for re-election at the next general meeting. In addition, the shareholders' right to nominate a director candidate and participation in the re-election of Director by way of poll voting at the annual general meeting ("**AGM**") can further ensure a right candidate to be selected.

iii. Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the AGM.

   Due to another business engagement, the Chairman was unable to attend the 2020 AGM. The Chairman of the Audit and Remuneration Committees of the Company took the chair of the 2020 AGM and answered questions raised by the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Other than the AGM, the shareholders may communicate with the Company through the contact methods listed on the Company's website.

CORPORATE GOVERNANCE STRUCTURE



COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own Code for Securities Transactions by Directors (the "**Code**"), which are on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "**Model Code**"). The Code is sent to each Director on his/her initial appointment and from time to time when the same is amended or restated.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "**Employees' Guidelines**") for securities transactions by relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company.

To enhance corporate governance transparency, the Code and the Employees' Guidelines have been published on the Company's website at www.mongolia-energy.com.

During the period of sixty days immediately preceding and including the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to and including the publication date of the annual results, all the Directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published.

During the period of thirty days immediately preceding and including the publication date of the half year results or, if shorter, the period from the end of the relevant quarterly or half year period up to and including the publication date of the half year results, all the Directors and relevant employees are restricted to deal in the securities and derivatives of the Company until such results have been published.

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

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

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

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

BOARD OF DIRECTORS

Board Composition

The Board currently comprises eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors, overseeing the overall business operation of the Company. Biographical details of the Directors are set out on pages 34 to 35.

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

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

Executive Directors

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

Non-executive Director

Mr. To Hin Tsun, Gerald

Independent Non-executive Directors

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

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

- management and leadership experience;
- skills and diverse background;
- integrity and professionalism; and
- independency.

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

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

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

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

Appointment and Re-election of Directors

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

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

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

Responsibilities and Functions of the Board

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

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

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

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

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

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

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

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

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

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

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

During the Financial Year, the Board:

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

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

iii. reviewed the internal controls of the Group;

iv. reviewed the corporate governance procedures;

v. reviewed and approved the Environment, Social and Governance Report 2020;

vi. reviewed and approved the auditor's remuneration and recommended the re-appointment of Messrs. Deloitte Touche Tohmatsu ("**Deloitte**") as the independent auditor of the Company respectively; and

vii. reviewed and approved the inside information announcements.

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

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

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

CHAIRMAN AND MANAGING DIRECTOR

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

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

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

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

NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

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

BOARD COMMITTEES

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

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

REMUNERATION COMMITTEE

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

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

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

During the Financial year, the Remuneration Committee:

(i) reviewed and endorsed the remuneration policies; and

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

AUDIT COMMITTEE

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

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

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

During the Financial Year, the Audit Committee:

(i) reviewed the financial statements for the year ended 31 March 2020 and for the six months ended 30 September 2020;

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

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

(iv) reviewed the Company's continuing connected transaction for the year ended 31 March 2020 pursuant to the Listing Rules.

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Number of Meetings Attended/Held				
Directors	Board	Remuneration Committee	Audit Committee	General	Continuous Professional Development Type of Training (Notes)
Mr. Lo	4/4	N/A	N/A	0/1	A
Ms. Yvette Ong	4/4	N/A	N/A	0/1	A
Mr. Lo, Rex Cze Kei	4/4	N/A	N/A	0/1	A
Mr. Lo, Chris Cze Wai	4/4	N/A	N/A	0/1	A
Mr. To Hin Tsun, Gerald	4/4	N/A	N/A	0/1	A
Mr. Tsui Hing Chuen, William JP	4/4	1/1	2/2	0/1	A
Mr. Lau Wai Piu	4/4	1/1	2/2	1/1	A
Mr. Lee Kee Wai, Frank	4/4	1/1	2/2	0/1	A

Notes:

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

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

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

Directors' Training and Continuous Professional Development

All the Directors should participate in continuous professional development to develop and refresh their knowledge and skills in their roles as directors pursuant to Code Provision A.6.5 of the CG Code. Attendance to any professional courses recognised by registered professional bodies such as The Law Society of Hong Kong, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries etc., are recognised by the Company for this purpose. The Directors will also be provided with materials from time to time to keep abreast of the latest legal and regulatory changes to enable them to effectively discharge their duties.

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

INDEPENDENT AUDITOR

Deloitte was re-appointed as independent auditor of the Company (the "**Independent Auditor**") at the 2020 AGM. It is the Independent Auditor's responsibilities to form an independent opinion, based on its audit, on those financial statements and to report their opinion solely to the Company, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purposes. Deloitte does not assume responsibility towards or accept liability to any other person for the contents of the Independent Auditor's Report.

The statement of the Independent Auditor about their reporting responsibilities on the financial statements is set out in the "**Independent Auditor's Report**" on pages 45 to 49.

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

Services	Fee Paid/Payable *HK$'000*
Audit services	3,750
Non-audit services	1,131
	4,881

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The statement of the Independent Auditor of the Company regarding responsibilities for the financial statements is set out in the Independent Auditor's Report on page 45 to 49.

ACCOUNTABILITY AND AUDIT

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

During the Financial Year, the Company held one general meeting which was the AGM. An independent non-executive Director and the Independent Auditor of the Company had attended the 2020 AGM to answer the shareholders' enquiries. In addition, separate resolutions for each issue had been proposed at the general meeting for voting by the shareholders.

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

SHAREHOLDERS' RIGHTS

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

Convening a General Meeting

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

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

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

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

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

Putting Forward Proposals at General Meetings

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

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

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

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

Proposing for Election as a Director

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

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

Putting Forward Enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

During the Financial Year, the Company has not made any changes to its Bye-laws. An up to date version of the Company's Bye-laws is available on the Company's website as well as the Stock Exchange's website.

MR. LO LIN SHING, SIMON

Chairman and Executive Director

Mr. Lo, aged 65, an entrepreneur, is the Chairman of the Company. He has been an executive Director since August 1999. Mr. Lo identifies business opportunities for MEC, including the acquisition of the coal mine in Western Mongolia, and provides business and strategic directions. He possesses over 30 years of experience in the financial, securities and futures industries, including many trans-border transactions. He is the father of Mr. Lo, Rex Cze Kei and Mr. Lo, Chris Cze Wai, both are executive Directors of the Company. Mr. Lo is a director of certain subsidiaries of the Company. He is also the chairman and executive director of Vision Values Holdings Limited which is listed on the Stock Exchange.

MS. YVETTE ONG

Managing Director and Executive Director

Ms. Ong, aged 56, has been an executive Director since September 1999 and was appointed as the Managing Director on 1 June 2012. She has over 30 years of managerial experience in the Asia-Pacific region. Prior to joining the Company, Ms. Ong was a managing director of AT&T EasyLink Services Asia Pacific Ltd. She holds an MBA degree in Management Information Systems and Marketing and a Bachelor degree in Finance and Management from the University of San Francisco. Ms. Ong is a director of certain subsidiaries of the Company. Ms. Ong is also an executive director of Vision Values Holdings Limited which is listed on the Stock Exchange.

MR. LO, REX CZE KEI

Executive Director

Mr. Rex Lo, aged 39, was appointed as a non-executive Director in October 2016 and re-designated as an Executive Director in February 2018. He has over 10 years of experience in property business and general management. Mr. Rex Lo holds a Master of Science in Electronic Commerce and Internet Computing and a Bachelor of Science in Business Administration. He is the son of Mr. Lo, the Chairman and executive Director of the Company and the brother of Mr. Lo, Chris Cze Wai, an executive director of the Company. Mr. Rex Lo is a director of certain subsidiaries of the Company. He is also an executive director of Vision Values Holdings Limited which is listed on the Stock Exchange.

MR. LO, CHRIS CZE WAI

Executive Director

Mr. Chris Lo, aged 27, holds a master's degree of Engineering in mechanical engineering from University of Bristol, UK. He joined the Group in 2017. Mr. Chris Lo is the project engineer of the Group. He also has experienced in property management and corporate finance. He is the son of Mr. Lo, the chairman and executive Director of the Company, and the brother of Mr. Lo, Rex Cze Kei, an executive director of the Company. Mr. Chris Lo is a director of certain subsidiaries of the Company. He is also an executive director of Vision Values Holdings Limited which is listed on the Stock Exchange.

MR. TO HIN TSUN, GERALD

Non-executive Director

Mr. To, aged 72, was appointed as an independent non-executive Director in August 1999 and re-designated as a non-executive Director in October 2000. Mr. To has been a practising solicitor in Hong Kong since 1975. He is also qualified as a solicitor in the United Kingdom, as well as an advocate and solicitor in Singapore. Mr. To is a non-executive director of NWS Holdings Limited which is listed on the Stock Exchange.

MR. TSUI HING CHUEN, WILLIAM *JP*

Independent Non-executive Director

Mr. Tsui, aged 70, was appointed as an independent non-executive Director in September 2006. Mr. Tsui is the founding partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries, which was established in 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1981, and a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor in Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of the Peace by the Government of Hong Kong in 1997. He was admitted to the Roll of Honour of The Law Society of Hong Kong in 2013. Mr. Tsui is also an independent non-executive director of Vision Values Holdings Limited which is listed on the Stock Exchange.

MR. LAU WAI PIU

Independent Non-executive Director

Mr. Lau, aged 57, joined the Company as an independent non-executive Director since September 2004. He has over 20 years of extensive experience in accounting and financial management. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He is an independent non-executive director of Vision Values Holdings Limited which is listed on the Stock Exchange.

MR. LEE KEE WAI, FRANK

Independent Non-executive Director

Mr. Lee, aged 62, was appointed as an independent non-executive Director in October 2016. He is the Senior Partner of Messrs. Vincent T.K. Cheung, Yap & Co., Solicitors and Notaries. Mr. Lee holds a Master of Law from University of Cambridge and a Bachelor of Laws from the London School of Economics & Political Science. He is a qualified solicitor in the respective jurisdictions of Hong Kong, England and Wales, Singapore and the Australian Capital Territory (Australia). Mr. Lee is also a China-Appointed Attesting Officer and a member of the Chartered Institute of Arbitrators. He is also an independent non-executive director of Pico Far East Holdings Limited and Vision Values Holdings Limited, both of which are listed on the Stock Exchange.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are coal mining, processing, and other resources related operations. The activities of the principal subsidiaries are set out in Note 42 to the consolidated financial statements.

Analyses of the principal activities and geographical locations of the operations of the Group for the year ended 31 March 2021 are set out in Note 6 to the consolidated financial statements.

BUSINESS REVIEW

Reviews of the business of the Group during the Financial Year are set out in the Management Discussion and Analysis on pages 10 to 14.

POSSIBLE RISKS AND UNCERTAINTIES

Descriptions of the possible risks and uncertainties that the Group is facing are provided in the Management Discussion and Analysis on pages 15 to 21 and in Note 5 to the consolidated financial statements. The financial risk management objectives and policies of the Group can be found in Note 38(b) to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Discussions of the environmental policies and performance during the Financial Year are provided in the Management Discussion and Analysis on page 13.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Discussions of the compliance with relevant laws and regulations which have a significant impact on the Group are set out in the Management Discussion and Analysis on page 13.

KEY RELATIONSHIPS WITH STAKEHOLDERS

In relation to the Company's key relationships with its stakeholders, discussions of the Company's policies on human resources management, community involvement and contribution in relation to environmental concerns and social responsibilities are provided in the Management Discussion and Analysis on page 13.

RESULTS

The results of the Group for the year ended 31 March 2021 are set out in the Consolidated Statement of Profit or Loss on page 50.

No interim dividend was declared (2020: Nil) and the Directors do not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 20 August 2021 to Wednesday, 25 August 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 19 August 2021.

SHARE CAPITAL

Details of the movements in the share capital and the share options of the Company during the Financial Year are set out in Notes 32 and 33 to the consolidated financial statements.

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

EQUITY-LINKED AGREEMENTS

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

Convertible notes

On 6 March 2020, the Company issued convertible notes with total principal amount of HK$3,438,058,423. As at 31 March 2021, they can be converted into 2,957,122,715 conversion shares at a par value of HK$0.02 at a conversion price of HK$1.2. So far, none of conversion right had been exercised. The maturity date of the convertible notes is 6 March 2025. The notes bear interest at 3% per annum and are unsecured. The Group will not receive further consideration when the holders determine to convert the notes into ordinary shares of the Company prior to the maturity date. The reason for issuance of the convertible notes was making full settlement of the principal amounts and accrued interest of previously issued convertible notes.

Share Option Scheme

Details of the movements in share options during the Financial Year is set out in Note 33 to the consolidated financial statements and "Share Option Scheme" section contained in this Directors' Report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results for the Financial Year and of the assets and liabilities of the Group as at 31 March 2021 and for the last four financial years are set out on page 131.

