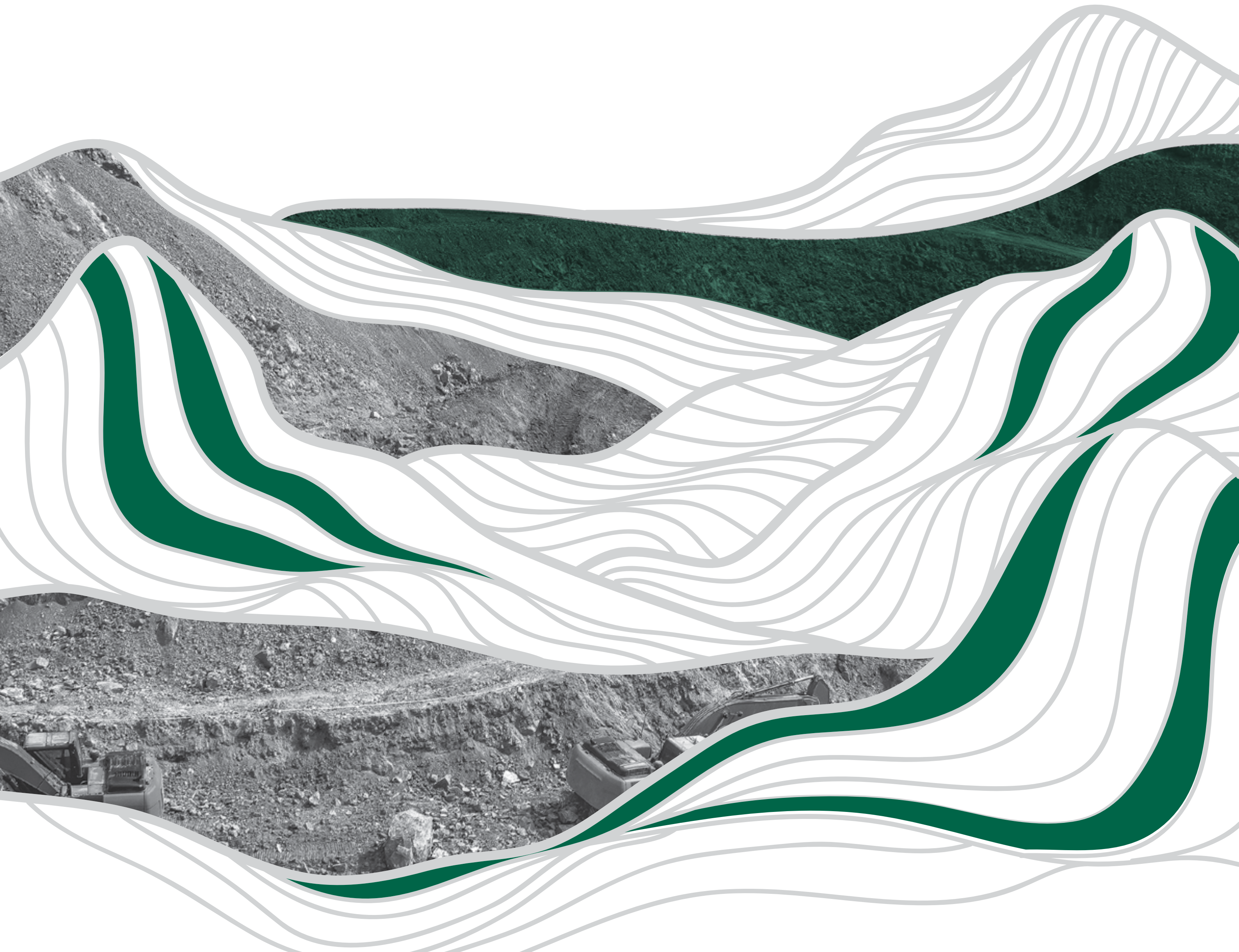
MEC

MONGOLIA ENERGY CORPORATION

蒙 古 能 源 有 限 公 司

Incorporated in Bermuda with limited liability

Stock Code: 276



ANNUAL REPORT 2023

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 2023 (the "**Financial Year**") and report to you our performance during this period.

The world has been tumultuous under two major impacts since 2020, namely the coronavirus (COVID-19) that stormed around the world in 2020 and the Russia-Ukraine conflicts in 2022. Many trades and commercial activities were stalled due to governmental policies of locking down to contain the spread of the disease. On the other hand, the Russia-Ukraine conflicts bring about shortage of fuel and food, causing rise in inflation and global political uncertainties, and sparking fear of global economic recession. The global inflation rate reached nearly 9% in 2022. Fortunately, the COVID-19 pandemic gradually subsided at the beginning of 2023. Most countries have resumed to their pre-pandemic conditions by re-opening up for trade and travel.

Despite the headwinds, the world's gross domestic product ("**GDP**") continued to grow. According to the International Monetary Fund, the world's GDP growth was 3.4% in 2022. The United States was the country with the largest GDP, followed by China, Japan, Germany and the United Kingdom. According to the National Bureau of Statistics of China ("**NBS**"), GDP of China in 2022 observed a growth of 3% over the previous year. It was below the government's target, and was one of the worst performances in nearly half a century under the impact of widespread Covid lockdown and the downturn of the property market.

In respect of crude steel production, China continued to top the world chart last year, producing 1,013 million tonnes and accounting for 53% of the world's crude steel production. It was, however, a slight decline of 2% compared with that of 2021 under the economic downturn and its contracted property market. Under the government stimulations, infrastructure investment was recovering and providing support to steel demand in late 2022, though the recovery of the property market remain a decisive factor.

Mongolia was striving its best to come out of the Covid hassle in 2022. According to National Statistics Office of Mongolia, its economic performance recorded a huge rebound in various aspects. Its imports and exports surged 32% in 2022 compared with that of 2021. China remained the major trade partner to Mongolia with the total trade amount of US$13.6 billion, accounting for 64% of total trade amount of Mongolia, and a surge of 34.3% compared with 2021.

Mongolia's coal exports also restored swiftly to its pre-pandemic level, jumped substantially to 31.68 million tonnes, representing a surge of 15.98 million tonnes year on year or 101.7% increase. Among the total coal exported, 29.77 million tonnes or 94% were shipped to China last year. Mongolia was China's top overseas coking coal supplier in 2022. Coking coal demand in China remained strong last year and 25.61 million tonnes of coking coal were imported to China from Mongolia.

OUR PERFORMANCE

We achieved an outstanding sales performance in the first half of the Financial Year, principally due to the improvement of the border crossing policies of China and Mongolia and our efforts to ramp up the coking coal production. Our revenue in the first half of the Financial Year was almost double that of the whole preceding financial year. However, escalation of Covid took place in various parts of China including Xinjiang in the latter part of 2022, our coal exports were dragged. Thanks to easing off of the pandemic and China lifting its restrictions and adopting re-opening policies at the end of 2022, our export to China quickly resumed. Under our team efforts and the facilitating governmental policies, we achieved a significant increase of coal export of 2,184,200 tonnes which was a milestone in the Financial Year.

We produced approximately 2,864,400 tonnes of run-of-mine ("**ROM**") coal during the Financial Year, which was a surge of 56.9% from 1,825,300 tonnes in the last corresponding period. Our sales of coal were approximately 1,630,000 tonnes in the Financial Year, including approximately 1,351,600 tonnes of clean coking coal, 247,500 tonnes of thermal coal and 30,900 tonnes of raw coal. Comparing with 1,001,800 tonnes of coal sold to our customers in the last corresponding period, our performance was increased by 62.7% in the Financial Year.

OUTLOOK

The global economy was marked by the hit of COVID-19, inflation, China's economic deceleration and the Russia-Ukraine conflicts in 2022. Although the impacts of Covid began to fade away early this year, the global economy is still gloomy in 2023. The war in Ukraine remains a major risk as it may escalate at any time. The banking crisis in the United States and Europe is also shaking the confidence of the international investors, which may have a spiral effect to the world's economy if it could not be managed and controlled. On the other hand, the geopolitical tension continues to intensify between the world's superpowers. All these events cast uncertainties to the outlook of 2023.

Though the uncertainties persist, the International Monetary Fund ("**IMF**") has become more optimistic in its recent report that inflation appears to have peaked in 2022, consumer spending remains robust and the energy crisis has been less severe than initially thought after the outbreak of the Russia-Ukraine conflicts. Global economic growth is expected to slow. The IMF predicts global growth is expected to fall from 3.4% in 2022 to 2.8% this year but rebounding to 3.0% next year. For China, it aims to grow GDP by around 5% following the nation's re-opening policy after the Covid disruptions. China's economy is expected to generally rebound in 2023.

In respect of steel demand, the World Steel Association predicts global steel demand growth at 2.3% this year and 1.7% in 2024. In China, it is expected the steel market would be stabilized by the improvement of the real estate market with the support of government measures and the rebound of other steel-consuming industries such as vehicles, ships and home appliances. China's total steel demand is expected to grow by 2% in 2023.

China is the world's largest coal consumer. Coal accounted for over 50% of China's total primary energy consumption. High demand on coal was shown at the beginning of this year as utilities replenished stocks following the easing of Covid restrictions. Data also suggests that China's factory activities revive as the official manufacturing purchasing managers' index ("**PMI**") rose over 50 consistently from the beginning of the year, though it displays a weaken tendency in recent months. In respect of coking coal, following the easing of the Covid restrictions, the supply environment has been improved. China's coking coal imports saw a consistent surge at the beginning of the year. China has resumed coal imports from Australia, but Mongolia will continue to be the leading player in the import of coking coal to China. Coking coal prices were elevated in 2022 due to supply disruption. As the supply of coking will be improved this year, we anticipate the price will be facing downward pressure.

Mongolia is rich in natural resources, and the mining sector has been one of the main drivers of the country's economic growth for years. It gets more than 90% of its export revenue from minerals and China is Mongolia's largest trade partner. However, Covid restrictions from China had severely disrupted its cross-border trade and travel, causing a severe blow to the Mongolian economy since 2020. As China relaxed its Covid policies at the beginning of this year, Mongolia's coal export to China has recorded a significant rise. According to National Statistics Office of Mongolia, Mongolia's GDP grew 4.8% in 2022. The IMF forecast Mongolia's economic growth to accelerate to 5% in 2023 from last year's 2.5%.

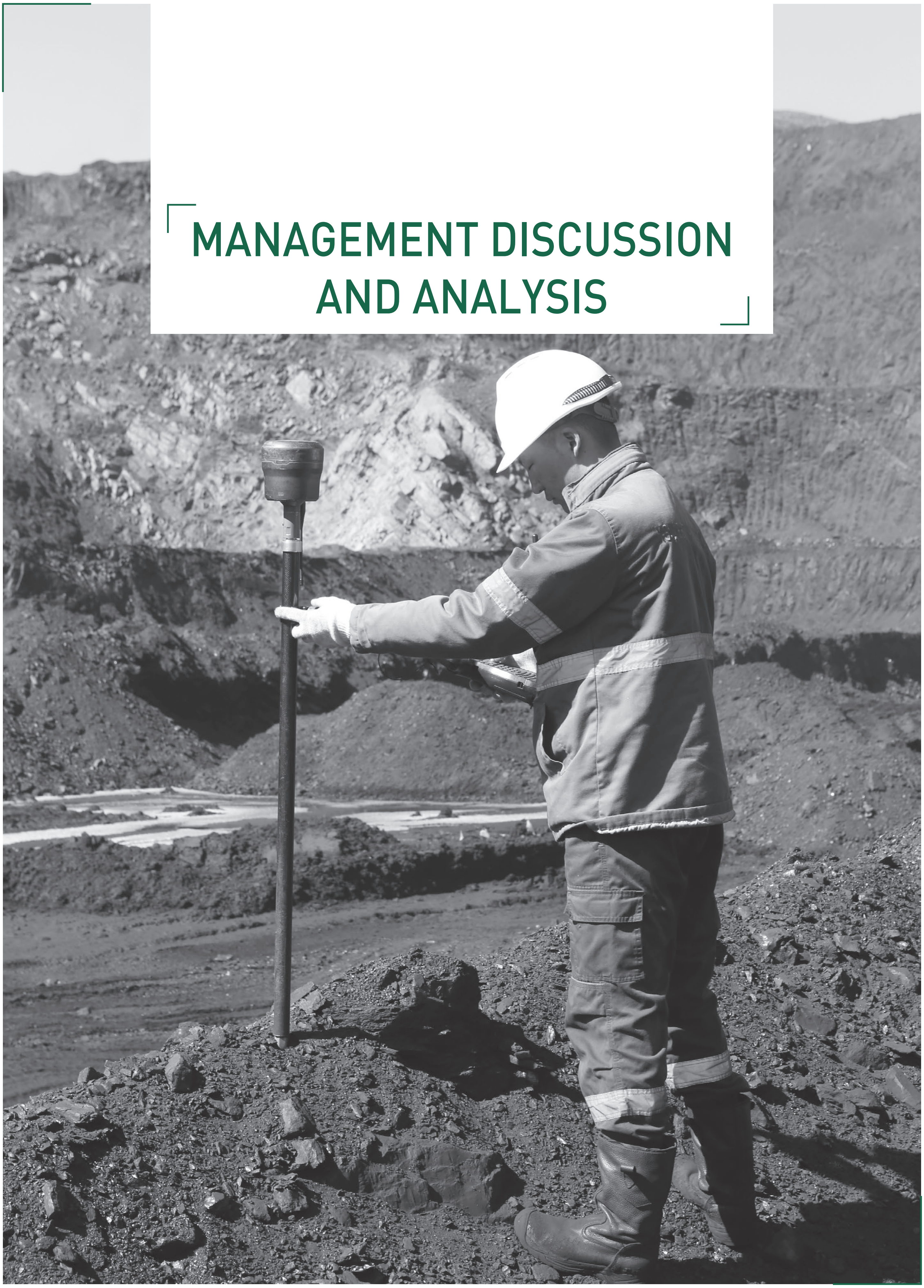
Since the beginning of the year, we have continued to ramp up and boost our coking coal export quantity to China and to push our sales to the best of our effort. This proactive approach is to countenance any unforeseeable downturns which may come up any time during the year under global uncertainties. We will continue to adopt a prudent and flexible strategy in our operation and production planning in response to the ever-changing internal and external conditions.

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
19 June 2023

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 2,864,400 tonnes (2022: 1,825,300 tonnes) of ROM coal were produced and approximately 1,630,000 tonnes (2022: 1,001,800 tonnes) of coal, including clean coking coal, thermal coal and raw coal, were sold to our customers.

RESULTS ANALYSIS

Revenue

During the Financial Year, the operation of the Group was still negatively affected by the COVID-19 pandemic in both Mongolia and China at certain times, but having said that, the Group's revenue hit another record high of HK$2,905.3 million (2022: HK$1,562.7 million). The increase in the sales of clean coking coal under the Financial Year was principally due to the improvement of the border crossing policies of China and Mongolia, our unrelenting effort to ramp up coking coal production and to step up our effort to boost sales during the Financial Year.

During the Financial Year, the Group sold approximately 1,351,600 tonnes (2022: 802,300 tonnes) of clean coking coal and approximately 247,500 tonnes (2022: 175,100 tonnes) of thermal coal and approximately 30,900 tonnes (2022: 24,400 tonnes) of raw coal.

The average selling prices of clean coking coal, thermal coal and raw coal net of sales tax were approximately HK$2,123.4 (2022: HK$1,918.4), HK$55.4 (2022: HK$52.3) and HK$544.0 (2022: HK$454.6) per tonne respectively.

Cost of Sales

Cost of sales includes mining costs, coal processing costs, transportation costs, costs on disposal of coal refuse and other relevant operating expenses. The cost of sales for the Financial Year was HK$1,820.2 million (2022: HK$948.0 million). The overall increase was mainly due to the (i) increase in sales volume; (ii) inflationary pressure on production costs in particular on fuel and transportation costs; and (iii) impairment of obsolete inventory during the Financial Year. It was divided into cash costs of HK$1,741.5 million (2022: HK$904.2 million) and non-cash costs of HK$78.7 million (2022: HK$43.8 million).

Gross Profit

Gross profit ratio for the Financial Year was approximately 37.3% (2022: 39.3%). It was lower than last corresponding year because of (i) the impact from the increase in cost of sales outpaced the beneficial effect from the increase in the average selling price and (ii) impairment loss on obsolete thermal coal of HK$22.3 million which have low market demand in Western Mongolia.

Administrative expenses

The significant increase in administrative expenses during the Financial Year was mainly due to one-off discretionary bonuses of HK$65.1 million (2022: HK$11.3 million) being granted to certain executive Directors and senior staff. The discretionary bonuses granted to executive Directors was reviewed and endorsed by the remuneration committee of the Company comprised of independent non-executive Directors only.

Changes in Fair Value on Derivative Component of Convertible Notes

The convertible notes issued by the Company in 2020 (the "**2020 Convertible Notes**") contain both debt and derivative components. The conversion option derivative of the 2020 Convertible Notes requires remeasurement at the end of each reporting period and a resulting loss in fair value change amounting to HK$303.3 million was recognized in the Financial Year (2022: gain of HK$185.0 million). The major inputs into the binomial valuation model to work out the valuation of the conversion option derivative for the Financial Year were stated in Note 30(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 independent valuer had considered three generally accepted valuation approaches, namely the market, cost and income approaches. In order to select the most appropriate approach, the independent valuer considered the purpose of valuation and the resulting basis of value as well as availability of information and reliability of information related to the Mine Asset to perform this analysis. Hong Kong Accounting Standard 36 defines value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. As such, the value in use of the Mine Assets could only be developed through the application of an income approach technique known as the discounted cash flow model. This approach is adopted consistently and there was no change of approach in the Financial Year. The recoverable amount of the Mine Assets is based on the discounted cash flow model that incorporates best estimates made by the management of the Group on price trend of coking coal, coking coal grades, production capacity and rates, future capital expenditure, inflation rate and production costs over the mine life of the Khushuut mine, etc. The cash flow projection covers the expected life of the whole operation. Major assumptions including selling prices trend, operating and capital costs, sales volume, inflation rates and discount rate are particularly important; and the determination of the recoverable amount is relatively sensitive to changes in these important assumptions. Sensitivity analysis on the changes in discount rate and coal price to the impact of recoverable amount were disclosed in Note 3 to the consolidated financial statements.

Key changes in assumptions used in the discounted cash flow model as at 31 March 2023 and 2022 are set out below:

	Notes	**2023**	2022
Discount rate	*(a)*	**34.75%**	27.61%
Average current coking coal price per tonne	*(b)*	**US$244**	US$318
Inflation rate	*(c)*	**2.00%**	2.00%
Predicted average annual growth rate of the coking coal price for the forthcoming four-year period since year ended	*(d)*	**–6.97%**	–13.6%

Other non-quantitative major assumption changes:

– A memorandum of understanding (the "**MOU**") was signed after the 2022 financial year with an independent third party who was going to build a washing plant in Xinjiang. Under the MOU, the Group planned to supply raw coal to this new washing plant for processing in around 2024. During the Financial Year, it came to the attention of our local management at Xinjiang that the construction of the washing plant was bought into a standstill because of the independent third party failed to raise sufficient fund to complete the project. The management of the Group are studying alternative measures to secure additional washing capacity to overcome this issue. However, these alternative measures are not yet mature enough to be incorporated in the current discounted cashflow model. Therefore, the quantity of additional clean coal sales from the washing plant under the MOU was removed from the discounted cashflow model for the Financial Year.

Notes:

(a) *The discount rate is a pre-tax discount rate and is derived from the Group's WACC with appropriate adjustments made to reflect the risks specific to the Khushuut Coal Mine. The computation of WACC takes into account both cost of debt and equity, and weighted based on the Group's and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors and based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of comparable peer companies. The change of discount rate from last year was a combined result of the updates on the WACC including the risk-free rate and other risk premium factors. The risk-free rate adopted was the yield of China 10-year government bond as at 31 March 2023. The risk premium factors are to reflect the business risks of the Khushuut Coal Mine;*

(b) *The average current coking coal price was updated based on latest sales contracts signed by around 31 March 2023 to reflect current market condition;*

(c) *Inflation rate was updated by reference to external market research data and apply to overall production costs and general expenses over the mine life in the discounted cash flow model; and*

(d) *The average annual growth rate was updated based on the latest publicly available market data as at 31 March 2023. For the remaining year of the discounted cash flow model, the growth rate is the same as the inflation rate.*

Pursuant to the recoverable amount assessment, an impairment loss amounted to HK$1,360.9 million was made in the Financial Year (2022: HK$416.8 million). The key contributors to the decrease in recoverable amount on Mine Assets are mainly due to the (a) increase in discount rate; (b) approximately 23.3% dropped in average current coking coal price; and (c) exclusion of additional sales volume of washed coal from a washing plant under a MOU.