RESERVES

Details of the movements in reserves of the Group and the Company during the Financial Year are set out on page 53 and in Note 41 to the consolidated financial statements respectively.

CHARITABLE DONATIONS

For the year ended 31 March 2021, the Group made charitable and other donations in a total amount of HK$5,332,000 (2020: HK$6,698,000).

PROPERTY, PLANT AND EQUIPMENT

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

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the principal subsidiaries and associated companies of the Group as at 31 March 2021 are set out in Notes 42 and 19 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
The largest customer	64.6%
Five largest customers in aggregate	91.7%
Purchases	
The largest purchaser	24.2%
Five largest purchasers in aggregate	40.0%

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

DIRECTORS

During the Financial Year and up to the date of this Directors' Report, the board composition and biographical details of the Directors of the Group are set out on pages 25 to 26, and pages 34 to 35 respectively.

In accordance with Bye-law 87 of the Bye-laws of the Company, Ms. Yvette Ong, Mr. Lo, Rex Cze Kei, Mr. To Hin Tsun, Gerald will retire. All the retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM.

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

DIRECTORS' SERVICE CONTRACTS

Mr. Lo entered into a service contract with the Company on 29 March 2019 for a fixed term of three years with effect from 1 April 2019.

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

MANAGEMENT CONTRACTS

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

CORPORATE GOVERNANCE

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 22 to 33.

DIRECTORS' INTERESTS

As at 31 March 2021, the interests or short positions of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares and underlying shares of the Company

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

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

Save as disclosed above and the section headed "**SHARE OPTION SCHEME**", as at 31 March 2021, none of the Directors, chief executives and their respective associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31 March 2021, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

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

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

Notes:

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

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

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

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

Save as disclosed above and those disclosed under "**DIRECTORS' INTERESTS**", the Company had not been notified of other interests representing 5% or more of the issued share capital of the Company as at 31 March 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme operated by the Group are set out in Note 43 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

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

SHARE OPTION SCHEME

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

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

1. Purpose

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

2. Participants

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

3. Number of shares available for issue

Under the Share Option Scheme, the total number of shares available for issue is 2,312,584 which represent approximately 1.23% of the issued share capital of the Company as at 31 March 2021.

4. Maximum entitlement of each participant

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

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

5. Option period

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

6. Vesting period

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

7. Amount payable on acceptance of option

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

8. Exercise price

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

9. Remaining life of the Scheme

The Share Option Scheme is valid and effective for a term of ten years commencing from 30 August 2012.

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

					Number of shares subject to options				
Name or category of participants	Date of Grant	Exercise Price HK$	Exercise period	Vesting Period	As at 1 April 2020	Granted during the financial year	Lapsed during the financial year	Exercised during the financial year	As at 31 March 2021
Mr. Lo	09-09-2015	2.510	09-09-2015 to 08-09-2020	N/A	1,700,000	–	(1,700,000)	–	–
	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	1,800,000	–	–	–	1,800,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	–	1,800,000	–	–	1,800,000
Ms. Yvette Ong	09-09-2015	2.510	09-09-2015 to 08-09-2020	N/A	500,000	–	(500,000)	–	–
	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	1,000,000	–	–	–	1,000,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	–	1,800,000	–	–	1,800,000
Mr. Lo, Rex Cze Kei	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	1,500,000	–	–	–	1,500,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	–	1,500,000	–	–	1,500,000
Mr. Lo, Chris Cze Wai	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	–	1,500,000	–	–	1,500,000
Mr. To Hin Tsun, Gerald	09-09-2015	2.510	09-09-2015 to 08-09-2020	N/A	300,000	–	(300,000)	–	–
	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	–	–	500,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	–	500,000	–	–	500,000
Mr. Tsui Hing Chuen, William *JP*	09-09-2015	2.510	09-09-2015 to 08-09-2020	N/A	300,000	–	(300,000)	–	–
	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	–	–	500,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	–	500,000	–	–	500,000
Mr. Lau Wai Piu	09-09-2015	2.510	09-09-2015 to 08-09-2020	N/A	300,000	–	(300,000)	–	–
	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	–	–	500,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	–	500,000	–	–	500,000
Mr. Lee Kee Wai, Frank	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	–	–	500,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	–	500,000	–	–	500,000
Employees in aggregate (including	09-09-2015	2.510	09-09-2015 to 08-09-2020	N/A	1,500,000	–	(1,500,000)	–	–
directors of certain subsidiaries)	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	7,700,000	–	–	–	7,700,000
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	–	7,900,000	–	–	7,900,000
TOTAL					18,600,000	16,500,000	(4,600,000)	–	30,500,000

GROUP'S BORROWINGS

Details of the Group's borrowings are set out in Note 28 to the consolidated financial statements.

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

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

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

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

The audited consolidated financial statements for the year ended 31 March 2021 had been reviewed by the Audit Committee.

HUMAN RESOURCES

As at 31 March 2021, excluding site and construction workers directly employed by our contractors, the Group employed 668 full-time employees in Hong Kong, Mongolia, and the PRC. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on a periodic basis. Apart from the retirement benefits scheme, staff bonus, and share options are awarded to the employees according to performance of the Group, assessment of individual performance, and industry practice. Appropriate training programs are also offered for staff training and development.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENT AUDITOR

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

On behalf of the Board

Lo Lin Shing, Simon
Chairman
Hong Kong, 25 June 2021

Deloitte. 德勤

TO THE SHAREHOLDERS OF MONGOLIA ENERGY CORPORATION LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Mongolia Energy Corporation Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 50 to 130, which comprise the consolidated statement of financial position as at 31 March 2021 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1 to the consolidated financial statements which indicates that as at 31 March 2021, the Group had net liabilities of approximately HK$2,608.4 million and net current liabilities of approximately HK$1,383.3 million and incurred a loss of approximately HK$286.9 million for the year then ended. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, including from a substantial shareholder who is also the Chairman and a director of the Company. If the finance were not available, the Group would be unable to meet its financial obligations as and when they fall due. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Recoverable amount assessment of property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations	
We identified the recoverable amount assessment of property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations (collectively referred to as "**Khushuut Related Assets**") as a key audit matter due to the significance of these balances to the consolidated financial statements as a whole, combined with the estimation associated with determining their recoverable amounts. As disclosed in Note 3 to the consolidated financial statements, the carrying value of the Khushuut Related Assets amounted to HK$2,664.5 million at 31 March 2021, representing 77% of the Group's total assets. Management engaged an independent valuer (the "**Valuer**") to determine the recoverable amount of the Khushuut Related Assets. For the purposes of impairment testing, the Khushuut Related Assets are treated as a cash-generating unit and its recoverable amount has been determined based on a value in use calculation, which requires management to estimate the future cash flows expected to arise from the cash-generating unit, using discounted cash flow analysis, in order to calculate the present value. Key assumptions used in the calculation include the predicted average growth rate of the coking coal price, discount rate and estimated timeline for commercial coal production. Based on the recoverable amount assessment, reversal of impairment loss of HK$1,123.8 million is recognised in respect of the Khushuut Related Assets during the year ended 31 March 2021.	Our procedures in relation to the Group's impairment assessment of Khushuut Related Assets included: • Understanding Management's impairment assessment process; • Evaluating the competence, capabilities and objectivity of the Valuer; • Engaging our internal expert to assess the reasonableness of the valuation by performing the following procedures: – assessing the reasonableness of the valuation methodology used to determine the recoverable amount; – assessing the reasonableness of the discount rate and predicted average growth rate of the coking coal price underpinning the recoverable amount by benchmarking these inputs to market information; and – checking the mathematical accuracy of the calculation used in the valuation model. • Assessing the appropriateness of future operating cash flows with reference to the past performance of Khushuut Related Assets together with management and the Valuer's expectations for the market developments; and • Performing sensitivity analysis on the significant assumptions adopted in the valuation and evaluating the extent of impact on the recoverable amount.

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from sales of coal	
We identified recognition of revenue from sales of coal as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole. The Group's revenue from sales of coal for the year ended 31 March 2021 amounted to HK$858.4 million. As disclosed in Note 4 to the consolidated financial statements, revenue from sales of coal is recognised when the control of goods is transferred being when the coals are delivered to and accepted by the customers.	Our procedures in relation to recognition of revenue from sales of coal included: • Understanding management's process and key controls over the determination of appropriate point of time to recognise revenue; and • Checking whether the controls over whether the ownership of the coal have been transferred to the customers, on a sample basis, with reference to the terms set out in the sales agreements and inspecting supporting documents evidencing customers acceptance of contract terms and receipt and acceptance of coal.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Li Man Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	*6*	858,417	1,124,996
Cost of sales		(549,576)	(645,757)
Gross profit		308,841	479,239
Other income	*7*	81,898	6,382
Other gains and losses	*8*	1,715	(34,967)
Administrative expenses		(157,492)	(169,182)
Changes in fair value on derivative component of convertible notes	*29(a)*	(1,070,118)	377,767
Modification gain on convertible notes	*29(a)*	–	249,444
Change in fair value of derivative financial instruments	*29(a)*	–	797,546
Derecognition gain on convertible notes	*29(a)*	–	21,943
Reversal of impairment losses on property, plant and equipment	*3, 15*	990,509	522,439
Reversal of impairment losses on intangible assets	*3, 17*	132,185	69,304
Reversal of impairment losses on right-of-use assets	*3*	1,119	591
Reversal of impairment losses on financial assets, net	*10*	230	1,335
Finance costs	*9*	(525,129)	(800,679)
(Loss) profit before taxation	*10*	(236,242)	1,521,162
Income tax expense	*11*	(50,663)	(79,224)
(Loss) profit for the year attributable to owners of the Company		(286,905)	1,441,938
(Loss) earnings per share attributable to owners of the Company	*14*		
– basic (loss) earnings per share (HK$)		(1.53)	7.66
– diluted (loss) earnings per share (HK$)		(1.53)	0.15

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
(Loss) profit for the year	(286,905)	1,441,938
Other comprehensive income (expense)		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translating foreign operations	20,130	(17,495)
Total comprehensive (expense) income for the year attributable to owners of the Company	(266,775)	1,424,443

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	*15*	2,394,590	1,373,022
Right-of-use assets	*16*	8,055	9,839
Intangible assets	*17*	279,145	153,709
Exploration and evaluation assets	*18*	1,262	498
Interest in an associate	*19*	–	–
Other asset		1,150	1,150
Deferred tax assets	*31*	5,647	3,499
		2,689,849	1,541,717
Current assets			
Trade and bills receivables	*20*	274,369	120,365
Inventories	*21*	208,357	241,365
Other receivables, prepayments and deposits	*22*	155,913	122,733
Prepaid taxation		1,412	4,396
Financial asset at fair value through profit or loss ("**FVTPL**")	*23*	50,752	51,597
Amount due from an associate	*19*	–	–
Cash and cash equivalents	*24*	57,577	61,782
		748,380	602,238
Current liabilities			
Trade payables	*25*	173,861	174,607
Other payables and accruals	*26*	99,213	138,307
Contract liabilities		2,823	5,027
Tax liabilities		39,877	–
Advances from a Director	*28*	1,811,276	1,709,372
Lease liabilities	*27*	2,939	6,110
Deferred income	*30*	1,648	1,469
		2,131,637	2,034,892
Net current liabilities		(1,383,257)	(1,432,654)
Total assets less current liabilities		1,306,592	109,063
Non-current liabilities			
Convertible notes	*29(a)*	3,564,399	2,168,168
Loan note	*28, 29(b)*	316,613	258,725
Deferred income	*30*	5,465	6,036
Deferred tax liabilities	*31*	26,216	27,981
Lease liabilities	*27*	2,336	2,115
		3,915,029	2,463,025
Net liabilities		(2,608,437)	(2,353,962)
Financed by:			
Capital and reserves			
Share capital	*32*	3,763	3,763
Reserves		(2,612,200)	(2,357,725)
Capital deficiencies attributable to owners of the Company		(2,608,437)	(2,353,962)

The consolidated financial statements on pages 50 to 130 were approved and authorised for issue by the Board of Directors on 25 June 2021 and are signed on its behalf by:

Lo Lin Shing, Simon	**Lo, Rex Cze Kei**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Statutory surplus reserve HK$'000	Capital contribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2019	37,625	51,463	3,451,893	29,731	(7,474)	17,192	–	(7,693,055)	(4,112,625)
Profit for the year	–	–	–	–	–	–	–	1,441,938	1,441,938
Other comprehensive expenses									
Exchange differences arising on translation	–	–	–	–	(17,495)	–	–	–	(17,495)
Total comprehensive expenses for the year	–	–	–	–	(17,495)	–	–	1,441,938	1,424,443
Share option lapsed	–	–	–	(626)	–	–	–	626	–
Appropriations to reserve	–	–	–	–	–	4,712	–	(4,712)	–
Deemed capital contribution from substantial shareholder *(Note 29(b))*	–	–	–	–	–	–	334,220	–	334,220
Capital Reorganisation *(Note 32)*	(33,862)	(51,463)	(3,451,893)	–	–	–	–	3,537,218	–
At 31 March 2020	3,763	–	–	29,105	(24,969)	21,904	334,220	(2,717,985)	(2,353,962)
Loss for the year	–	–	–	–	–	–	–	(286,905)	(286,905)
Other comprehensive income									
Exchange differences arising on translation	–	–	–	–	20,130	–	–	–	20,130
Total comprehensive income (expense) for the year	–	–	–	–	20,130	–	–	(286,905)	(266,775)
Recognition of equity-settled share-based payments *(Note 33)*	–	–	–	12,300	–	–	–	–	12,300
Share option lapsed	–	–	–	(7,664)	–	–	–	7,664	–
At 31 March 2021	3,763	–	–	33,741	(4,839)	21,904	334,220	(2,997,226)	(2,608,437)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Operating activities			
(Loss) profit before taxation		(236,242)	1,521,162
Interest income	*7*	(202)	(643)
Exchange loss (gain)		5,234	(725)
Finance costs	*9*	525,129	800,679
Gain on disposal of property, plant and equipment	*8*	(29)	(56)
Loss on written off of property, plant and equipment	*8*	–	4
An extinguishment of balance payment relating to acquisition iron ore exploration right	*7*	(39,000)	–
Amortisation of intangible assets	*17*	7,142	3,482
Depreciation of right-of-use assets	*16*	6,928	5,335
Amortisation of deferred income	*30*	(6,395)	(3,209)
Depreciation of property, plant and equipment	*15*	33,780	24,654
Changes in fair value on financial assets at FVTPL	*8*	845	32,989
Changes in fair value on derivative component of convertible notes	*29(a)*	1,070,118	(377,767)
Change in fair value of derivative financial instruments	*29(a)*	–	(797,546)
Derecognition gain on convertible notes	*29(a)*	–	(21,943)
Modification gain on convertible notes	*29(a)*	–	(249,444)
Reversal of impairment losses on property, plant and equipment	*3, 15*	(990,509)	(522,439)
Reversal of impairment losses on intangible assets	*3, 17*	(132,185)	(69,304)
Reversal of impairment losses on right-of-use assets	*3*	(1,119)	(591)
Reversal of impairment losses on financial assets	*10*	(230)	(1,335)
Share-based payment expenses	*33*	12,300	–
Operating cash flows before movements in working capital		255,565	343,303
Decrease (increase) in inventories		33,008	(110,134)
(Increase) decrease in trade and bills receivables		(143,007)	110,891
Increase in other receivables, prepayments and deposits		(32,869)	(50,411)
(Decrease) increase in trade payables		(3,681)	51,212
(Decrease) increase in other payables and accruals		(1,743)	6,436
(Decrease) increase in contract liabilities		(2,530)	2,953
Net cash from operations		104,743	354,250
Tax paid		(11,055)	(26,656)
Net cash from operating activities		93,688	327,594

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Investing activities			
Purchases of property, plant and equipment	*15*	(57,731)	(81,798)
Proceeds on disposal of property, plant and equipment		930	67
Additions to intangible assets	*17*	(382)	(4,831)
Exploration and evaluation asset addition	*18*	(764)	(228)
Advance to an associate		(9)	(4)
Bank interest received		202	643
Government grants received	*30*	5,422	2,427
Net cash used in investing activities		(52,332)	(83,724)
Financing activities			
Advance from a Director		7,750	–
Repayment to a Director		(46,628)	(240,193)
Repayment of lease liabilities		(7,194)	(5,542)
Transaction costs on issuance of convertible notes		–	(859)
Cash used in financing activities		(46,072)	(246,594)
Net decrease in cash and cash equivalents		(4,716)	(2,724)
Cash and cash equivalents at beginning of the year		61,782	65,399
Effect of exchange rate changes on the balance of cash held in foreign currencies		511	(893)
Cash and cash equivalents at end of the year		57,577	61,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company is a public limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the principal place of business of the Company is 17th Floor, 118 Connaught Road West, Hong Kong.

The Company acts as 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 the Group's ongoing business. For the convenience of the financial statements users, the consolidated financial statements are presented in HK$, as the Company's shares are listed on the Stock Exchange.

In preparing the consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity of the Group. The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flows projections cover a period of not less than 12 months from 31 March 2021. The cash flows projections have been determined using estimation of future cash flows to be generated from the Group's operating activities and its working capital needs. Also, Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder who has significant influence over the Group and being the Chairman and Director of the Company, has provided facilities amounting to HK$1,900.0 million by way of advances to the Group. As at 31 March 2021, advances from a Director of HK$1,811.3 million comprised principal amount and accrued interest of HK$963.1 million and HK$848.2 million respectively. Excluding the accrued interest of HK$848.2 million, the balance of the unutilised facilities of HK$936.9 million remains valid until 31 March 2023 and Mr. Lo does not intend to demand repayment of the principal amount of the loan and the accrued interest until the Company has sufficient cash to make repayment.

While recognising that the Group had net liabilities of approximately HK$2,608.4 million and had net current liabilities of approximately HK$1,383.3 million at 31 March 2021 and incurred a loss of approximately HK$286.9 million for the year then ended, the Directors are of the opinion that, taking into account of the finance from Mr. Lo and the internally generated funds, the Group will be able to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the finance were available. As such the Group would be unable to meet its financial obligations as and when they fall due. 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[6]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

1 *Effective for annual periods beginning on or after 1 January 2023*
2 *Effective for annual periods beginning on or after 1 January 2022*
3 *Effective for annual periods beginning on or after a date to be determined*
4 *Effective for annual periods beginning on or after 1 June 2020*
5 *Effective for annual periods beginning on or after 1 January 2021*
6 *Effective for annual periods beginning on or after 1 April 2021*

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16 "Leases";

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The Group expects the application of the amendments will have no material impact on the consolidated financial statements.

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

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

As at 31 March 2021, the Group's outstanding convertible notes do not meet equity instruments classification by applying HKAS 32. The Group classified these instruments as current or non-current based on the earliest date in which the Group has the obligation to redeem these convertible notes through cash settlement. The convertible notes were classified as non-current as set out in note 29.

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

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 March 2021.

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

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

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

3. RECOVERABLE AMOUNT ASSESSMENT ON KHUSHUUT RELATED ASSETS

At the end of the reporting period, the Group engaged a qualified professional valuer (the "**Independent Valuer**"), who is not connected with the Group, 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 recoverable amount assessment to assess whether there has been reversal or further impairment, the Khushuut Related Assets are treated as a cash-generating unit, which represents the Group's coking coal mining operation in Western Mongolia. The recoverable amount of the Khushuut Related Assets has been determined based on a value-in-use calculation.

As the recoverable amount of Khushuut Related Assets determined by the Independent Valuer is higher than their carrying values, a reversal of impairment loss amounting to HK$1,123,813,000 (2020: HK$592,334,000) was recognised in the consolidated statement of profit or loss in the current year against the respective assets on a pro-rata basis with reference to their carrying values as follows:

Carrying values for the year ended 31 March 2021:

	Carrying values before reversal of impairment loss HK$'000	Reversal of impairment loss HK$'000	Carrying values after reversal of impairment loss HK$'000
Property, plant and equipment	1,393,620	990,509	2,384,129
Intangible assets	146,359	132,185	278,544
Right-of-use assets	688	1,119	1,807
Total	1,540,667	1,123,813	2,664,480

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

Carrying values for the year ended 31 March 2020:

	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	844,495	522,439	1,366,934
Intangible assets	83,957	69,304	153,261
Right-of-use assets	994	591	1,585
Total	929,446	592,334	1,521,780

The reason for such reversal of impairment loss being recognised in profit or loss for the year ended 31 March 2021 was mainly due to discount rate and change in predicted average growth rate of the coking coal price for the forthcoming four-year period (2020: change in predicted average growth rate of the coking coal price for the forthcoming four-year period.) This has had significant impact on the value-in-use assessment performed by the Directors in both years with an increase in cash flows expected to be received.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation of consolidated financial statements

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of preparation of consolidated financial statements (Continued)

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

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

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

4.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Investment in associate

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

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

Revenue from sales of coal

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

Leases

Definition of a lease

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to component of a contract

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

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

Short-term lease and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

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

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

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

Lease modifications

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

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

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

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

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

Foreign currencies

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Foreign currencies (Continued)

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

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

Borrowing costs

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

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

Government grants

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Employee benefits

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme, which is a defined contribution plan, are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution retirement benefit plans and state-managed retirement benefit scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Taxation

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

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

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

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

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

Property, plant and equipment

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

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

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

Mining structures

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Mining structures (Continued)

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

Mineral properties

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

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

Construction in progress

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

Ownership interests in leasehold land and building

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

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Intangible assets

Intangible assets acquired separately

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Intangible assets (exclusive right of use of paved road)

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

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

Exploration and evaluation assets

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

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed and adjusted for impairment in accordance with HKAS 36 “Impairment of Assets” at least annually and whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

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

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Inventories

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

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

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

Provisions

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

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

Financial instruments

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

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

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

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

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

(ii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or designated as fair value through other comprehensive income ("**FVTOCI**") are measured at FVTPL.

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

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

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

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible notes

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

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

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

Financial liabilities at amortised cost

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

Derivative financial instruments

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

Embedded derivatives

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

Derecognition and substantial modification of financial liabilities

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Derecognition and substantial modification of financial liabilities (Continued)

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

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Reserve estimates

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Reserve estimates (Continued)

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

- carrying values of Khushuut Related Assets may be affected due to changes in estimated future cash flows, which may result in further impairment loss or a reversal of previously recognised impairment loss on these assets; and
- depreciation, depletion and amortisation charged in the consolidated statement of profit or loss may change where such charges are determined by the unit-of-production basis, or where the useful economic lives of assets change.

Fair value of derivative financial instruments

As at 31 March 2021, fair value of derivative component of the convertible notes is HK$1,745,228,000 (2020: HK$675,110,000) determined based on unobservable inputs, such as expected volatility of share price using valuation technique.

Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of convertible bonds. Further disclosures of the convertible bonds are set out in notes 29(a) and 38(c).

Estimated recoverable amount of Khushuut Related Assets

As described in Note 3, the Group engaged an Independent Valuer to determine the recoverable amount of the Khushuut Related Assets. For the purposes of recoverable amount testing, the Khushuut Related Assets are treated as a cash-generating unit and its recoverable amount has been determined based on a value in use calculation, which requires the Group to estimate the future cash flows expected to arise from the cash-generating unit, using discounted cash flow analysis, in order to calculate the present value. Key assumptions used in the calculation include the predicted average growth rate of the coking coal price, discount rate and estimated timeline for commercial coal production. During the year ended 31 March 2021, a reversal of impairment loss of HK$1,123,813,000 (2020: HK$592,334,000) was recognised against the Khushuut Related Assets as its recoverable amount is higher than (2020: higher than) its carrying value. Changes to the assumptions underlying the assessment of the recoverable amount may have a significant effect on the recoverable amount of the Khushuut Related Assets. Where there are favourable or unfavourable changes in facts and circumstances which result in revision of the estimated future cash flows for the purpose of determining the value in use, a reversal of impairment loss or further impairment loss may arise.

As at 31 March 2021, the carrying value of Khushuut Related Assets is HK$2,664,480,000 (net of accumulated impairment loss of HK$13,208,107,000) (2020: carrying value of HK$1,521,780,000 (net of accumulated impairment loss of HK$14,331,920,000)).

6. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in mining, processing and sale of coal. Revenue represents revenue arising 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 are focusing on the coal mining business. Information reported to the chief operating decision maker (i.e. the Executive Directors) for the purpose of resource allocation and performance assessment focuses on types of goods delivered. This is also the basis of organisation whereby the management has chosen to organise the Group.