Finance Costs

The major components in finance costs were the effective interest expenses on convertible notes, interest charge on advances from a Director and a loan note. The interest charge on the debt component of the convertible notes issued by the Company was calculated at an effective interest rate of 14.26% per annum (2022: 14.26%). The interest charge on advances from a Director was calculated at the Hong Kong prime rate plus 3% per annum, which was same as previous financial years. The interest of the loan note was charged at an effective interest rate of 22.37% per annum (2022: 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 in China; therefore, the steel market performance in China in turn affects our production and planning.

China's economy only recorded a growth of about 3% in 2022. It marked one of weakest performances in decades amid the impacts of COVID-19, mainly due to the blow of wide-scale lockdowns within the country and the non-performance of its property market. Thanks to the scrapping of Zero-covid measures and the adoption of re-opening policies early this year, China's economy showed strong resilience, great potential and vitality in the beginning this year. The Caixin PMI was 57.8 for March this year which is the highest level in more than two years, since November 2020. According to the NBS, China's GDP growth in the first quarter of the year was 4.5%, marking the highest growth since the first quarter of last year. In terms of economic contribution by industry, the value added of the primary industry grew 3.7% year on year in the first quarter; that of the secondary industry grew 3.3%; and that of the tertiary industry grew 5.4%. The robust household consumption, high growth of infrastructure investment, and surge in export were the keys to economic recovery in the first quarter.

The global crude steel production was 1,878.5 million tonnes last year, down 4.2% year on year according to the recent data of the World Steel Association. China remained the biggest crude steel producing country in the world during this period. Global crude steel output fell in the first quarter of 2023 year on year, mainly driven by falling output among the world's major steel producers. According to the NBS, for the first quarter of 2023, the steel products export volume of China was 20.08 million tonnes, rose 53.2% year on year. The value of the steel export of China for the same period had increased by 36.7% to US$25 billion.

In respect of the coal industry of China, the combined revenue of large coal enterprises last year was RMB4.02 trillion, a 19.5% increase from the previous year, and their total profits were RMB1.02 trillion which is a 44.3% increase, according to the China National Coal Association. China's coal import increased rapidly as utilities and businesses restocked in anticipation of greater energy use following the easing of strict Zero-covid policies early this year. During last year, China's total raw coal production were 4.5 billion tonnes, up 9% year on year while the total coal imported were 290 million tonnes, a year on year decrease of 9.2%, according to the data of the NBS. The decrease of coal import was due to surge of global coal demand and the limited supply. During the first quarter of 2023, China produced 115 million tonnes of coal, an increase of 5.5% year on year. It imported 101 million tonnes of coal, a surge of 96.1% compared with the same period last year.

In respect of coking coal, the momentum of demand continued last year. According to the data of General Administration of Customs ("**GAC**"), China imported 63.83 million tonnes of coking coal, an increase of 16.71% year on year. The growth was due to demand among end consumers in China and a significant increase in exports from the Russia and Mongolia. Mongolia was the largest coking coal supplier to China, followed by Russia, Canada, the United States and Indonesia. China imported 25.61 million tonnes of coking coal from Mongolia last year, surging 82% year on year. Import from Russia had also increased 95.6% and ranked as the second largest coking coal supplier next to Mongolia.

Mongolia has always been one of the main coal suppliers to China, and over 90% of the Mongolia coal export goes to China. Mongolia was striving to come out of the Covid impacts last year. According to the National Statistics Office of Mongolia, coal production of Mongolia came in at 36.96 million tonnes in 2022, a year on year increase of 22.74%. It exported 31.68 million tonnes of coal in 2022, surging 101.7% or 15.98 million tonnes year on year, of which 29.77 million tonnes of coal were shipped to China. The uptrend continued. According to Mongolian Customs General Administration, Mongolia exported 13.78 million tonnes of coal in the first quarter of 2023, of which 13.49 million tonnes were exported to China.

BUSINESS REVIEW

Coal Sales

We recorded a revenue of HK$2,905.3 million from the sales of coking coal and thermal coal to our customers in China and Mongolia in the Financial Year, a rise of 85.9% compared with the previous financial year.

Coal Production

During the Financial Year, approximately 17,031,700 bank cubic meters ("**BCM**") of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works (2022: 8,702,400 BCM). Production of ROM coking coal and thermal coal were approximately 2,481,900 tonnes and 382,500 tonnes respectively (2022: 1,390,500 tonnes and 434,800 tonnes).

Coal Processing

During the Financial Year, approximately 1,397,400 tonnes of ROM coal (2022: 1,296,100 tonnes) were processed by the dry coal processing plant, producing approximately 1,152,800 tonnes of raw coking coal (2022: 1,036,200 tonnes). The average recovery rate was 82.5%.

The raw coking coal would then stand for export to Xinjiang for further washing before delivery to our customers. In Xinjiang, approximately 2,112,800 tonnes of raw coking coal (2022: 1,231,700 tonnes) were processed by the washing plant, producing approximately 1,474,700 tonnes of clean coking coal (2022: 870,100 tonnes). The average recovery rate was 69.8%.

Coal Shipping

Apart from the field work contractors, we hired external coal trucking companies with heavy duty trucks to provide coal transportation services for our coal export. During the Financial Year, approximately 2,184,200 tonnes of raw coking coal were shipped from Mongolia to Xinjiang.

Customers and Sales

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

During the Financial Year, we sold approximately 710,000 tonnes of clean coking coal to our largest customer and it accounted for approximately 53.6% of our revenue in the Financial Year. In general, our production and shipment of coal are closely linked to the market and other conditions, and shipment negotiations between us and the customers from time to time. We will closely monitor the developments and adjust our operation schedule from time to time.

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

Licences

During the Financial Year, the Group had ten mineral licences including nine mining licences, of which eight are for our Khushuut operations and one in other area not within Khushuut; and one exploration licence. Please refer to the section of this annual report headed "EXPLORATION AND MINING CONCESSIONS OF THE GROUP".

Legal and Political Aspects

Mongolia has taken significant steps to address the economic challenges posed by the COVID-19 pandemic and the Russia-Ukraine conflict. The government's Recovery Policy and initiatives such as border point renovations, privatization, regulatory streamlining, and digital development are all aimed at promoting economic growth, attracting foreign investment, improving efficiency, and facilitating international trade. The recent tax reforms highlight the government's commitment to create a favorable business environment and support economic diversification in the country.

In late 2021, the Parliament of Mongolia passed the Recovery Policy, a 10-year development plan aimed at increasing national productivity and advancing various sectors of the economy. The policy focuses on energy production, industrialization, transport logistics, urban and rural infrastructure, and green development. As part of this policy, the government is implementing the 'Renovation of Border Points' program, which aims to enhance the border crossing capacity of main border points in collaboration with the PRC. The government of Mongolia has also decided to operate additional border points in Selenge, Dornod, Dornogobi and Umnugobi provinces to facilitate trade and increase coal exports.

Mongolia held its Economic Forum on April 7 and 8, 2022. One of the key outcomes of the forum was the decision to partially privatize some state-owned enterprises for attracting direct foreign investment in various sectors. The forum highlighted the current administration's Recovery Policy as a roadmap to ramp up Mongolia's industrialization, reduce landlocked vulnerabilities, and improve the country's GDP and the livelihood of its citizens.

In April 2022, the Austerity Law was approved by the Mongolian Parliament. This law prompted the redefinition of organizational structures and operations of state-owned enterprises, the digitalization of government services, and a reduction in the number of public employees, among other measures. In response to heavy inflation, the government also passed the Law on Preventing and Mitigating Negative Effects of Increase of Prices of Some Staple Food Products and their Shortage. These measures aim to develop an optimal financing scheme to create sufficient reserves for the population's product needs in 2023 and remove import tariffs on certain food commodities not produced in Mongolia. The government has implemented additional measures, such as a 50% refund on social insurance payments for low-earning employees and a special dollar exchange rate for fuel importers, to provide relief from inflation. Moreover, the agricultural sector and crop and vegetable growers have received support through tax relief and subsidized electricity tariffs.

In addition to the aforementioned developments, the Mongolian government has implemented significant tax reforms to support economic growth and business expansion. Effective from 1 January 2023, the Law on Corporate Income Tax and the Law on Personal Income Tax have been amended to promote new business establishment and expansion beyond the capital city. These changes aim to incentivize industry growth, infrastructure development, and job creation through tax incentives. They also facilitate the operations of financial, innovation, manufacturing, and service companies, both domestic and foreign, as well as domestic and foreign stock exchanges. The reforms include the implementation of a progressive income tax system based on capital gains, improved tax-related information exchange, centralized tax registration, and an integrated tax administration system for increased efficiency and effectiveness.

To enhance the legal framework concerning investment, a draft revision of the Law on Investment has been developed, and public feedback on the draft has commenced. This legal reform intends to create more favorable conditions for investors by eliminating investment prohibitions, establishing a system to address investor grievances, simplifying visa and residence permit acquisition, and eliminating overlay government inspections.

In March 2023, the Investment and Trade Office was established under the authority of the Deputy Prime Minister and Minister of Economy and Development, aiming to promote an investment-friendly environment, attract investments, protect investors' rights, and facilitate trade. The government is committed to optimizing policy delivery, ensuring accessibility, and increasing investor and consumer satisfaction.

The Ministry of Mining and Heavy Industry in Mongolia has drafted revisions to the Minerals Law and is seeking feedback. Proposed changes include a government-approved "List of Important Minerals," annual planning by the Mineral Resources and Petroleum Authority, mandatory mine closure plans, legalizing mine and factory closures, transparent granting of special exploration permits, community involvement, and environmental, social and governance reporting by license holders. These changes aim to enhance governance, sustainability, and community participation in Mongolia's mining sector. The Ministry has also introduced a new Minerals License Regulation on 12 April 2022 as well, replacing the previous regulation from 2018. The revision aims to accelerate and make transparent the tender and bidding process for minerals licenses by digitalizing it. This shift eliminates the traditional method of submitting physical documents and instead mandates the entire process to be conducted digitally, ensuring efficiency, transparency, and fairness. This digital transformation aligns with Mongolia's goals of maximizing mineral resources, promoting economic growth, and fostering sustainable development.