Segment revenue and result

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

For the year ended 31 March 2021

	Coal mining HK$'000	Total HK$'000
Segment revenue *(Note (a))*	858,417	858,417
Segment profit	1,376,102	1,376,102
Unallocated expenses *(Note (b))*		(56,786)
Other income		40,825
Other gains and losses		(1,250)
Changes in fair value on derivative component of convertible notes		(1,070,118)
Impairment loss on financial asset		(9)
Finance costs		(525,006)
Loss before taxation		(236,242)

For the year ended 31 March 2020

	Coal mining HK$'000	Total HK$'000
Segment revenue	1,124,996	1,124,996
Segment profit	971,397	971,397
Unallocated expenses *(Note (b))*		(63,284)
Other income		23
Other gains and losses		(33,083)
Changes in fair value on derivative component of convertible notes		377,767
Modification gain on convertible notes		249,444
Change in fair value of derivative financial instruments		797,546
Derecognition gain on convertible notes		21,943
Impairment loss on financial asset		(4)
Finance costs		(800,587)
Profit before taxation		1,521,162

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and result (Continued)

Notes:

(a) *As at 31 March 2021, all outstanding contracts for sale of coal have an original expected duration of less than one year. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.*

Contract liabilities as at 1 April 2020 of HK$5,027,000 have been recognised as revenue from performance obligation satisfied during the year. For contract liabilities as at 31 March 2021 of HK$2,823,000, as the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

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

The accounting policies of the operating segment are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit from the coal mining operation without allocation of expenses not directly related to the operating segment, unallocated other income, certain finance costs, certain other gains and losses, changes in fair value of derivative component of convertible notes and derivative financial instruments, modification gain on convertible notes, derecognition gain on convertible notes and impairment loss on financial asset. This is the measure reported to the chief operation decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

As at 31 March 2021

	HK$'000
ASSETS	
Segment assets – coal mining	3,355,777
Financial asset at FVTPL	50,752
Cash and cash equivalents	10,677
Other unallocated assets *(Note (a))*	21,023
Consolidated total assets	3,438,229
LIABILITIES	
Segment liabilities – coal mining	342,387
Convertible notes	3,564,399
Loan note	316,613
Advances from a Director	1,811,276
Other unallocated liabilities *(Note (b))*	11,991
Consolidated total liabilities	6,046,666

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

As at 31 March 2020

	HK$'000
ASSETS	
Segment assets – coal mining	2,064,076
Financial asset at FVTPL	51,597
Cash and cash equivalents	11,425
Other unallocated assets *(Note (a))*	16,857
Consolidated total assets	2,143,955
LIABILITIES	
Segment liabilities – coal mining	292,498
Convertible notes	2,168,168
Loan note	258,725
Advances from a Director	1,709,372
Other unallocated liabilities *(Note (b))*	69,154
Consolidated total liabilities	4,497,917

Notes:

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

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

Other segment information

For the year ended 31 March

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

Coal mining

	2021 HK$'000	2020 HK$'000
Capital additions	59,767	81,626
Amortisation of intangible assets	7,142	3,482
Depreciation of right-of-use assets	2,489	1,283
Interest income	(200)	(620)
Depreciation of property, plant and equipment	33,060	24,022
Reversal of impairment losses on property, plant and equipment	(990,509)	(522,439)
Reversal of impairment losses on intangible assets	(132,185)	(69,304)
Reversal of impairment losses on right-of-use assets	(1,119)	(591)

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

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

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

	Revenue	
	2021 HK$'000	2020 HK$'000
Mongolia	2,511	2,781
The PRC	855,906	1,122,215
	858,417	1,124,996

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

	Non-current assets	
	2021 HK$'000	2020 HK$'000
Hong Kong	4,910	8,274
Mongolia	2,596,189	1,476,924
The PRC	83,103	53,020
	2,684,202	1,538,218

Note:

Non-current assets exclude deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total turnover of the Group is as follows:

	2021 HK$'000	2020 HK$'000
Customer A	528,915	728,362

7. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Interest income	202	643
Government grants *(Note 30)*	6,395	3,209
Sundry income *(Note)*	75,301	2,530
	81,898	6,382

Notes:

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

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

8. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Changes in fair value on financial asset at FVTPL	(845)	(32,989)
Gain on disposal of property, plant and equipment	29	56
Loss on written off of property, plant and equipment	–	(4)
Net exchange gain (loss)	2,531	(2,030)
	1,715	(34,967)

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on advances from a Director *(Note 28)*	140,782	137,837
Interest on lease liabilities *(Note 28)*	346	567
Effective interest expense on convertible notes *(Note 28 and 29(a))*	326,113	644,190
Effective interest expense on loan note *(Note 28 and 29(b))*	57,888	18,085
	525,129	800,679

10. (LOSS) PROFIT BEFORE TAXATION

	2021 HK$'000	2020 HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments *(Note 12(a))*	21,670	18,482
Other staff costs:		
Salaries and other benefits (net of reimbursement from a related party *(Note 36(d)*)	89,999	93,261
Retirement benefits scheme contributions (excluding contributions for Directors and net of reimbursement from a related party *(Note 36(d)*)	9,593	11,780
Total staff costs	121,262	123,523
Less: staff costs capitalised in inventories	(31,960)	(39,423)
	89,302	84,100
(Reversal of impairment losses) impairment losses on:		
Trade and bills receivables	(239)	(1,534)
Other receivables	–	195
Amount due from an associate	9	4
	(230)	(1,335)
Depreciation of property, plant and equipment *(Note 15)*	33,780	24,654
Depreciation of right-of-use assets *(Note 16)*	6,928	5,335
Amortisation of intangible assets *(Note 17)*	7,142	3,482
Auditor's remuneration	3,750	3,860

11. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	–	6,020
Mongolian corporate income tax	53,288	26,411
Withholding tax on distributed earnings	–	5,619
	53,288	38,050
Under provision in prior years:		
PRC EIT	641	48
Deferred taxation *(Note 31)*	(3,266)	41,126
	50,663	79,224

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for both years.

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 periods. One of the Group's subsidiaries, 新疆蒙科能源科技有限公司, is entitled to enjoy a preferential income tax rate of 15%, and will continue to benefit from this preferential income tax policy until 31 December 2030 under the "Tax incentives of Western Development Policy".

Mongolian corporate income tax was calculated at 10% to the first Mongolian Tugrik ("**MNT**") 6 billion of annual taxable income and 25% on the remaining annual taxable income for both years.

The Company is not subject to any taxation in Bermuda. Bermuda levies no tax on the income of the Group.

11. INCOME TAX EXPENSE (Continued)

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

	2021 HK$'000	2020 HK$'000
(Loss) profit before taxation	(236,242)	1,521,162
Calculated at a tax rate of 25%	(59,061)	380,291
Tax effect on income not subject to tax	(291,338)	(510,096)
Tax effect on expenses not deductible for tax purposes	406,532	228,122
Recognition of tax losses not previously recognised	–	(3,589)
Under provision in prior years	641	48
Effect of preferential rates granted to a subsidiary	(3,284)	–
Effect of different tax rate of subsidiaries	(2,827)	–
Utilisation of tax losses previously not recognised	–	(25,153)
Withholding tax on undistributed profits of a subsidiary	–	9,601
Income tax expense	50,663	79,224

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

(a) Directors' and chief executive's emoluments

Directors' and the chief executive's remuneration for the year ended 31 March 2021, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

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

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

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

Directors' and the chief executive's remuneration for the year ended 31 March 2020, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Name of Directors	Fees	Salaries	Discretionary bonus	Other benefits	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Lo Lin Shing, Simon	–	6,000	1,000	307	18	7,325
Yvette Ong	–	4,468	4,529	436	18	9,451
Lo, Rex Cze Kei	100	600	500	36	18	1,254
Lo, Chris Cze Wai *(Note)*	–	47	–	3	2	52
Non-executive Director						
To Hin Tsun, Gerald	100	–	–	–	–	100
Independent Non-executive Directors						
Lau Wai Piu	100	–	–	–	–	100
Tsui Hing Chuen, William	100	–	–	–	–	100
Lee Kee Wai, Frank	100	–	–	–	–	100
	500	11,115	6,029	782	56	18,482

Note:

Lo, Chris Cze Wai was appointed as an Executive Director on 3 March 2020.

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

During the years ended 31 March 2021 and 2020, no Director waived any directors' emoluments.

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

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

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

(b) Five highest paid employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2020: two) were Directors whose emoluments are included in Note 12(a) above. The emoluments of the remaining three (2020: three) highest paid individuals during the year are as follows:

	2021 HK$'000	2020 HK$'000
Basic salaries, other allowances and benefits in kind	6,471	7,500
Bonus	769	4,025
Retirement benefit scheme contributions	39	54
Equity-settled share-based payment expenses	1,871	–
	9,150	11,579

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	**2021**	**2020**
HK$2,000,001 – HK$2,500,000	1	–
HK$2,500,001 – HK$3,000,000	1	1
HK$3,000,001 – HK$3,500,000	–	1
HK$4,000,001 – HK$4,500,000	1	–
HK$5,500,001 – HK$6,000,000	–	1
	3	3

13. DIVIDENDS

No dividend was paid or proposed by the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

14. (LOSS) EARNINGS PER SHARE

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

	2021 HK$'000	2020 HK$'000
(Loss) profit attributable to owners of the Company, as used in the calculation of basic (loss) earnings per share	(286,905)	1,441,938
Adjusted by:		
Changes in fair value on derivative component of convertible notes	N/A	(377,767)
Modification gain on convertible notes	N/A	(249,444)
Change in fair value of derivative financial instruments	N/A	(797,546)
Derecognition gain on convertible notes	N/A	(21,943)
Interest on convertible notes	N/A	644,190
(Loss) profit attributable to owners of the Company, as used in the calculation of diluted (loss) earnings per share	(286,905)	639,428

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (*Note (a)*)	188,126	188,126
Effect of dilutive potential ordinary shares *(Note (b) and (c))*:		
Convertible notes	N/A	4,076,225
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	188,126	4,264,351

Notes:

(a) *The number of shares for the purpose of calculating the basic and diluted earnings per share for the year ended 31 March 2020 have been adjusted to reflect the Capital Reorganisation as defined and set out in Note 32.*

(b) *The computation of diluted loss per share for the year ended 31 March 2021 did not assume the exercise of share options or the conversion of the Company's outstanding convertible notes since assuming the exercise of the share options or the conversion of the convertible notes would result in a decrease in loss per share.*

(c) *The computation of diluted earnings per share for the year ended 31 March 2020 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 2020.*

15. PROPERTY, PLANT AND EQUIPMENT

	Mining structures HK$'000	Mineral properties HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Plant, machinery and other equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST									
At 1 April 2019	729,793	12,951,700	4,552	11,726	8,255	9,574	319,760	95,042	14,130,402
Exchange adjustments	–	(5,789)	(32)	(91)	(100)	(66)	(12,308)	(1,128)	(19,514)
Additions	19,132	–	45,366	329	857	245	1,971	13,898	81,798
Written off	–	–	–	–	–	(8)	–	(825)	(833)
Reclassification between categories	4,767	–	(43,643)	–	264	5	38,607	–	–
Disposals	–	–	–	–	(135)	(22)	–	(563)	(720)
At 31 March 2020	753,692	12,945,911	6,243	11,964	9,141	9,728	348,030	106,424	14,191,133
Exchange adjustments	–	3,361	–	129	137	87	16,140	1,383	21,237
Additions	52,357	–	–	102	434	183	2,014	2,641	57,731
Reclassification between categories	3,134	–	(3,075)	–	–	–	(59)	–	–
Disposals	–	–	–	–	(46)	–	–	(3,347)	(3,393)
At 31 March 2021	809,183	12,949,272	3,168	12,195	9,666	9,998	366,125	107,101	14,266,708
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 April 2019	637,650	12,305,690	865	11,151	6,885	7,780	278,423	80,184	13,328,628
Exchange adjustments	–	(353)	–	(53)	(82)	(46)	(9,668)	(992)	(11,194)
Charge for the year	3,957	5,780	–	308	924	657	6,770	6,258	24,654
Reversal of impairment loss recognised in profit or loss	(23,888)	(486,039)	–	–	–	–	(11,642)	(870)	(522,439)
Written off	–	–	–	–	–	(4)	–	(825)	(829)
Disposals	–	–	–	–	(135)	(11)	–	(563)	(709)
At 31 March 2020	617,719	11,825,078	865	11,406	7,592	8,376	263,883	83,192	12,818,111
Exchange adjustments	–	100	–	94	115	63	11,685	1,171	13,228
Charge for the year	6,211	7,018	–	431	882	490	13,789	4,959	33,780
Reversal of impairment loss recognised in profit or loss	(43,744)	(925,859)	–	–	–	–	(20,906)	–	(990,509)
Disposals	–	–	–	–	(21)	–	–	(2,471)	(2,492)
At 31 March 2021	580,186	10,906,337	865	11,931	8,568	8,929	268,451	86,851	11,872,118
CARRYING VALUE									
At 31 March 2021	228,997	2,042,935	2,303	264	1,098	1,069	97,674	20,250	2,394,590
At 31 March 2020	135,973	1,120,833	5,378	558	1,549	1,352	84,147	23,232	1,373,022

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note:

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

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

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

16. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
At 31 March 2021			
Carrying amount	**2,794**	**5,261**	**8,055**
At 31 March 2020			
Carrying amount	1,585	8,254	9,839
For the year ended 31 March 2021			
Depreciation charge	**37**	**6,891**	**6,928**
For the year ended 31 March 2020			
Depreciation charge	19	5,316	5,335

	For the year ended 31 March	
	2021 HK$000	2020 HK$000
Expenses relating to short-term leases	204	1,218
Total cash outflow for leases	7,398	6,760
Additions to right-of-use assets	3,606	11,058

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

Restrictions or covenants on leases

In addition, lease liabilities of HK$5,109,000 are recognised with related right-of-use assets of HK$5,105,000 at 31 March 2021 (2020: lease liabilities of HK$8,225,000 and related right-of-use assets of HK$8,254,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. INTANGIBLE ASSETS

	Software (Note (a)) HK$'000	Exclusive right of use of paved road (Note (b)) HK$'000	Total HK$'000
COST			
At 1 April 2019	4,567	1,906,297	1,910,864
Additions	539	4,292	4,831
At 31 March 2020	5,106	1,910,589	1,915,695
Exchange adjustment	12	–	12
Additions	382	–	382
At 31 March 2021	5,500	1,910,589	1,916,089
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 April 2019	4,336	1,823,472	1,827,808
Charge for the year	322	3,160	3,482
Reversal of impairment loss recognised in profit or loss	–	(69,304)	(69,304)
At 31 March 2020	4,658	1,757,328	1,761,986
Exchange adjustment	1	–	1
Charge for the year	241	6,901	7,142
Reversal of impairment loss recognised in profit or loss	–	(132,185)	(132,185)
At 31 March 2021	4,900	1,632,044	1,636,944
CARRYING VALUE			
At 31 March 2021	600	278,545	279,145
At 31 March 2020	448	153,261	153,709

Notes:

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

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

In the year ended 31 March 2012, the Group had completed construction of 311 km of the road and the formal approval from the Mongolian government on the road commissioning was obtained. HK$1,906,297,000, representing 311 km of road construction costs, was transferred from development in progress as an exclusive right of use of paved road under intangible assets.

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

18. EXPLORATION AND EVALUATION ASSETS

	Mining and exploration rights (Note (a)) HK$'000	Others (Note (b)) HK$'000	Total HK$'000
At 1 April 2019	151	119	270
Addition	–	228	228
At 31 March 2020	151	347	498
Addition	–	764	764
At 31 March 2021	151	1,111	1,262

Notes:

(a) *Mining and exploration rights include (i) an iron ore exploration concession of around 2,983 hectares in Western Mongolia for ferrous resources; and (ii) a ternary metal exploration concession of around 10,884 hectares in Western Mongolia acquired during the year ended 31 March 2017.*

*This iron ore exploration concession has been affected by the MPL. Zvezdametrika LLC ("**Z LLC**"), an indirect wholly-owned subsidiary of the Company which owns the iron ore exploration concession, received a notice from the MRPAM during the year ended 31 March 2010 about the potential revocation of its exploration concession under the MPL and Z LLC was requested to submit the estimated compensation for termination of licences with supporting documents. After taking legal advice from the Group's Mongolian legal advisers, the Group decided not to respond to the MRPAM's request. The Group's legal advisers confirmed their interpretation of the relevant legislation that following determination and removal of any overlap with prohibited areas and making revisions to the coordinates of the licensed area, the mineral licence will remain valid less the overlapping areas. The Group is not currently operating within what it considers to be the overlapping areas.*

During the year ended 31 March 2015, the condition of the iron ore market in China became considerably more unfavourable due to the significant drop in iron ore prices and the continuing fall in demand. In view of the then and present market sentiment, the development and production costs are expected to be high which will be unlikely to achieve a positive return for the Group. Further, there is no guarantee that the exploration and the ongoing development of the iron mine could turn the existing exploration licence to mining licence and would require additional capital by the Group and increase the Group's financial pressure in addition to the need for its coal mining business. Based on the aforesaid, management is of the view that it is not in the Group's interest to develop and retain the iron mine and has decided to concentrate the Group's resources on the re-commencement of commercial production of the Khushuut Coal Mine. In view of the then pessimistic business outlook of the iron ore industry and the significant capital investment required to develop the iron ore concession, management of the Group is of the opinion that it is unlikely to identify a potential purchaser to acquire the iron ore concession in its current condition (also taking into account the uncertainties of the application of the MPL to the concession), before the exploration licence expires in October 2020.

Also, based on the research performed by management during the year ended 31 March 2015, minimal transactions in the market in Mongolia for iron ore concessions were recorded due to the fact that current market conditions are making investment in smaller iron ore concessions uneconomical (in particular those in more remote regions without established infrastructure). Management therefore determined that the recoverable amount of this iron ore exploration concession, if any, was likely to be minimal and decided that the entire carrying amount was impaired during the year ended 31 March 2015.

The Group returned the iron ore license to government during the year ended 31 March 2021.

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

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

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

	2021 HK$'000	2020 HK$'000
Cost of an associate		
Unlisted shares, at cost	2,839	2,839
Share of results	(2,839)	(2,839)
	–	–
Amount due from an associate	10,979	10,970
Impairment losses	(10,979)	(10,970)
	–	–

Details of the associate at 31 March 2021 and 2020 are as follows:

Name	Place of incorporation	Principal place of operation	Particulars of issued share capital	Interest held 2021	Interest held 2020	Principal activity
Profit Billion International Private Limited ("**Profit Billion**")	Singapore	Singapore	10 shares of S$1.00 each	20%	20%	Investment holding

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

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

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

Aggregate information of an associate that is not individually material

	2021 HK$'000	2020 HK$'000
(Loss) profit for the year	(5)	48
Other comprehensive income for the year	–	–
Total comprehensive (expense) income for the year	(5)	48
The Group's share of (loss) profit	–	–
Aggregate carrying amount of the Group's interest in this associate	–	–

The Group has discontinued recognition of its share of losses of an associate. The amounts of unrecognised share of losses of this associate as at year ended 31 March 2021, extracted from the relevant management accounts of an associate, both for the year and cumulatively, are as follows:

	2021 HK$'000	2020 HK$'000
Unrecognised share of (loss) profit of an associate for the year	(1)	10
Cumulative unrecognised share of losses of an associate	4,430	4,429

20. TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables and accrued income *(Note)*	170,511	23,892
Bills receivables	104,324	97,135
	274,835	121,027
Less: allowance for credit losses	(466)	(662)
	274,369	120,365

Note:

Income was accrued on the basis that coals are delivered to and accepted by the customer. Invoice will be issued within 3 months.

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

As at 1 April 2019, trade receivable from contracts with customers amounted to HK$66,469,000.

20. TRADE AND BILLS RECEIVABLES (Continued)

The following is an aged analysis of trade receivables and accrued income and bills receivables net of allowance for credit losses:

	2021 HK$'000	2020 HK$'000
1-30 days	226,011	35,916
31-60 days	24,688	318
61-90 days	2,471	39,181
Over 90 days	21,199	44,950
	274,369	120,365

Details of impairment assessment of trade and bills receivables for the year ended 31 March 2021 are set out in Note 38(b).

21. INVENTORIES

	2021 HK$'000	2020 HK$'000
Coal	192,922	232,844
Materials and supplies	15,435	8,521
	208,357	241,365

22. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021 HK$'000	2020 HK$'000
Other receivables	15,380	6,835
Prepayments	6,950	7,737
Deposits	3,722	1,908
Input value added tax	129,803	106,193
Others	58	60
	155,913	122,733

Details of impairment assessment of other receivables for the year ended 31 March 2021 are set out in Note 38(b).

23. FINANCIAL ASSET AT FVTPL

	2021 HK$'000	2020 HK$'000
Equity security of company listed in Hong Kong	50,752	51,597

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

24. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Bank balances and cash	57,577	61,782

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

Details of impairment assessment of cash and cash equivalents for the year ended 31 March 2021 are set out in Note 38(b).

25. TRADE PAYABLES

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

	2021 HK$'000	2020 HK$'000
0 to 30 days	85,161	43,437
31 to 60 days	22,893	29,968
61 to 90 days	4,877	21,414
Over 90 days	60,930	79,788
	173,861	174,607

26. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Other payables	44,406	44,162
Accrued staff costs	7,260	17,763
Balance payment for Khushuut road and iron ore exploration *(Note)*	35,958	74,958
Other tax payables	11,589	1,424
	99,213	138,307

Note:

The amount represents the retainage of road paving whose length is 311.2km and the balance payment for acquisition of an iron ore exploration right in 2009.

27. LEASE LIABILITIES

Maturity analysis:

	2021 HK$'000	2020 HK$'000
Within one year	2,939	6,110
Within a period more than one year but not more than two years	2,305	1,275
Within a period more than two years but not more than five years	31	840
	5,275	8,225
Less: amount due for settlement with 12 months shown under current liabilities	(2,939)	(6,110)
	2,336	2,115

	2021 HK$'000	2020 HK$'000
Lease liabilities:		
Current	2,939	6,110
Non-current	2,336	2,115
	5,275	8,225

The weighted average incremental borrowing rates applied to lease liabilities range from 4.25% to 11% (2020: 4.55% to 11%).

28. BORROWINGS

	2021 HK$'000	2020 HK$'000
Unsecured – at amortised cost		
Advances from a Director *(Note)*	1,811,276	1,709,372
Convertible notes *(Note 29(a))*	1,819,171	1,493,058
Loan note *(Note 29(b))*	316,613	258,725
	3,947,060	3,461,155
Analysed for reporting purposes as:		
Current liabilities	1,811,276	1,709,372
Non-current liabilities	2,135,784	1,751,783
	3,947,060	3,461,155

28. BORROWINGS (Continued)

Reconciliation liabilities arising from financing activities

	Advances from a Director HK$'000 (Note)	Convertible notes HK$'000	Loan note HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2019	1,811,728	3,546,316	–	2,553	5,360,597
Issuance of convertible notes	–	1,473,848	–	–	1,473,848
Financing cash flows	(240,193)	(859)	–	(5,542)	(246,594)
Interest charge *(Note 9)*	137,837	644,190	18,085	567	800,679
Modification gain	–	(249,444)	–	–	(249,444)
Inception of leases	–	–	–	10,647	10,647
Derecognition of the 3% ZV Convertible Note *(Note 29(b))*	–	(574,860)	240,640	–	(334,220)
Derecognition of the 3% GI and 3% CTF Convertible Notes	–	(3,346,133)	–	–	(3,346,133)
At 31 March 2020	1,709,372	1,493,058	258,725	8,225	3,469,380
Financing cash flows	(38,878)	–	–	(7,194)	(46,072)
Interest charge *(Note 9)*	140,782	326,113	57,888	346	525,129
Inception of leases	–	–	–	3,606	3,606
Foreign exchange translation	–	–	–	292	292
At 31 March 2021	1,811,276	1,819,171	316,613	5,275	3,952,335

Note:

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 does not intend to demand repayment until the Company has sufficient cash to make repayment. The interest expense is charged at the Hong Kong Dollar Prime Rate plus 3% per annum for both years.

29. 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		Derivative component		Total	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
At beginning of the year	1,493,058	3,546,316	675,110	81	2,168,168	3,546,397
Issuance of convertible notes	–	1,473,848	–	1,052,796	–	2,526,644
Modification gain on the GI and CTF Convertible Notes	–	(249,444)	–	–	–	(249,444)
Interest charge	326,113	644,190	–	–	326,113	644,190
Transaction costs on issuance of convertible notes	–	(859)	–	–	–	(859)
Changes in fair value of derivative component	–	–	1,070,118	(377,767)	1,070,118	(377,767)
Derecognition of the 3% ZV Convertible Note *(Note 29(b))*	–	(574,860)	–	–	–	(574,860)
Derecognition of the 3% CTF and 3% GI Convertible Notes	–	(3,346,133)	–	–	–	(3,346,133)
At end of the year	1,819,171	1,493,058	1,745,228	675,110	3,564,399	2,168,168

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 21 November 2019, the Company entered into standstill agreements with CTF and Golden Infinity respectively to extend the time of repayment of all amounts outstanding under the 3% GI Convertible Note and 3% CTF Convertible Note from 21 November 2019 to 21 May 2020. The conversion options expired on 21 November 2019. A modification gain of HK$249,444,000 was recognised in profit or loss in relation to this non-substantial convertible notes modification.

On 28 November 2019, the Company entered into subscription agreements with CTF and Golden Infinity, which conditionally agreed to subscribe for the new 5-year 3% convertible notes subject to the fulfilment of certain conditions. The new convertible notes would have an aggregate principal amount equal to the outstanding principal amount plus accrued interest under the 3% GI Convertible Note and the 3% CTF Convertible Note as at the issue date of the new convertible notes.

29. CONVERTIBLE NOTES AND LOAN NOTE (Continued)

(a) Convertible notes (Continued)

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

CTF and Golden Infinity Convertible Notes (Continued)

Details of the subscriptions are set out in the announcement issued by the Company on 28 November 2019.