In order to organize the market trade of mining products in an open, transparent and fair manner, create favorable condition where the prices are set by exchanges, attract investors into mining sector through integrated export policy, openly disseminate the information on trading, agreements and deals to the international market, and improve the competitiveness of the mining products, the "Procedures on Open E-Trade of Coal for Export" was approved by the Resolution No. 466 of the Government of Mongolia in 14 December 2022. Within the framework of this procedures, 210 thousand tonnes of coal have been traded through five online auctions since 12 January 2023. Based on the feedbacks and suggestions from the e-trade participants, the Cabinet amended the "Procedures on Open E-Trade of Coal for Export", approved by the Resolution No. 466 of the Government of Mongolia. According to the amendment, coal terminal for the coal traded through e-trade is changed to "Container Terminal or Loading and Unloading area at Gantsmod border checkpoint" and security deposit rate is decreased from 10% to 5%.

Meanwhile, the Government of Mongolia has officially declared 2023 as the "Year of Fighting Corruption," and numerous suggestions and initiatives are actively being implemented in this regard. As part of the comprehensive effort to restore and enhance state productivity, a comprehensive package of legal reforms targeting corruption has been introduced. These reforms encompass amendments to various key legislative frameworks, including the Constitution, the Law on Political Parties, the Law on the Regulation of public and private Interests and prevention of conflict of interests in public services, the Law on the Ethics of public servants, and the Law on the Legal status of whistleblowers. Additionally, an updated National Anti-Corruption Program is currently under deliberation and will undergo approval during the Parliament's spring session in 2023.

During the Financial Year, Mongolia held significant high-level meetings with the PRC in August 2022 and September 2022, which both nations expressed a mutual desire to enhance cooperation between China's Belt and Road Initiative and Mongolia's Steppe Road Program, among other initiatives and expressed contentment with the successful progress in trade, economy, investment, infrastructure, and transport logistics between the two countries, respectively. Additionally, a high-level meeting involving China, Russia, and Mongolia took place during the Samarkand Summit of the Shanghai Cooperation Organization in September 2022. The meeting affirmed the shared interest of these nations in strengthening their comprehensive relations and fully implementing the trilateral Russia-Mongolia-China cooperation roadmap and economic corridor program.

According to the World Bank's Mongolia Economic Update in April 2023, it presents a highly optimistic outlook for Mongolia's economic prospects, showcasing a projected growth rate of 5.2% in 2023, compared to the 4.7% recorded in 2022. This notable expansion is set to be propelled by the robust growth observed in the mining and exports sectors, as well as the ongoing recovery of the services sector following the impact of the global pandemic.

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 preceding year's environmental plan through an implementation report submitted by MoEnCo. When preparing its annual Environmental Management Plan ("**EMP**"), MoEnCo works closely with the local soum government and provincial environmental agencies to reflect their proposals in the EMP. We also conduct joint assessment on the execution of each EMP.

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

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

Key stakeholders relationship

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

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$4,336.8 million and net current liabilities of approximately HK$785.0 million as at 31 March 2023, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future given that: (1) Mr. Lo, a substantial shareholder and chairman of the Company who has significant influence over the Group, has provided facilities amounting to HK$1,900.0 million. The balance of the unutilised facilities of HK$931.6 million as at 31 March 2023 remains valid until 31 March 2025; 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 2023 were the convertible notes, loan note and advances from Mr. Lo in aggregate of HK$5,962.6 million (2022: HK$5,663.4 million in aggregate include above mentioned items and secured bank borrowings). Advances from Mr. Lo are classified as current liabilities while the convertible notes and loan note are classified as non-current liabilities.

As at 31 March 2023, the cash and bank balances of the Group were HK$60.3 million (2022: HK$63.9 million) and the liquidity ratio was 0.68 (2022: 0.52).

Property, Plant and Equipment

The decrease in the carrying values of the property, plant and equipment was due to the impairment loss amounting to HK$1,231.5 million (2022: impairment loss of HK$377.2 million). During the Financial Year, the Group had incurred capital expenditures of approximately HK$227.2 million (2022: HK$106.6 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 2023, 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$197.3 million (2022: HK$169.0 million) to be refunded by the Government of Mongolia or offset against future taxes and royalties payable to the Government of Mongolia. The utilisation of the prepaid value added tax is subject to the approval of the Mongolian tax authority on our Mongolian subsidiary.

Financial Assets at Fair Value Through Profit or Loss

As at 31 March 2023, the fair value of the financial assets at fair value through profit or loss was HK$51.6 million (2022: HK$50.8 million), which was approximately 1.8% (2022: 1.4%) of the total assets of the Group. It represents the Group's interest in Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "**Jade Bird**"), a company listed in Hong Kong. The principal activities of Jade Bird and its subsidiaries are engaging in the technology research, development, marketing and sale of embedded system products and related products in security and fire alarm systems. The Group's investment is approximately 5.58% (2022: 5.58%) of the total issued share capital of Jade Bird. During the Financial Year, the Group did not receive any dividend from Jade Bird.

Other Payables and Accruals

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

Charge on Group's Assets

There was no charge on the Group's assets as at 31 March 2023 (2022: Secured bank borrowings with outstanding balances of HK$66.6 million which was secured by equivalent carrying amount of coal inventory located at Mongolia as collateral). As at 31 March 2023, the gearing ratio of the Group was 2.1 (31 March 2022: 1.6) which was calculated based on the Group's total borrowings to total assets.

Foreign Exchange

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

Contingent Liabilities

The Group did not have material contingent liabilities as at 31 March 2023 (2022: The Group's contingent liabilities were all related to the legal claims made by a former mining contractor in 2013. Subsequent to the financial year ended 31 March 2022, the Group entered into a settlement agreement on 16 September 2022 with the former mining contractor in which both parties agreed a final settlement amount of US$5,750,000 (equivalent to approximately HK$44.9 million) in full and final settlement of the disputes between the parties, and the payment had been made by the Group before 30 September 2022).

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

The qualified audit opinion is because of the comparative figures in respect of the Group's consolidated financial performance and consolidated cash flows arising from the consequential effect of the disclaimer of opinion relating to the audit of the consolidated financial statements of the Group in the previous financial year.

The audit committee of the Company (the "**Audit Committee**") has reviewed the audit qualification for the Financial Year and has well noted the basis thereof. The management of the Company and the Audit Committee have reviewed the impact of the audit qualification on the Group and consider that it does not have any significant impact on the Group's daily operations because the basis of qualified opinion for the Financial Year is principally the consequences brought forward from the disclaimer of opinion in the previous financial year. The Directors do not expect this basis of qualification to recur in the consolidated financial statements for the coming financial year ending 31 March 2024.

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, shareholders and investors should be aware that the business of the Group may still be impacted once such unfavourable event happens.

Although it is not possible to list out a complete list of risk factors, the major risks include, among others, the following:

Cyclical nature of coal markets and fluctuations in coal prices

The revenue of our operation depends on successful commercial production of coal products in our concession areas. Therefore, our future business and results of operations are dependent on the supply and demand of coal globally, in particular, the PRC. The fluctuation in supply and demand of coal can be caused by numerous factors beyond the Group's control, which include but not limited to:

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

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

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

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

Government regulations and policies such as taxes and royalties may also have a direct or indirect impact on encouraging or discouraging investment in the mining sector. Not all planned projects may achieve the intended economic benefits or demonstrate commercial feasibility.

In the course of development of a project, the Group may change its planning from time to time due to some unforeseeable circumstances. When this happens, the outcome, prospect, or financial position may be significantly affected.

Significant and continuous capital investment

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

Policies and regulations

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

Minerals Law

Under the Minerals Law, mineral exploration licences are granted for an initial period of three years. Holders may apply for an extension of the licences for three successive additional periods of three-year each, making twelve years in total. Renewal of licences must be made timely and subject to payment of annual licence fee. The Minerals Law also states that the licence holders are obligated to meet a minimum exploration expenditure requirement. Failure to meet these requirements may subject to licence cancellation by the Mongolian authorities. The mining licence for coal is granted for an initial term of thirty years with an option for two further terms of extensions of twenty-year each, making seventy years in total. The Mongolian authorities may also impose moratorium or any restrictions on any licences if the holders are in breach of any relevant laws in Mongolia.

Mining Prohibition Law

On 16 July 2009, the Parliament of Mongolia enacted the MPL which prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas and areas adjacent to rivers and lakes. Since its enactment, it has been subject to much controversy and many changes and clarification have brought about on its application and implementation. All our licences in the Khushuut Coal Mine are not the subject under the MPL. However, there is no guarantee that our licences will not be affected in the future when there is a change on the relevant law.

Strategic Deposits

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

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

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

Licence risk

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

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

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

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

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

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

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

Country risk

The business of the Group is currently in Mongolia with the target market in the PRC. There can be a risk that the business environment may change which reduces the profitability of doing business in Mongolia and/or the PRC. Changes of political and economic conditions in either Mongolia or the PRC may adversely affect the Group. There is no assurance that the Group's assets or business will not be subject to nationalization, requisition or confiscation due to change of laws or political conditions.

Environmental protection policies

Mining and exploration business is subject to the Mongolian environmental protection laws and regulations. Under Article 66 of the Minerals Law, if a licence holder violates environmental protection legislation, the entity holding the licence may be fined or its activities suspended until it has complied with environmental and other regulations. In the worst case scenario, a licence may be revoked for non-compliance pursuant to Article 56 of the Minerals Law.

If the Group fails to comply with existing or future environmental laws and regulations, the Group may be required to take remedial measures, which could have a materially adverse effect on its business, financial conditions, and results of operations. In addition, environmental protection is currently one of the core policies of China which advocates for the use of alternative or renewable energies by burning less fossil fuel. It is a trend that environmental controls will become more stringent in the future. Our business development will be affected and cost will be increased in compliance with the onerous requirements imposed.