On 6 March 2020, the Company issued convertible notes with a principal of HK$2,809,671,052 and HK$628,387,371 to CTF and Golden Infinity respectively (the "**2020 Convertible Notes**"). The commitment by the Group to issue, and by the 2020 Convertible Notes holders to subscribe for, the 2020 Convertible Notes was accounted for as a derivative from 28 November 2019 to 6 March 2020 with a cumulative fair value gain of HK$797,546,000 recognised in profit or loss during the year ended 31 March 2020.

The standstill agreements with CTF and Golden Infinity expired on 6 March 2020. The 3% GI Convertible Note, the 3% CTF Convertible Note as well as the aforementioned derivative to issue the 2020 Convertible Notes were derecognised on the same date, resulting in a derecognition gain of HK$21,943,000 recognised in profit or loss. No cash flows resulted from this transaction other than the payment of transaction costs amounting to HK$859,000 during the year ended 31 March 2020.

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

The 2020 Convertible Notes contain two components, a debt component and a derivative component with a conversion option derivative of the holders and a prepayment option derivative of the issuer. The effective interest rate of the debt component is 21.82%. The conversion option derivative held by the holders is measured at fair value with changes in fair value recognised in profit or loss as the conversion options does not meet the fixed-for-fixed criteria. Furthermore, the Company may at any time before the maturity date by written notices to the holders, redeem the principal amount of 2020 Convertible Notes (in whole or in part) with accrued interest. The fair value of the prepayment option held by the Group was immaterial as at 6 March 2020, 31 March 2020 and 31 March 2021.

29. CONVERTIBLE NOTES AND LOAN NOTE (Continued)

(a) Convertible notes (Continued)

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

CTF and Golden Infinity Convertible Notes (Continued)

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

	6 March 2020	**31 March 2020**	**31 March 2021**
Stock price	HK$0.63	HK$0.44	**HK$1.12**
Exercise price	HK$1.2	HK$1.2	**HK$1.2**
Volatility *(Note (i))*	71.98%	74.19%	**71.97%**
Dividend yield	0%	0%	**0%**
Option life *(Note (ii))*	5 years	4.93 years	**3.93 years**
Risk free rate	0.67%	0.57%	**0.56%**

Notes:

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

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

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

No conversion was made during both years.

3% ZV Convertible Notes

Details of 3% ZV Convertible Notes are set out in Note 29(b).

2014 Convertible Notes with maturity date 21 November 2019

In prior years, the Company issued HK$200 million 5% convertible note to Golden Infinity (the "**5% GI Convertible Note**"), HK$200 million 5% convertible note to CTF (the "**5% CTF Convertible Note**"), HK$2 billion 3% convertible note to CTF (the "**3% CTF Convertible Note**") and HK$466.8 million 3.5% convertible notes to other parties (the "**3.5% OZ Convertible Note**").

On 19 September 2014, the Company entered into the subscription agreements with CTF, Golden Infinity and the holders of the 3.5% OZ Convertible Note, who conditionally agreed to subscribe for new 5-year 3% convertible notes at the subscription price which would be used for full settlement of the outstanding principal amount and accrued interest of the 5% GI Convertible Note, the 3% CTF Convertible Note, the 3.5% OZ Convertible Note and the 5% CTF Convertible Note.

29. CONVERTIBLE NOTES AND LOAN NOTE (Continued)

(a) Convertible notes (Continued)

2014 Convertible Notes with maturity date 21 November 2019 (Continued)

On 21 November 2014, the Company issued convertible notes at HK$2,424,822,000, HK$542,315,000 and HK$499,878,000 to CTF, Golden Infinity and the holders of the 3.5% OZ Convertible Note respectively (the "**2014 Convertible Notes**"). The 5% GI Convertible Note, 5% CTF Convertible Note, 3% CTF Convertible Note and 3.5% OZ Convertible Note were derecognised on the same date.

The 2014 Convertible Notes with principal amount of HK$3,467,015,000 has a maturity period of five years from the issue date to 21 November 2019. They could be converted into 1 ordinary share of the Company of HK$0.02 each for every HK$0.87 (adjusted) at the holders' option at any time between the issue date and the maturity date. The outstanding principal amount would be redeemed at par value on the maturity date or at the issuer's option redeemed at par plus outstanding coupon payment at any time between the issue date and the maturity date. Interest of 3% per annum will be paid in arrears on the maturity date.

The 2014 Convertible Notes contained two components, a debt component and a derivative component with a conversion option derivative of the holders and a callable option derivative of the issuer. The effective interest rate of the debt component is 19.96%. The derivative component with a conversion option derivative of the holders was measured at fair value with changes in fair value recognised in profit or loss as the conversion options does not meet the fixed-for-fixed criteria. Furthermore, the Company may at any time before the maturity date by written notices to the holders, redeem the principal amount of 2014 Convertible Notes (in whole or in part) with accrued interest. The fair value of the derivative component with a callable option derivative considered was immaterial as at 31 March 2019.

(b) Loan note

The 3% ZV Convertible Note matured on 21 November 2019. On 21 November 2019, Mr. Lo took up the full amount owing to the 3% ZV Convertible Note holder through Ruby Pioneer Limited ("**Ruby Pioneer**"). Ruby Pioneer is a wholly-owned company of Mr. Lo as at 21 November 2019. Immediately after the aforesaid taking up, the Company and Ruby Pioneer entered into a standstill agreement pursuant to which Ruby Pioneer agreed to extend the note for five years from 21 November 2019 to 21 November 2024 at coupon rate of 3% per annum ("**RP Note**"). This transaction is accounted for as an extinguishment of the 3% ZV Convertible Note and the recognition of the new loan note to Ruby Pioneer. The new loan note is unsecured and has an effective interest rate of 22.37%. A derecognition gain of HK$334,220,000 was recognised directly in equity as a deemed capital contribution from Mr. Lo as at 31 March 2020. No cash flows resulted from this transaction for the year ended 31 March 2020.

30. DEFERRED INCOME

	2021 HK$'000	2020 HK$'000
At beginning of the year	7,505	8,836
Granted *(Note)*	5,422	2,427
Credited to profit or loss	(6,395)	(3,209)
Exchange adjustment	581	(549)
At end of the year	7,113	7,505
Analysed for reporting purposes as:		
Current liabilities	1,648	1,469
Non-current liabilities	5,465	6,036
	7,113	7,505

Notes:

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

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

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

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

For the year ended 31 March 2020, a grant of HK$2,427,000 was received for the foreign trade development, construction of warehouse and stabilizing employment.

31. DEFERRED TAXATION

The following are the major deferred tax asset and liability recognised and movements thereon during the current year.

	Tax losses HK$'000	Undistributed profits of a subsidiary HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 April 2019	24,178	–	(7,737)	16,441
Charged to profit or loss	(20,038)	(3,982)	(17,106)	(41,126)
Exchange adjustments	(641)	100	744	203
At 31 March 2020	3,499	(3,882)	(24,099)	(24,482)
Credited to profit or loss	1,799	–	1,467	3,266
Exchange adjustments	349	(318)	616	647
At 31 March 2021	5,647	(4,200)	(22,016)	(20,569)

Deferred income 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. At 31 March 2021, estimated tax losses of the Group not utilised amounted to HK$84,618,000 (2020: HK$60,968,000). Deferred tax asset of HK$5,647,000 (2020: HK$3,499,000) has been recognised in respect of tax losses of HK$37,646,000 (2020: HK$13,996,000). No deferred tax assets has been recognised in respect of the remaining HK$46,972,000 (2020: HK$46,972,000) as it is uncertain as to whether there will be sufficient future taxable profits to utilise these tax losses. Except for tax losses of HK$37,646,000 (2020: HK$13,996,000) expiring within 5 years (2020: 5 years), the remaining balances have no expiry date.

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.

32. SHARE CAPITAL

Authorised and issued share capital

	2021 HK$'000	2020 HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.02 each	300,000	300,000

	Number of ordinary shares at HK$0.02 each	Amount HK$'000
Issued and fully paid:		
At 1 April 2019	1,881,258,499	37,625
Share consolidation and Capital Reduction *(Notes (a) and (b))*	(1,693,132,650)	(33,862)
At 31 March 2020 and 31 March 2021	188,125,849	3,763

32. SHARE CAPITAL (Continued)

Authorised and issued share capital (Continued)

Notes:

*The Company completed the capital reorganisation (the "**Capital Reorganisation**") on 6 March 2020. It was approved by the shareholders at the special general meeting held on 2 March 2020 and details are as follows:*

*(a) The Company's share of every ten issued existing shares of par value of HK$0.02 each were consolidated into one consolidated share of par value of HK$0.2 each (the "**Consolidated Share**"), 1,693,133,000 shares were reduced;*

*(b) The par value of each issued Consolidated Share was reduced from HK$0.2 to HK$0.02 by cancelling the paid-up capital to the extent of HK$0.18 on each issued Consolidated Share ("**Capital Reduction**") and the credit arising from the Capital Reduction amounted to HK$33,862,000 was transferred to contributed surplus account of the Company;*

*(c) The share premium of the Company amounting to HK$51,463,000 was cancelled ("**Share Premium Reduction**") and was transferred to contributed surplus account of the Company; and*

(d) The application of the contributed surplus account of the Company to set off the accumulated losses of the Company amounted to HK$3,537,218,000 as permitted by the Companies Act 1981 of Bermuda (as amended) and the By-Laws.

33. SHARE-BASED PAYMENT

Equity-settled share option scheme

Under the share option schemes adopted by the Company on 30 August 2012 (the "**Share Option Scheme**"), options were granted to certain Directors, employees and consultants of the Group entitling them to subscribe for shares of the Company. Options may be exercised at any time from the date of grant of the share options.

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

The number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme as at 31 March 2021 was 30,500,000 (2020: 18,600,000), representing 16.2% (2020: 9.9%) of the shares of the Company as at 31 March 2021.

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

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

The Group recognised total expense of HK$12,300,000 (2020: Nil) for the year ended 31 March 2021 in relation to share options under the Share Option Scheme granted by the Company.

As the fair value of the services cannot be estimated reliability, the Binominal Valuation Model has been used to estimate the fair value of the options.

33. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme (Continued)

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

2021

			Number of options			
Grant date	Exercise price (HK$)	Exercisable period	Outstanding at 1 April 2020	Granted during the year *(Note)*	Lapsed during the year *(Note)*	Outstanding at 31 March 2021
9 September 2015	2.510	09-09-2015 to 08-09-2020	4,600,000	–	(4,600,000)	–
1 September 2017	2.260	01-09-2017 to 31-08-2022	14,000,000	–	–	14,000,000
18 January 2021	1.310	18-01-2021 to 17-01-2026	–	16,500,000	–	16,500,000
			18,600,000	16,500,000	(4,600,000)	30,500,000
Exercisable at 31 March 2021						30,500,000
Weighted average exercise price (HK$)			2.322	1.130	2.510	1.746

2020

			Number of options			
Grant date	Exercise price (HK$)	Exercisable period	Outstanding at 1 April 2019	Lapsed during the year *(Note)*	Adjusted for capital reorganisation *(Note)*	Outstanding at 31 March 2020
9 September 2015	2.510	09-09-2015 to 08-09-2020	47,000,000	(1,000,000)	(41,400,000)	4,600,000
1 September 2017	2.260	01-09-2017 to 31-08-2022	143,000,000	(3,000,000)	(126,000,000)	14,000,000
			190,000,000	(4,000,000)	(167,400,000)	18,600,000
Exercisable at 31 March 2021						18,600,000
Weighted average exercise price (HK$)			0.232	0.232	2.090	2.322

Note:

The exercise price and number of shares subject to share options were adjusted for the Capital Reorganisation of the Company and became effective as 6 March 2020.

No share options were exercised during the year (2020: Nil).

During the year ended 31 March 2021, options were granted on 18 January 2021. The estimated fair value of the options granted on that date are HK$12,300,000.

33. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme (Continued)

There fair values were calculated using the Binomial model. The inputs into the model were as follows:

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

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

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

34. CAPITAL COMMITMENTS

As at 31 March 2021, the Group had capital commitments contracted for but not provided in the consolidated financial statements amounting to HK$43,039,000 (2020: HK$35,518,000). These commitments are for the following projects:

	2021 HK$'000	2020 HK$'000
Construction of new stockpile area	–	916
Other exploration related commitments	1,296	1,236
Purchase of property, plant and equipment	8,279	1,147
Road improvement and drilling equipment transport	11,968	11,968
Wash plant	21,260	19,650
Others	236	601
	43,039	35,518

35. CONTINGENT LIABILITIES

During the year ended 31 March 2013, the Company and MoEnCo disputed the services provided and the amount charged by the former mining contractor and accordingly, refused to settle the contractor fees as claimed by the former mining contractor.