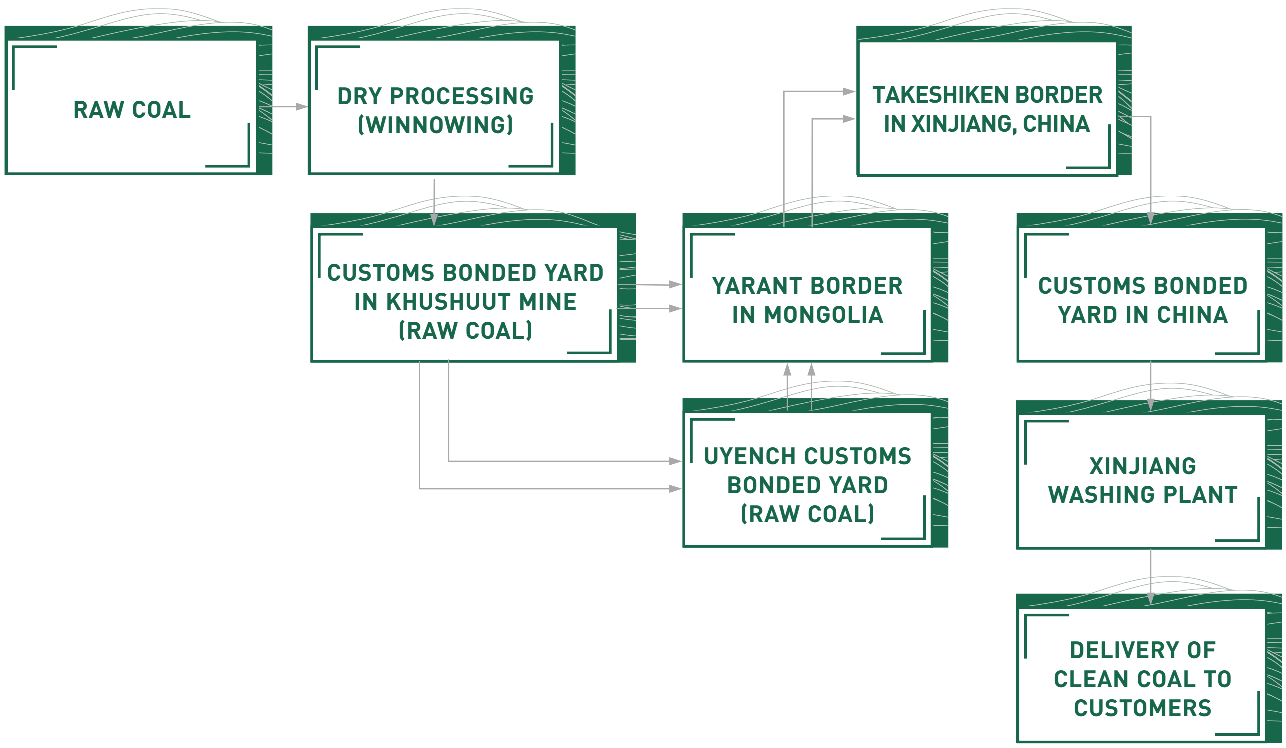
Operational risks

We require various contractors for the mining operations of our Khushuut Coking Coal Project. If there is any unforeseeable event which renders these contractors unable to continue provide their services and no effective solution is implemented, our operation may be seriously impacted. Our operation is also dependent on the fuel supply conditions in Mongolia. We ship our coal out of Mongolia via the Khushuut Road which is approximately 311 kilometres connecting our mine site to the Xinjiang customs border. If any part of the road is damaged and is not properly repaired, our coal transportation may come to a halt. The Yarant Border in Mongolia and the Takeshiken Border in Xinjiang are the only borders for our raw coking coal export. As our coking coal customers are in Xinjiang, China, if there is any export or import restrictions imposed by either border and no alternative customs border is available for our coal export purpose, we are unable to sell coking coal to our customers in Xinjiang.

In addition, any adverse change of import policy or practices on coal import into Xinjiang, China will also impact our operations.

Our production flow and logistics are illustrated in the flowchart below. The risk is similar with the change of export policy or practices in Mongolia.

Production flow and logistics



Taxation

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

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

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

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

(i) Dividends;

(ii) Royalties;

(iii) Interest;

(iv) Gambling, betting games, and lotteries;

(v) Sale of immovable property;

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

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

Therefore, to continue conducting business in Mongolia, the rates of its taxes and the Mongolian tax policies are one of the major factors of consideration.

Our investment and operation are sensitive to the Mongolian tax policies and incentives. If the Mongolia government tightens the tax policies or increases the tax rates, these will bring impact to the sustainability of our profits and business commitments in Mongolia.

Financial risks

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

Political stability

The Parliament of Mongolia is the highest governing body of state power and the legislative power is vested solely in the Parliament. As a supreme government organ, the Parliament is empowered to enact and amend laws, ratify international agreements, and declare a state emergency. Specifically, the Parliament may consider on its initiative any issue pertaining to domestic and foreign policies of the State, and retains within its exclusive power, including but not limited to: (i) enact new laws and make amendments to the laws; (ii) define the State financial, credit, tax and monetary policies; (iii) lay down guidelines for the country's economic and social development; (iv) approve the government's program of action, the state budget and the report on its execution; and (v) supervise the implementation of laws and other decisions of the Parliament.

The Parliament meets semi-annually. The Parliament members elect a chairman and a vice chairman who each serves a four-year term. The Parliament members are elected by district for a four-year term. The Mongolian Parliament used to adopt a policy to welcome international investors to invest and develop its mining sector, and have favourable policies on mining developers. However, there is no guarantee that the Parliament will not change its existing policies or adopt a more conservative or restrictive policy on the mining sector in future.

EXPLORATION AND MINING CONCESSIONS OF THE GROUP

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

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

△ *1 hectare = 10,000 square metres*

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

▲ *(X) stands for exploration licence*

▲▲ *(A) stands for mining licence*

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

(a) Open-pit mining method;

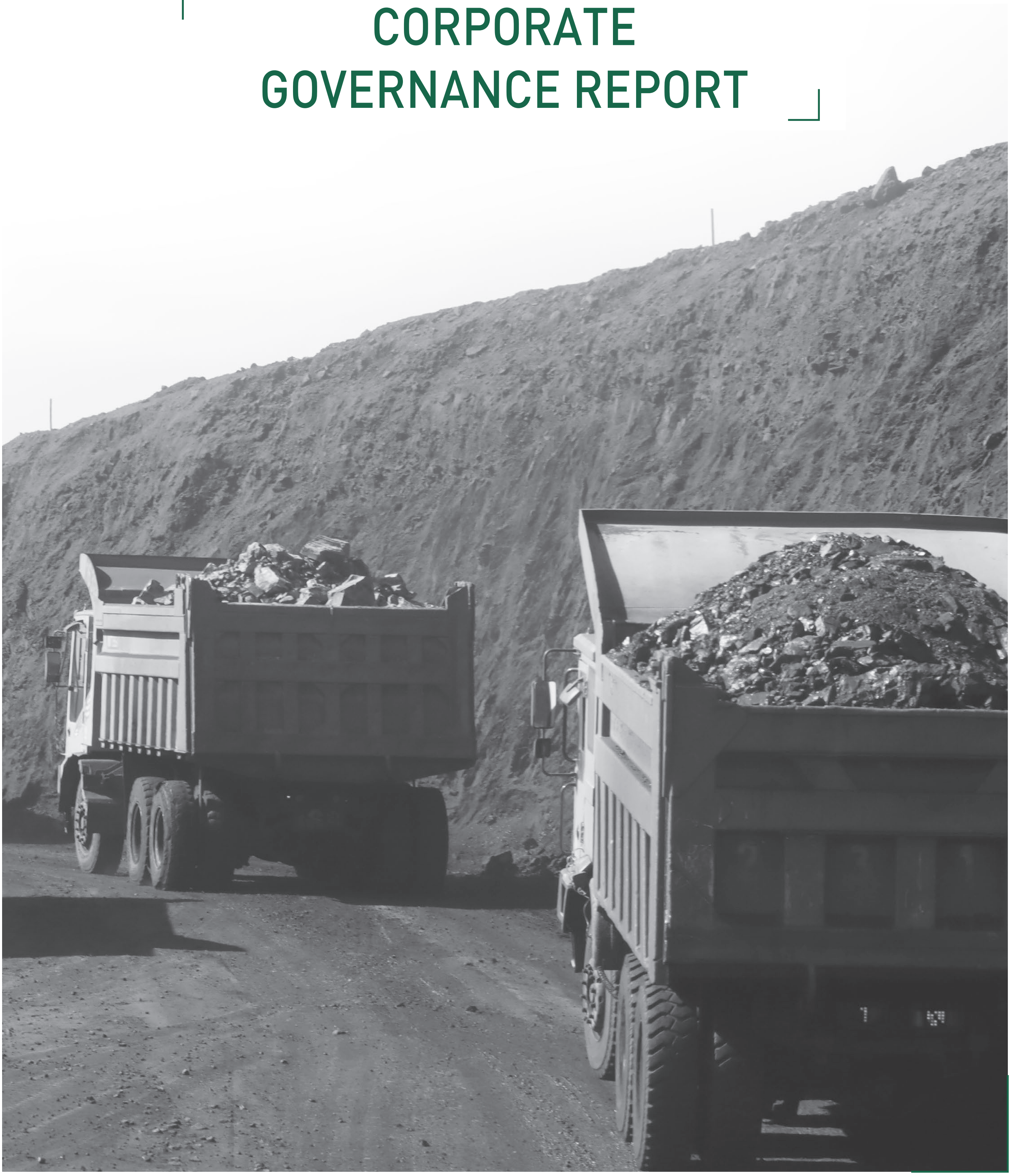
(b) Maximum mining depth of 400 meters. At 200 meters depth, the approximate JORC resources are 85 million tonnes;

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

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

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

CORPORATE GOVERNANCE REPORT



CORPORATE GOVERNANCE PRACTICES

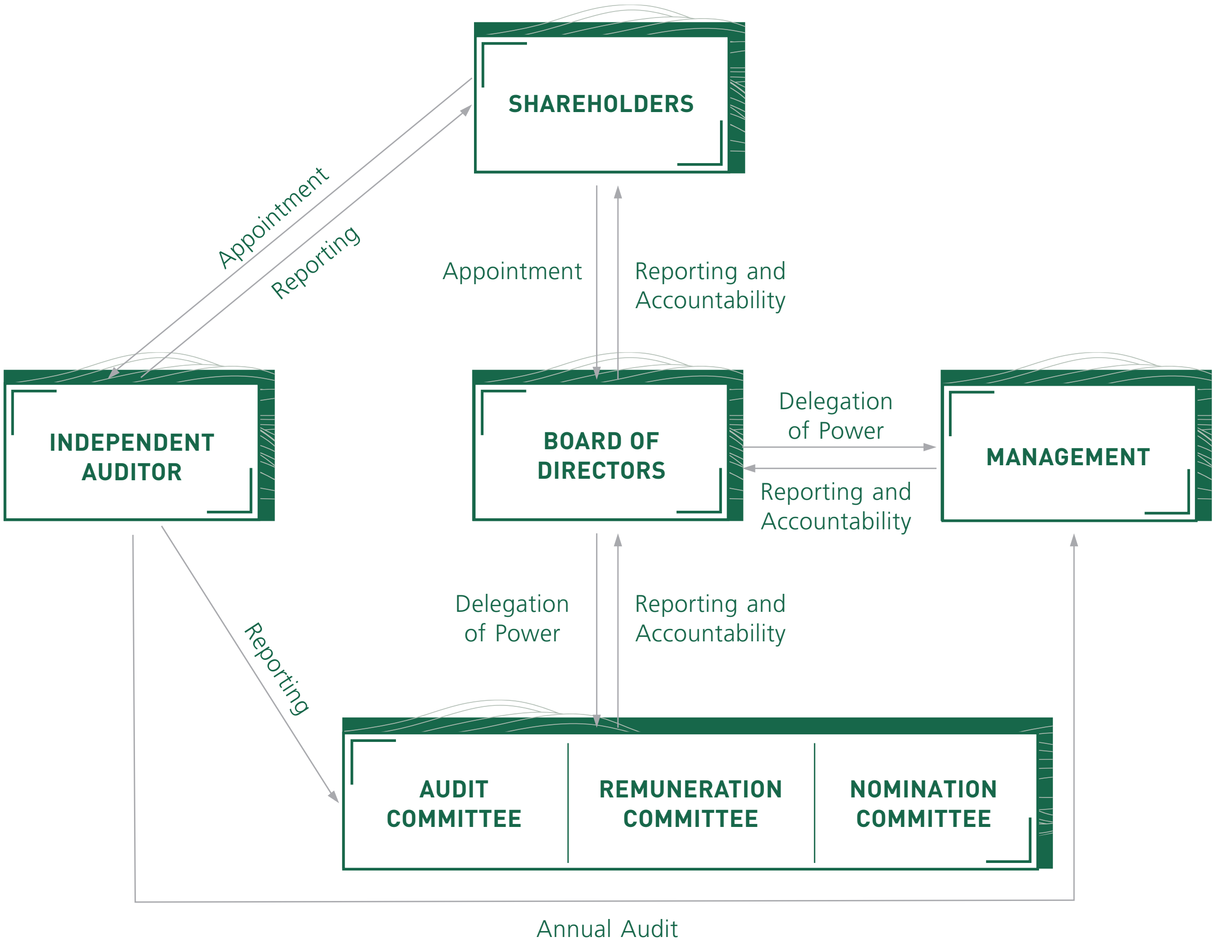
The Board recognizes the importance of maintaining a high standard of corporate governance practice to protect and enhance the benefits of the shareholders. The Board and the management of the Company have collective responsibilities to maintain the interest of the shareholders and the sustainable development 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, thereby enabling shareholders' evaluation of the Company's application of the principles and 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**").

During the Financial Year, the Company had applied the principles of and complied with the CG Code, save for the following deviations:

i. Code provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting ("**AGM**").

   Due to another business engagement, the Chairman was unable to attend the 2022 AGM. The Chairman of the Audit and Remuneration Committees of the Company took the chair of the 2022 AGM and answered questions raised by the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Other than the AGM, the shareholders may communicate with the Company through the contact methods listed on the Company's website.

CORPORATE GOVERNANCE STRUCTURE



COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

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

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

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

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

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

BOARD OF DIRECTORS

Board Composition

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

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

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

Executive Directors

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

Non-executive Directors

Mr. To Hin Tsun, Gerald
Mr. Lo, James Cze Chung *(appointed on 17 March 2023)*
Mr. Tang Chi Kei *(resigned on 4 April 2023)*

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 Company is conscious of maintaining Board diversity with an appropriate level of female members on the Board, which shall not be less than one member. During the Financial Year and as at the date of this annual report, the Board comprised one female Board member, in which case the Board considered gender diversity has been achieved. While conscious efforts are being taken by the Company to fulfil its Board Diversity Policy, all appointments are ultimately made on a merit basis taking into account the skill, strength and suitability candidates.

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.

Workforce Diversity

As the workforce to handle the production of the Group requires specific skill sets and physique which favour the male gender, female employees only accounted for 19.11% of the Group's workforce while male gender accounted for 80.89% as at 31 March 2023. Although the Group has no plan or measurable objective set for achieving gender equality in workplace, the recruitment principle of the Group is always based on the nature of work and individual capability instead of gender.

Board Independence

The Company recognises that Board independence is essential for a good corporate governance and has in place effective mechanisms as below that underpin a strong independent Board, and that independent views and input from Directors are conveyed to the Board:

(i) The Board must have at least 3 independent non-executive Directors and all the members of each of the Audit Committee and the Remuneration Committee are independent non-executive Directors. For the Nomination Committee, the majority of the members is independent non-executive Directors;

(ii) All independent non-executive Directors are required to provide annual confirmations of independence and the Nomination Committee assess their independence annually;

(iii) the Directors can have full and timely access to any related information so as to ensure the Directors are in the position to exercise their powers in an informed manner; and

(iv) the Directors may take independent professional advice at the Company's expense if necessary.

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 risk management and internal control systems of the Group;

iv. reviewed the corporate governance procedures;

v. reviewed and approved the Environment, Social and Governance Report 2022;

vi. reviewed and approved the auditor’s remuneration and recommended the appointment of Messrs. Ernst & Young (“**EY**”) as the independent auditor of the Company (the “**Independent Auditor**”) respectively;

vii. reviewed and approved the inside information announcements;

viii. reviewed the continuing connected transactions of the Company;

ix. reviewed and approved the new share option scheme; and

x. reviewed and approved the amendments to the Bye-laws.

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, Mr. Lo, Chris Cze Wai and Mr. Lo, James Cze Chung, 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, Audit Committee and Nomination Committee, with specific terms of reference relating to their respective 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 recommending 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 making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

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 2022 and for the six months ended 30 September 2022;

(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 2022 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.

NOMINATION COMMITTEE

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

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

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

During the year under review, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, reviewed the re-appointment of Directors and recommended the appointment of a non-executive Director. In identifying and selecting suitable candidates for directorships, the Nomination Committee considered the candidate's relevant criteria as set out in the nomination policy for recruitment of board members that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

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:

Directors	Number of Meetings Attended/Held					Continuous Professional Development Type of Training (Notes)
	Board	Remuneration Committee	Audit Committee	Nomination Committee	General	
Mr. Lo	4/4	N/A	N/A	1/1	0/2	A
Ms. Yvette Ong	4/4	N/A	N/A	N/A	0/2	A
Mr. Lo, Rex Cze Kei	3/4	N/A	N/A	N/A	0/2	A
Mr. Lo, Chris Cze Wai	3/4	N/A	N/A	N/A	0/2	A
Mr. Lo, James Cze Chung (appointed on 17 March 2023)	1/1	N/A	N/A	N/A	0/2	A
Mr. To Hin Tsun, Gerald	3/4	N/A	N/A	N/A	0/2	A, B
Mr. Tang Chi Kei (resigned on 4 April 2023)	4/4	N/A	N/A	N/A	1/1	A, B
Mr. Tsui Hing Chuen, William JP	3/4	1/1	3/3	1/1	0/2	A
Mr. Lau Wai Piu	3/4	1/1	3/3	1/1	2/2	A
Mr. Lee Kee Wai, Frank	3/4	1/1	3/3	1/1	0/2	A

Notes:

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

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

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

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

Directors' Training and Continuous Professional Development

All the Directors should participate in continuous professional development to develop and refresh their knowledge and skills in their roles as directors pursuant to Code Provision C.1.4 of the CG Code. Attendance to any professional courses recognised by registered professional bodies such as The Law Society of Hong Kong, The Hong Kong Institute of Certified Public Accountants, The Hong Kong Chartered Governance Institute formerly known as The Hong Kong Institute of Chartered Secretaries etc., are recognised by the Company for this purpose. The Directors will also be provided with materials from time to time to keep abreast of the latest legal and regulatory changes to enable them to effectively discharge their duties.

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

INDEPENDENT AUDITOR

EY was re-appointed as the Independent Auditor at the 2022 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. EY does not assume responsibility towards or accept liability to any other person for the contents of the Independent Auditor's Report.

The statement of the Independent Auditor about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 55 to 60.

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	6,300
Non-audit services	1,322
	7,622

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 pages 55 to 60.

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 2022 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-one clear 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.

During the Financial Year, the Board reviewed the implementation and effectiveness of the communication with shareholders and investors. As there are multiple channels of communication and engagement in place as detailed above, the Board considered that the ways of communication with shareholders and investors are sufficient and effective.

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, there were certain changes to the Company's constitutional documents. The Shareholders at the AGM dated 12 December 2022 by way of special resolution have approved amendments to the Bye-laws and adopted of the new Bye-laws in substitution for and to the exclusion of the Bye-laws in order to, amongst others, (i) comply with the Core Shareholder Protection Standards as set out in Appendix 3 of the Listing Rules; (ii) allow general meetings of the Company to be held as hybrid meetings or electronic meetings where Shareholders may attend by electronic means in addition to or in place of attending physical meetings in person; and (iii) incorporate housekeeping amendments. The latest version of the Bye-laws is available on both the Company's and the Stock Exchange's websites.

DIRECTORS AND SENIOR MANAGEMENT

MR. LO LIN SHING, SIMON

Chairman and Executive Director

Mr. Lo, aged 67, 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 and Mr. Lo, James Cze Chung who is a non-executive 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 58, 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 41, was appointed as a non-executive Director in October 2016 and re-designated as an Executive Director in February 2018. He has over 10 years of experience in property business and general management. Mr. Rex Lo holds a Master of Science in Electronic Commerce and Internet Computing and a Bachelor of Science in Business Administration. He is the son of Mr. Lo, the Chairman and executive Director of the Company and the elder brother of Mr. Lo, Chris Cze Wai and Mr. Lo, James Cze Chung, who are an executive Director and a non-executive Director of the Company respectively. 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 29, 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 younger brother of Mr. Lo, Rex Cze Kei and the elder brother of Mr. James Cze Chung, who are an executive Director and a non-executive Director of the Company respectively. 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. LO, JAMES CZE CHUNG

Non-Executive Director

Mr. James Lo, aged 28, holds a bachelor degree of Science (Hons.) in Business and Management from Brunel University, UK. Mr. James Lo joined the Group in August 2017 as a management trainee and he was subsequently promoted to a director of certain subsidiaries of the Company. He has more than 5 years commercial experience. He is the son of Mr. Lo Lin Shing, Simon, the Chairman and executive Director of the Company and the younger brother of Mr. Lo, Rex Cze Kei and Mr. Lo, Chris Cze Wai, both are executive Directors of the Company. He is also a non-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 74, 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 71, was appointed as an independent non-executive Director in September 2006. Mr. Tsui is the founding partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries, which was established in 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1981, and a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor in Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of the Peace by the Government of Hong Kong in 1997. He was admitted to the Roll of Honour of The Law Society of Hong Kong in 2013. Mr. Tsui is also an independent non-executive director of Vision Values Holdings Limited which is listed on the Stock Exchange.