The former mining contractor issued two writs of summons on 14 February 2013 and 30 May 2013 claiming for the total sum of approximately HK$93.7 million. In May 2015, the former mining contractor applied to Court to amend its statements of claim under the two writs by amending, among others, (i) the currency of the claims from Mongolian Tugrik to United States dollars; and (ii) the amount of the claims to include the alleged contractor's fees up to October 2014. According to amended statement of claims, total claims under two writs were at approximately HK$198.9 million. The two actions were subsequently consolidated and the amount claimed has been reduced to approximately HK$105.6 million and approximately HK$50.0 million was provided for in the consolidated financial statements as at 31 March 2021 (2020: HK$50.0 million). Based on the opinion provided by legal counsel of the Company, the Directors consider that the payment of the remaining balance is not probable.

36. RELATED PARTY TRANSACTIONS

(a) Advances from Mr. Lo

	2021 HK$'000	2020 HK$'000
Balance of advances *(Note 28)*	1,811,276	1,709,372
Effective interest charge for the year *(Note 28)*	140,782	137,837

(b) Convertible note payable to and interest charge on convertible note by a related party – Golden Infinity

	2021 HK$'000	2020 HK$'000
Convertible note	651,264	396,015
Interest charge on convertible note for the year *(Note (ii))*	18,762	16,440

Notes:

(i) Mr. Lo has a controlling interest in Golden Infinity. Details of the convertible note held by Golden Infinity are set out in Note 29(a).

(ii) Amount represents nominal interest charge on convertible note. The effective interest expense on convertible note for the year is approximately HK$59,574,000 (2020: HK$106,130,000).

36. RELATED PARTY TRANSACTIONS (Continued)

(c) Loan note by a related party – Ruby Pioneer

	2021 HK$'000	2020 HK$'000
Loan note	316,613	258,725
Interest charge on loan note for the year *(Note (ii))*	17,246	6,190

Notes:

(i) *Mr. Lo and Mr. Lo, Rex Cze Kei are the directors of Ruby Pioneer. Details of the loan note by Ruby Pioneer are set out in Note 29(b).*

(ii) *Amount represents nominal interest charge on loan note. The effective interest expense on loan note for the year is approximately HK$57,888,000 (2020: HK$18,085,000).*

(d) Transactions with related party

Nature of transactions	2021 HK$'000	2020 HK$'000
Reimbursement of sharing of administrative services from a related party *(Notes (i) and (ii))*	7,213	6,879

Notes:

(i) *Mr. Lo is one of the directors of the related party.*

(ii) *On 10 July 2015, the Group entered into a share of administrative service agreement with a related party. The service is charged at cost basis. The Group further renewed the contract with the related party on 24 June 2020 and extended the agreement for a period of 1 year.*

(e) Balance with related parties

	2021 HK$'000	2020 HK$'000
Rental deposits paid to related parties *(Note (i))*	437	441
Lease liabilities *(Notes (i) and (ii))*	4,555	4,675
Balance of sharing of administrative services from a related party *(Notes (i) and (iii))*	13,539	6,326

Notes:

(i) *Mr. Lo is one of the directors or the sole director of the related party.*

(ii) *During the year ended 31 March 2021 and 2020, the Group entered new lease agreement for the use of the properties with the related company for 2 years. The Group has recognised an addition of right-of-use assets and lease liabilities of HK$516,000 and HK$516,000 respectively (2020: addition of right-of-use assets and lease liabilities of HK$8,240,000 and HK$7,898,000 respectively).*

(iii) *Included in other receivables are balance with a related party which represents the reimbursement of sharing of administrative service from a related party, amounting HK$13,539,000 (2020:HK$6,326,000). The balances are non-trade nature, unsecured, interest-free and repayable on demand.*

36. RELATED PARTY TRANSACTIONS (Continued)

(f) Key management compensation

The remuneration of Directors, represented key management of the Group, during the year was as follows:

	2021 HK$'000	2020 HK$'000
Basic salaries, other allowances and benefits in kind	14,580	18,426
Retirement benefit scheme contributions	72	56
Equity-settled share-based payment expense	7,018	–
	21,670	18,482

Note:

During the year ended 31 March 2021, 8,600,000 share options were granted to the Directors. Options granted were immediately vested at the date of grant (2020: Nil).

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which includes advances from a Director disclosed in Note 28, convertible notes disclosed in Note 29(a) and loan note disclosed in Note 29(b), net of cash and cash equivalents and equity of the Group, comprising share capital and reserves.

Management of the Group reviews the capital structure regularly, taking into account the cost and risk associated with the capital. The Group will balance its capital structure through new shares issues, the issue of new debt or the redemption of the existing debts.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at amortised cost	348,144	189,813
Financial asset at FVTPL	50,752	51,597
Financial liabilities		
Measured at amortised cost	4,201,285	3,771,807
Embedded derivative component of convertible notes	1,745,228	675,110

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and bills receivables, other receivables and deposits, financial asset at FVTPL, amount due from an associate, cash and cash equivalents, trade payables, other payables, advances from a Director, convertible notes and loan note. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in Hong Kong, the PRC and Mongolia. The exposure to foreign currency risk mainly arises from trade and bills receivables, other receivables, amount due from an associate, cash and cash equivalents, trade payables, other payables, advances from a Director, convertible notes and loan note denominated in currencies other than functional currency of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
HK$	5,697,565	4,165,612	2,794	5,718
Renminbi ("**RMB**")	21,583	21,358	60,743	156
MNT	61,953	32,412	8,053	5,706

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The currency risk on HK$ is insignificant as the HK$ is pegged with the US$.

The Group is mainly exposed to the currencies of RMB and MNT against US$, the functional currency of relevant group entities.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in US$ against the relevant foreign currencies. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A positive/negative number below indicates a decrease/increase in post-tax profit or an increase/decrease in post-tax loss where US$ weakening 5% (2020: 5%) against RMB and MNT respectively. For a 5% (2020: 5%) strengthening of US$ against RMB and MNT respectively, there would be an equal and opposite impact on the profit/loss, vice versa.

	RMB		MNT	
	2021 HK$'000	**2020 HK$'000**	**2021 HK$'000**	**2020 HK$'000**
Increase in (loss) profit for the year *(Note)*	**(1,958)**	1,060	**2,695**	1,335

Note:

This is mainly attributable to the exposure from outstanding trade and other receivables, cash and cash equivalents and trade and other payables denominated in RMB and MNT at the end of the reporting period.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities, convertible notes (see Note 29(a)) and loan note (see Note 29(b)). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 24) and advances from a Director (see Note 28).

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's cash flow interest rate risk is mainly due to the Hong Kong Prime Rate in relation to advances from a Director.

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The Group's interest rate risk arises principally from advances from a Director as the effect on bank balances is considered not significant. The sensitivity analysis below has been prepared assuming that the change in interest rate had occurred at the end of the respective reporting period and had been applied to the exposure to interest rate risk for the existence of advances from a Director at that date and outstanding for the whole year. The 50 basis points represent the best estimation of the possible change in the interest rates over the period until the end of the next reporting period.

As at 31 March 2021, if interest rates had decreased/increased by 50 basis points and all other variables were held constant, the Group's loss/profit for the year would decrease/increase by HK$4,815,000 (2020: HK$4,816,000). The Group has no other significant interest rate risk.

(iii) Other price risk

a. *Price risk on equity securities*

The Group is exposed to equity price risk through its investment in listed equity security classified as financial asset at FVTPL. Management regularly reviews the expected returns from holding these investments on an individual basis.

The Group's equity price risk is mainly concentrated on an entity operating in the network security industry.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period for financial asset at FVTPL.

If the listed share prices of the respective equity instruments had been 5% higher/lower, the loss/profit for the year ended 31 March 2021 would decrease/increase by HK$2,538,000 (2020: HK$2,580,000) as a result of the changes in fair value on financial asset at FVTPL.

b. *Price risk on embedded derivatives components of the convertible notes (defined in Note 29(a))*

For the year ended 31 March 2021, the Company is required to estimate the fair value of the derivative component of the convertible notes, including conversion options, with changes in fair value to be recognised in the consolidated statement of profit or loss as long as the convertible notes are outstanding. The fair value will be affected either positively or negatively, amongst others, by the changes in the Company's share price, share price volatility and risk free rate.

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

b. *Price risk on embedded derivatives components of the convertible notes (defined in Note 29(a)) (Continued)*

Sensitivity analysis

If the listed share price of the Company had been 5% higher/lower and all other input variables of the valuation model were held constant, the Group's loss for the year would increase by HK$111,278,000 (2020: profit would decrease by HK$36,318,000)/decrease by HK$101,023,000 (2020: profit would increase by HK$46,586,000), as a result of changes in fair value of the derivative component of the convertible notes.

If the volatility of listed share prices of the Company had been 5% higher/lower and all other input variables of the valuation model were held constant, the Group's loss for the year would increase by HK$56,780,000 (2020: profit would decrease by HK$18,235,000)/increase by HK$58,035,000 (2020: profit would increase by HK$34,326,000), as a result of changes in fair value of the derivative component of the convertible notes.

In management's opinion, the sensitivity analyses above are unrepresentative of the inherent price risk as the pricing model used in the valuation of these embedded derivatives involves multiple variables and certain variables are interdependent.

Credit risk and impairment assessment

As at 31 March 2021, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties was arising from the carrying amounts of the trade and bills receivables, other receivables, amount due from an associate and cash and cash equivalents as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade and other receivables by reviewing the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group measures the loss allowance on bank balances equal to 12m ECL. The credit risk on bank balances is limited because most of the cash and deposits are placed with reputable banks with high external credit rating assigned by an international credit-rating agency or state-owned banks in the PRC.

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

2021	*Notes*	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Amount due from an associate	*19*	*(Note (i))*	Lifetime ECL (credit impaired)	10,979
Other receivables	*22*	*(Note (i))*	12m ECL (not credit impaired)	15,380
			Lifetime ECL (credit-impaired)	1,846
				17,226
Bills receivables	*20*	*(Note (ii))*	12m ECL (not credit impaired)	104,324
Trade receivables and accrued income	*20*	*(Note (iii))* Low risk	Lifetime ECL (not credit impaired)	170,511
Bank balances	*24*	*(Note (iv))*	12m ECL (not credit impaired)	57,362

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

2020	*Notes*	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Amount due from an associate	19	*(Note (i))*	Lifetime ECL (credit impaired)	10,970
Other receivables	22	*(Note (i))*	12m ECL (not credit impaired)	6,835
			Lifetime ECL (credit-impaired)	1,846
				8,681
Bills receivables	20	*(Note (ii))*	12m ECL (not credit impaired)	97,135
Trade receivables and accrued income	20	*(Note (iii))* Low risk	Lifetime ECL (not credit impaired)	23,892
Bank balances	24	*(Note (iv))*	12m ECL (not credit impaired)	61,270

Notes:

(i) *For the purposes of internal credit risk management, the Group uses historical repayment records to assess whether credit risk has increased significantly since initial recognition for amount due from an associate and other receivables.*

	Not yet past due HK$'000	*No fixed repayment terms HK$'000*	*Total HK$'000*
2021			
Amount due from an associate	*–*	*10,979*	*10,979*
Other receivables	*15,380*	*1,846*	*17,226*
	15,380	*12,825*	*28,205*

	Not yet past due HK$'000	*No fixed repayment terms HK$'000*	*Total HK$'000*
2020			
Amount due from an associate	*–*	*10,970*	*10,970*
Other receivables	*6,835*	*1,846*	*8,681*
	6,835	*12,816*	*19,651*

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

(ii) For bills receivables, the Group measures the loss allowance individually with reference to external credit ratings of the issuing counterparties which are banks in the PRC.

(iii) For trade receivables and accrued income, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items individually.

(iv) The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For the year ended 31 March 2021 and 2020, the Group has assessed the impairment of bank balances and has concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for credit losses is provided.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and accrued income under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
At 1 April 2019	78
Reversal of Impairment losses recognised	(68)
Exchange adjustments	(1)
At 31 March 2020	9
Impairment losses recognised	238
Exchange adjustments	7
At 31 March 2021	254

The following table show reconciliation of loss allowances that has been recognised for bills receivables, amount due from an associate and other receivables.

	Bills receivables 12m ECL (not credit-impaired) HK$'000	Amount due from an associate Lifetime ECL (credit-impaired) HK$'000	Other receivables Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2019	2,225	10,966	1,651	14,842
(Reversal of impairment loss) impairment losses recognised, net	(1,466)	4	195	(1,267)
Exchange adjustments	(106)	–	–	(106)
At 31 March 2020	653	10,970	1,846	13,469
(Reversal of impairment loss) impairment losses recognised, net	(477)	9	–	(468)
Exchange adjustments	36	–	–	36
At 31 March 2021	212	10,979	1,846	13,037

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other than concentration risk on liquid funds which are deposited with banks that have good credit ratings, the Group has concentration of credit risk as 62% (2020: 63%) of the total trade and bills receivables was due from the Group's largest customer within the coal mining segment.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings. The amount of net current liabilities is HK$1,383,257,000 (2020: HK$1,432,654,000).