MR. LAU WAI PIU

Independent Non-executive Director

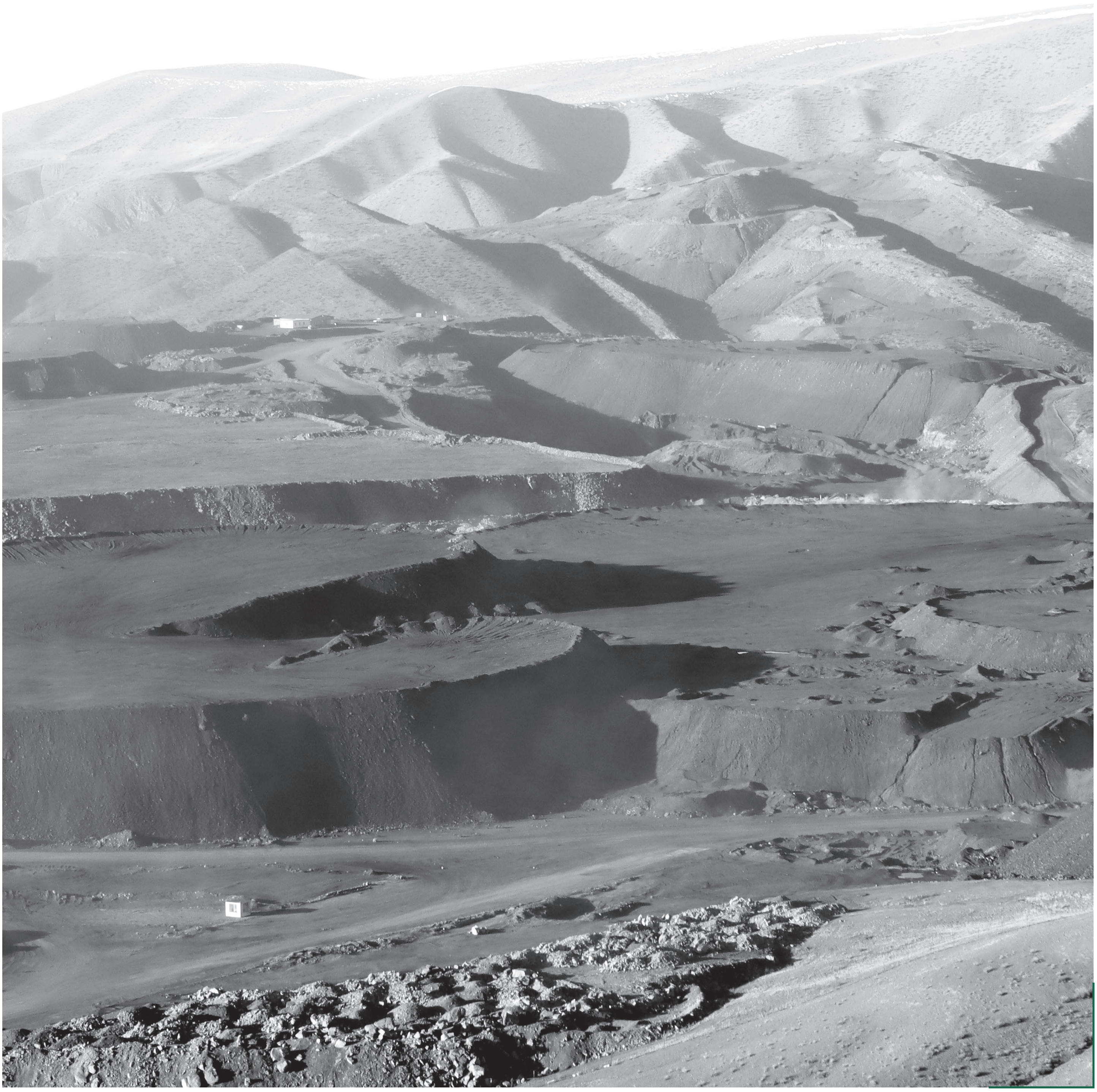
Mr. Lau, aged 59, joined the Company as an independent non-executive Director since September 2004. He has over 20 years of extensive experience in accounting and financial management. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered 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 64, 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 43 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 2023 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 11 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 16 to 22 and in Note 5 to the consolidated financial statements. The financial risk management objectives and policies of the Group can be found in Note 39(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 14.

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 14.

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 14.

RESULTS

The results of the Group for the year ended 31 March 2023 are set out in the Consolidated Statement of Profit or Loss on page 61.

No interim dividend was declared (2022: Nil) and the Directors do not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 21 August 2023 to Thursday, 24 August 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Standard Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 18 August 2023.

SHARE CAPITAL

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

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

EQUITY-LINKED AGREEMENTS

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

Convertible notes

On 6 March 2020, the Company issued convertible notes with total principal amount of HK$3,438,058,423. As at 31 March 2023, they could be converted into 3,129,025,637 conversion shares at a par value of HK$0.02 at a conversion price of HK$1.2. So far, none of conversion right has 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 Schemes

Details of the movements in share options during the Financial Year is set out in Note 35 to the consolidated financial statements and "Share Option Schemes" 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 2023 and for the last four financial years are set out on page 149.

RESERVES

Details of the movements in reserves of the Group and the Company during the Financial Year are set out on page 65 and in Note 42 to the consolidated financial statements respectively.

CHARITABLE DONATIONS

For the year ended 31 March 2023, the Group made charitable and other donations in a total amount of HK$20,674,000 (2022: HK$8,763,000).

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 2023 are set out in Notes 43 and 19 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
The largest customer	53.6%
Five largest customers in aggregate	80.9%
Purchases	
The largest purchaser	22.0%
Five largest purchasers in aggregate	46.4%

Saved as disclosed on page 52 relating to connected transactions, 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 page 28, and pages 40 to 41 respectively.

In accordance with Bye-law 86(2) and 87 of the Bye-laws of the Company, Mr. Lo, Chris Cze Wai, Mr. Lo, James Cze Chung and Mr. Lee Kee Wai, Frank will retire. All the retiring Directors, being eligible, offer themselves for re-election at the forthcoming AGM.

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

DIRECTORS' SERVICE CONTRACTS

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

None of the Directors during the Financial Year 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 24 to 39.

DIRECTORS' INTERESTS

As at 31 March 2023, the interests or short positions of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares and underlying shares of the Company

	Number of shares			Number of underlying shares			
Name of Directors	Personal interests	Spouse interests	Corporate interests	Personal Interests pursuant to share options	Corporate interests	Total interests	Percentage of shareholding
Mr. Lo	124,000	43,750	30,151,957 *(Note)*	1,800,000	602,204,563 *(Note)*	634,324,270	337.18%
Ms. Yvette Ong	27,250	–	–	1,800,000	–	1,827,250	0.97%
Mr. Lo, Rex Cze Kei	–	–	–	1,500,000	–	1,500,000	0.80%
Mr. Lo, Chris Cze Wai	–	–	–	1,500,000	–	1,500,000	0.80%
Mr. To Hin Tsun, Gerald	135,000	–	–	500,000	–	635,000	0.34%
Mr. Lo, James Cze Chung (appointed on 17 March 2023)	–	–	–	500,000	–	500,000	0.27%
Mr. Tang Chi Kei (resigned on 4 April 2023)	2,300	–	–	500,000	–	502,300	0.27%
Mr. Tsui Hing Chuen, William *JP*	12,500	–	–	500,000	–	512,500	0.27%
Mr. Lau Wai Piu	5,030	–	–	500,000	–	505,030	0.27%
Mr. Lee Kee Wai, Frank	–	–	–	500,000	–	500,000	0.27%

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

Save as disclosed above and the section headed "**SHARE OPTION SCHEMES**", as at 31 March 2023, 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 2023, 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			Total interests		Percentage of nominal value of issued share capital
	Beneficial/ Personal interests	Spouse interests	Corporate interests			
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	634,280,520	–	634,324,270	*(Note 3)*	337.18%
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 634,280,520 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 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

RETIREMENT BENEFITS SCHEME

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

PERMITTED INDEMNITY PROVISIONS

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

SHARE OPTION SCHEMES

The share option scheme adopted by the Company on 30 August 2012 (the "**2012 Option Scheme**") was expired on 29 August 2022. A new share option scheme to grant options to eligible participants to subscribe for ordinary shares of the Company was adopted on 12 December 2022 (the "**2022 Option Scheme**"). No options had been granted to the Directors, employees and other eligible participants of the Company under the 2022 Option Scheme during the Financial Year.

The following is a summary of the terms of the 2022 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 or proposed employees of the Group.

3. Number of shares available for issue

Under the 2022 Option Scheme, the total number of shares available for issue is 18,812,584 which represent approximately 10.00% of the issued share capital of the Company as at 31 March 2023.

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.

Where the share options are proposed to be granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates, and the proposed grant of share options, if exercised in full, would result in the total number of shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the relevant scheme(s) of the Company) to such party in the past 12-month period up to and including the date of such grant, representing in aggregate more than 0.1% of the total number of issued shares, the proposed grant shall be subject to the issue of a circular containing information required under Rule 17.04(5) of the Listing Rules and the approval of the shareholders in general meeting (taken on a poll) in accordance with the requirements of the Listing Rules.

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

A vesting period of not less than 13 months for which an option must be held before it can be exercised.

7. Amount payable on acceptance of option

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

8. Exercise price

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

9. Expiry of the Share Option Scheme

The 2022 Option Scheme is valid and effective for a term of ten years commencing from 12 December 2022.