As at 31 March 2021, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future as Mr. Lo has provided facilities amounting to HK$1,900.0 million available for advances to the Group. Advances from a Director of HK$1,811.3 million under these facilities as at 31 March 2021 comprised principal amount and accrued interest of HK$963.1 million and 848.2 million respectively. The balance of the unutilised facilities of HK$936.9 million remained valid until 31 March 2023 to meet the Group's future funding needs. Mr. Lo does not intend to demand repayment until the Company has sufficient cash to make repayment.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal of cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

2021

	Weighted average effective interest rate	Less than 1 month or repayable on demand HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2021 HK$'000
Trade payables *(Note 25)*	–	173,861	–	–	–	173,861	173,861
Other payables *(Note 26)*	–	50,689	5,205	24,128	342	80,364	80,364
Advances from a Director – floating rate *(Note 28)*	8%	1,811,276	–	–	–	1,811,276	1,811,276
Convertible notes (debt component)							
– fixed rate *(Note 29(a))*	21.82%	–	–	–	3,954,050	3,954,050	1,819,171
Loan note *(Note 29(b))*	22.37%	–	–	–	661,183	661,183	316,613
Lease liabilities	6.62%	580	675	1,774	2,389	5,418	5,275
		2,036,406	5,880	25,902	4,617,964	6,686,152	4,206,560

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

2020

	Weighted average effective interest rate	Less than 1 month or repayable on demand HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2020 HK$'000
Trade payables *(Note 25)*	–	174,607	–	–	–	174,607	174,607
Other payables *(Note 26)*	–	92,093	17,580	26,030	342	136,045	136,045
Advances from a Director – floating rate *(Note 28)*	8%	1,709,372	–	–	–	1,709,372	1,709,372
Convertible notes (debt component)							
– fixed rate *(Note 29(a))*	21.82%	–	–	–	3,954,050	3,954,050	1,493,058
Loan note *(Note 29(b))*	22.37%	–	–	–	661,183	661,183	258,725
Lease liabilities	5.3%	553	1,753	4,672	1,569	8,547	8,225
		1,976,625	19,333	30,702	4,617,144	6,643,804	3,780,032

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Fair value measurements and valuation processes

The Executive Directors are responsible for determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Executive Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Executive Directors review the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed above.

38. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Fair value measurements and valuation processes (Continued)

The Group's financial asset at FVTPL and embedded derivative component of convertible notes are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial assets/ financial liabilities	Fair value as at 31 March 2021 HK$'000	2020 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input	Relationship of unobservable input to fair value
Listed equity security classified as financial asset at FVTPL	**HK$50,752**	HK$51,597	Level 1	– Quoted bid prices in an active market	N/A	N/A
Embedded derivatives component of convertible notes	**HK$1,745,228**	HK$675,110	Level 3	– Binomial Valuation Model – The key inputs are stock price, exercise price, option life, risk free rate, volatility and dividend yield	– Volatility is 71.97% (2020: 74.19%)	– A slight increase in the volatility would result in significantly higher fair value measurement, and vice versa *(Note)*

Note:

Sensitivity analysis is performed in Note 38(b).

There was no transfer between Levels 1 and 3 for both years.

38. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Embedded derivatives component of convertible notes HK$'000
At 1 April 2020	81
Issuance of convertible notes	1,052,796
Changes in fair value recognised in the consolidated statement of profit or loss	(377,767)
At 31 March 2020	675,110
Changes in fair value recognised in the consolidated statement of profit or loss	1,070,118
At 31 March 2021	1,745,228

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

39. MAJOR NON-CASH TRANSACTIONS

Apart from the non-cash transactions disclosed in Notes 29 and 33, the Group has no other major non-cash transactions for both years.

40. STATEMENT OF FINANCIAL POSITION – THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current assets		
Interests in subsidiaries	1,856,880	988,538
Interest in an associate	–	–
Amounts due from subsidiaries	854,352	660,185
	2,711,232	1,648,723
Current assets		
Other receivables, prepayments and deposits	1,000	1,074
Amount due from an associate	–	–
Cash and cash equivalents	2,834	5,713
	3,834	6,787
Current liabilities		
Other payables and accruals	5,444	49,684
Advances from a Director	1,811,276	1,709,372
Amount due to a subsidiary	205,391	205,407
	2,022,111	1,964,463
Net current liabilities	(2,018,277)	(1,957,676)
Total assets less current liabilities	692,955	(308,953)
Non-current liabilities		
Convertible notes	3,564,399	2,168,168
Loan note	316,613	258,725
	3,881,012	2,426,893
Net liabilities	(3,188,057)	(2,735,846)
Financed by:		
Capital and reserves		
Share capital	3,763	3,763
Reserves	(3,191,820)	(2,739,609)
Capital deficiencies to owners of the Company	(3,188,057)	(2,735,846)

41. RESERVES – THE COMPANY

	Share premium	Contributed surplus *(Note)*	Share options reserve	Capital Contribution reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2019	51,463	3,451,893	29,731	–	(7,869,666)	(4,336,579)
Profit for the year	–	–	–	–	1,228,888	1,228,888
Deemed capital contribution from substantial shareholder *(Note 29(b))*	–	–	–	334,220	–	334,220
Share option lapsed	–	–	(626)		626	–
Capital Reorganisation *(Note 32)*	(51,463)	(3,451,893)	–	–	3,537,218	33,862
At 31 March 2020	–	–	29,105	334,220	(3,102,934)	(2,739,609)
Loss for the year	–	–	–	–	(464,511)	(464,511)
Share option lapsed	–	–	(7,664)	–	7,664	–
Recognition of equity-settled share-based payments	–	–	12,300	–	–	12,300
At 31 March 2021	–	–	33,741	334,220	(3,559,781)	(3,191,820)

Note:

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders, subject to the condition that the Company shall not declare or pay a dividend, or make a distribution out of the contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at 31 March 2021 and 2020:

Name of subsidiaries	Place of incorporation/ establishment	Particulars of issued share capital/registered capital	Effective interest held		Place of operation	Principal activities
			2021	2020		
Gamerian Limited*	British Virgin Islands	1 share of US$1.00	100%	100%	Hong Kong	Investment holding
Mongolia Energy Corporation (Greater China) Limited*	Hong Kong	2 shares with no par value	100%	100%	Hong Kong	Management services
Mongolia Energy Corporation (HK) Limited*	Hong Kong	1 share with no par value	100%	100%	Hong Kong	Management services
Mongolia Energy Corporation Services Limited*	Hong Kong	2 shares with no par value	100%	100%	Hong Kong	Provision of secretarial and nominee services
MoEnCo	Mongolia	1,010,000 shares of US$1.00 each	100%	100%	Mongolia	Minerals exploration and mining activities
MEC Trans LLC	Mongolia	MNT4,556,575,582	100%	100%	Mongolia	Provision of coal transportation service
烏魯木齊蒙富礦業有限公司#	The PRC	RMB14,299,899	100%	100%	The PRC	Provision of mining and exploration advisory service
新疆蒙科能源科技有限公司#	The PRC	RMB216,415,136	100%	100%	The PRC	Trading of coal and operation of coal washing plant

* *Subsidiaries directly held by the Company*

\# *Wholly foreign owned enterprise established in the PRC*

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

43. RETIREMENT BENEFITS SCHEME

The MPF Scheme is available to all employees aged 18 to 65 and with at least 59 days of service under employment in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The maximum relevant income for contribution purposes is HK$30,000 (2020: HK$30,000) per month. The employees are entitled to the full benefit of the Group's contributions and accrued returns irrespective of their length of service with the Group but the benefits are required by law to be presented until the retirement age of 65.

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

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

FIVE YEARS SUMMARY OF RESULTS, ASSETS AND LIABILITIES

	Results of the Group for the year ended 31 March				
	2017	**2018**	**2019**	**2020**	**2021**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Turnover	321,893	637,362	776,708	1,124,996	**858,417**
(Loss) Profit attributable to owners of the Company	(204,847)	(159,938)	(44,425)	1,441,938	**(286,905)**
(Loss) Earnings per share (HK$) *(Note)*	(Restated)	(Restated)	(Restated)		
– Basic	(1.10)	(0.85)	(0.24)	7.66	**(1.53)**
– Diluted	(1.10)	(0.85)	(0.24)	0.15	**(1.53)**

	Assets and liabilities of the Group at 31 March				
	2017	**2018**	**2019**	**2020**	**2021**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Total assets	712,360	1,020,787	1,515,123	2,143,955	**3,438,229**
Less: total liabilities	(4,643,751)	(5,070,852)	(5,627,748)	(4,497,917)	**(6,046,666)**
Total net liabilities	(3,931,391)	(4,050,065)	(4,112,625)	(2,353,962)	**(2,608,437)**

Note:

As a result of the capital reorganisation completed on 6 March 2020, figures for the years from 2017 to 2019 have been restated for comparative purpose.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Director

Mr. To Hin Tsun, Gerald

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Tang Chi Kei

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu,
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

Public Bank (Hong Kong) Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR

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Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR

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CHINESE TRANSLATION

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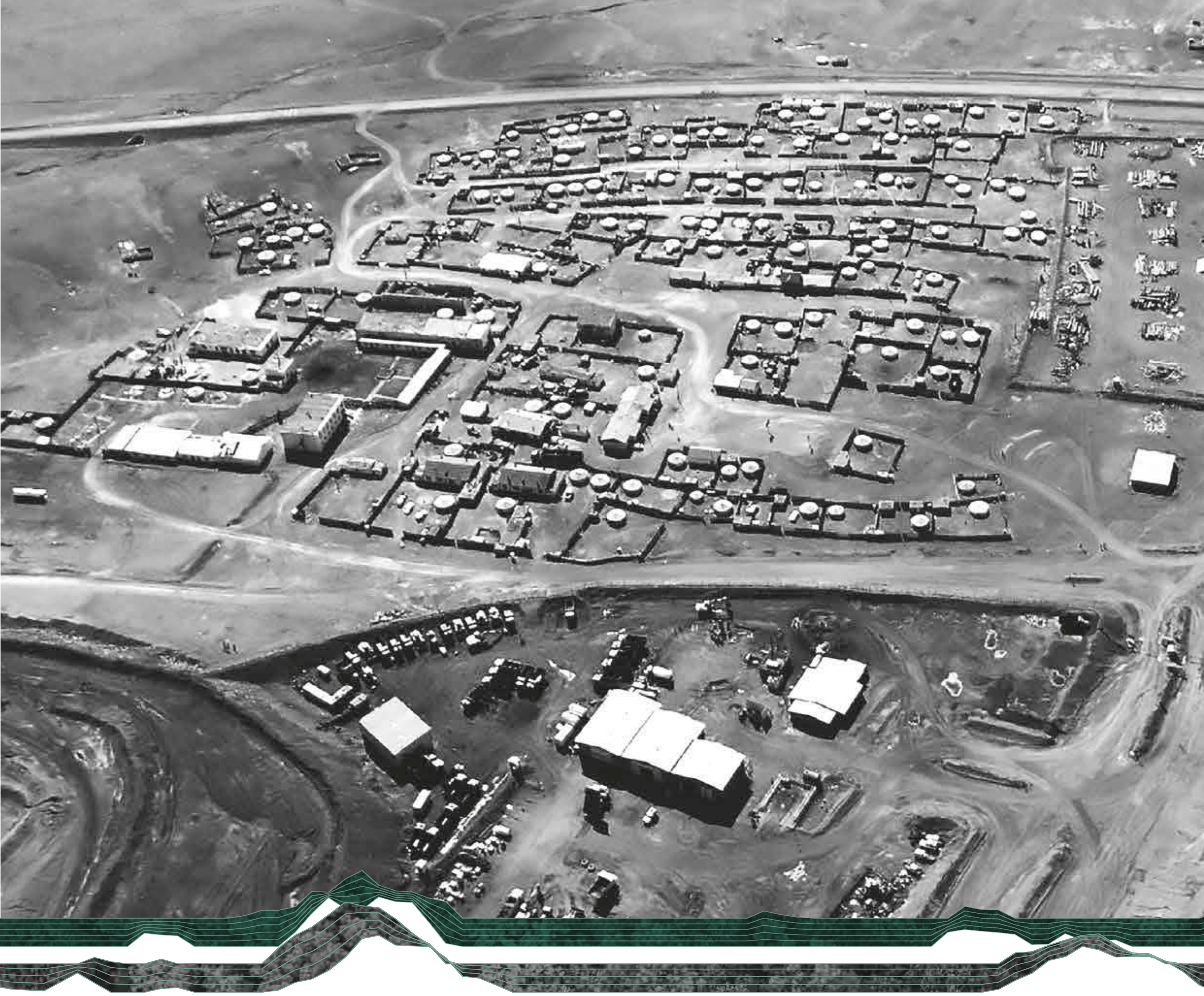

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