Details of the movements in outstanding share options, which have been granted under the 2012 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$** *(note)*	**Exercise period**	**Vesting Period**	**As at 1 April 2022**	**Granted during the Financial Year**	**Lapsed during the Financial Year**	**Exercised during the Financial Year**	**As at 31 March 2023**
Mr. Lo	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	1,800,000	–	(1,800,000)	–	–
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	1,800,000	–	–	–	1,800,000
Ms. Yvette Ong	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	1,000,000	–	(1,000,000)	–	–
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	1,800,000	–	–	–	1,800,000
Mr. Lo, Rex Cze Kei	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	1,500,000	–	(1,500,000)	–	–
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	1,500,000	–	–	–	1,500,000
Mr. Lo, Chris Cze Wai	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	1,500,000	–	–	–	1,500,000
Mr. Lo, James Cze Chung (appointed on 17 March 2023)	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. To Hin Tsun, Gerald	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	(500,000)	–	–
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. Tang Chi Kei (resigned on 4 April 2023)	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	(500,000)	–	–
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. Tsui Hing Chuen, William *JP*	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	(500,000)	–	–
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. Lau Wai Piu	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	(500,000)	–	–
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. Lee Kee Wai, Frank	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	500,000	–	(500,000)	–	–
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Employees in aggregate (including a director of certain subsidiaries)	01-09-2017	2.260	01-09-2017 to 31-08-2022	N/A	7,100,000	–	(7,100,000)	–	–
	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	6,700,000	–	–	–	6,700,000
TOTAL					30,200,000	–	(13,900,000)	–	16,300,000

CONNECTED TRANSACTIONS

(a) 2021 Logistics Services Agreement

The Company entered into Logistics Services Frame work Agreement and Supplemental Logistics Services Framework Agreement (collectively the "**Framework Agreements**") with 新疆遠見鴻業物流有限公司("**VVLJV**") on 3 December 2021 and 31 March 2022 respectively. Pursuant to the Framework Agreements, VVLJV agreed to provide MEC with the logistics services for coal and related products transportation in the PRC including (i) raw coal drop and pull; (ii) gangue backfilling; and (iii) clean coal for one year commencing from 1 April 2022 to 31 March 2023, effective from the date of approval by the independent shareholders in the special general meeting. The Annual Cap based on Supplemental Logistics Services Framework Agreement was RMB131,600,000. The transaction was approved by independent shareholders on 20 May 2022.

VVLJV is indirectly held as to 60% by Vision Values Holdings Limited (stock code: 862) ("**Vision Values**"). Mr. Lo, the substantial shareholder, chairman and executive director of the Company, is also the controlling shareholder, chairman and executive director of Vision Values. In view of Mr. Lo's shareholding and his corporate positions in both the Company and Vision Values, Vision Values is a connected person of the Company. Hence, VVLJV is also a connected person of the Company. Accordingly, the transaction contemplated under the Framework Agreements constitute continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

(b) 2023-2026 Logistics Services Framework Agreement

During the Financial Year, the Company entered into a new logistics services framework agreement with VVLJV on 3 March 2023 (the "**2023-2026 Logistics Services Framework Agreement**"). Pursuant to the 2023-2026 Logistics Services Framework Agreement, VVLJV agrees to provide logistics services to the Group for a period until 31 March 2026 effective from the date of approval by the independent shareholders at the special general meeting on 21 April 2023.

Under the 2023-2026 Logistics Services Framework Agreement, VVLJV shall provide the Group with logistics services for coal and related products transportation in the PRC including (i) gangue backfilling; and (ii) coal products. The respective annual caps set for the services for three financial years ending 31 March 2026 under the term of the 2023-2026 Logistics Services Framework Agreement shall not exceed RMB292.5 million, RMB365.6 million, and RMB457.0 million. The services run for a period from 21 April 2023, the date that the transactions received the approval from independent shareholders in the special general meeting, to 31 March 2026. Shareholders may refer to the circular of the Company dated 30 March 2023 for detailed information.

(c) Tenancy Agreement

The Group entered into an office tenancy agreement on 8 May 2023. 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 2023 and expiring on 7 May 2025 at a monthly rental of HK$291,000 (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. As Mr. Lo is a connected person of the Company, the tenancy agreement constitutes a connected transaction for the Company under Chapter 14A to the Listing Rules. For details, please refer to the announcement made by the Company on 8 May 2023.

In accordance with rule 14A.55 of the Listing Rules, the continuing connected transaction as set out in (a) above during the year have been reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into:

(i) In the ordinary and usual course of business of the Group;

(ii) On normal commercial terms or better; and

(iii) According to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

EY has been engaged to report on the continuing connected transaction as set out in (a) above in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from EY in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, a summary of significant related party transactions that did not constitute connected transactions made during the Financial Year was disclosed in Note 37 to the consolidated financial statements.

GROUP'S BORROWINGS

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

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

During the Financial Year, neither the Company nor any of its subsidiaries 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.

DISTRIBUTABLE RESERVES

At 31 March 2023, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act of Bermuda, is HK$Nil (2022: HK$Nil) which is the sum of the Company's share premium, contribution surplus and accumulated losses as stated in Note 42 to the consolidated financial statements on page 147.

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 2023 had been reviewed by the Audit Committee.

HUMAN RESOURCES

As at 31 March 2023, excluding site and construction workers directly employed by our contractors, the Group employed 811 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

On 18 March 2022, Deloitte Touche Tohmatsu ("**Deloitte**") resigned as the Independent Auditor, and EY was appointed as the Independent Auditor. The consolidated financial statements for the years ended 31 March 2020 and 2021 were audited by Deloitte, while 2022 and 2023 were audited by EY. A resolution will be submitted to the forthcoming AGM to re-appoint EY as the Independent Auditor.

On behalf of the Board

Lo Lin Shing, Simon
Chairman
Hong Kong, 19 June 2023

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

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

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

QUALIFIED 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 61 to 148, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the corresponding figures on the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the Group's consolidated financial position as at 31 March 2023, 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 QUALIFIED OPINION

As stated in our Independent Auditor's Report on the Group's financial statements for the year ended 31 March 2022 dated 31 October 2022, an impairment loss of HK$417 million in relation to the Khusunnt Related Assets and a deferred tax credit of HK$61 million were recognized in the profit or loss during the year ended 31 March 2022. We were unable to obtain sufficient appropriate audit evidence and were unable to carry out alternative audit procedures to satisfy ourselves about whether any of these impairment losses and deferred tax credit recognised by the Group during the year ended 31 March 2022 should have been recorded in the consolidated statement of profit or loss of previous years. Our audit opinion on the consolidated financial statements for the year ended 31 March 2022 was modified accordingly in respect of the Group's consolidated financial performance and consolidated cash flows. Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures in respect of the Group's consolidated financial performance and consolidated cash flows.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under these standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (the "**Code**") issued by the HKICPA, 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 qualified 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 2023, the Group had net liabilities of approximately HK$4,336.8 million and net current liabilities of approximately HK$785.0 million and incurred a net loss of approximately HK$1,603.1 million for the year then ended. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, including from a substantial shareholder who is also the Chairman and a director of the Company and sufficient internally generated funds. If the finance and the internally generated funds were not to be 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 qualified opinion is not further modified in respect of this matter.

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Recoverable amount assessment of property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations	
Management engaged an independent valuer (the "**Valuer**") to determine the recoverable amount of property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations (collectively referred to as the "**Khushuut Related Assets**") because there were indicators of impairment. For the purposes of impairment testing, the Khushuut Related Assets are treated as a cash-generating unit and its recoverable amount has been determined based on a value in use calculation, which requires management to estimate the future cash flows expected to arise from the cash-generating unit, using discounted cash flow analysis to calculate the present value. Key assumptions used in the calculation include the estimated coking coal price, discount rate and estimated coal production. Based on the recoverable amount assessment, an impairment loss of HK$1,360.9 million was recognised in respect of the Khushuut Related Assets during the year ended 31 March 2023. In view of the significance of these balances to the consolidated financial statements, and the significant management judgement and estimation uncertainty associated with the recoverable amount assessment of the Khushuut Related Assets, this is considered as a key audit matter. The related disclosures are included in Notes 3, 4 and 5 to the consolidated financial statements.	The procedures we performed to address the key audit matter included the following: • We obtained an understanding on management's impairment assessment process; • We evaluated the competence, capabilities and objectivity of the Valuer; • With the assistance of our internal valuation specialists, we assessed the valuation by o evaluating the valuation methodology and assumptions used to determine the recoverable amount, o assessing the discount rate and estimated coking coal price underpinning the recoverable amount by benchmarking these inputs to market information, o referencing to the past performance of the Khushuut Related Assets together with management and the Valuer's expectations for the market developments; and o checking the mathematical accuracy of the calculation used in the valuation model; • We performed a sensitivity analysis on the significant assumptions adopted in the valuation and evaluated the extent of the impact on the recoverable amount; and • We assessed the adequacy of related disclosures about the recoverable amount assessment.

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative component of the convertible notes	
The derivative component of the convertible notes was initially and subsequently measured at fair value. As at 31 March 2023, the fair value of the derivative component of the convertible notes issued by the Group amounted to HK$1,131,838,000. Management engaged the Valuer to determine the fair value of the derivative component of the convertible notes. The fair value was measured using the Binomial Valuation Model which requires the use of unobservable inputs and significant management judgement and estimation on the key assumptions, including the discount rate, expected volatility and expected dividend yield. Based on management's assessment, a fair value loss on the derivative component of the convertible notes of HK$303,323,000 was recognised in profit or loss during the year ended 31 March 2023. In view of the significance of the balance to the consolidated financial statements and significant management judgement and estimation uncertainty associated with the valuation of the derivative component of the convertible notes, this is considered as a key audit matter. The related disclosures are included in Notes 4, 5, 30(a), 39(b)(iii) and 39(c) to the consolidated financial statements.	The procedures we performed to address the key audit matter included the following: • We obtained an understanding on management's valuation process; • We obtained the relevant agreements and reviewed the terms to assess the inputs to the valuation; • We evaluated the competence, capabilities and objectivity of the Valuer; • With the assistance of our internal valuation specialists, we assessed the valuation by o evaluating the valuation methodology and assumptions used to determine the fair value; o assessing the discount rate, expected volatility and expected dividend yield by referencing to external market data; o checking the mathematical accuracy of the calculation used in the valuation model; • We performed a sensitivity analysis on the key assumptions adopted in the valuation and evaluated the extent of the impact on the fair value; and • We assessed the adequacy of related disclosures about the derivative component of the convertible notes.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated statements, our responsibility is to read other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE 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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
19 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

	Notes	**2023 HK$'000**	**2022 HK$'000**
Revenue	6	**2,905,309**	1,562,718
Cost of sales		**(1,820,213)**	(947,966)
Gross profit		**1,085,096**	614,752
Other income	7	**16,518**	11,658
Other gains and losses	8	**31,441**	6,134
Administrative expenses		**(237,848)**	(163,182)
Changes in fair value on derivative component of convertible notes	30(a)	**(303,323)**	185,015
Impairment losses on property, plant and equipment	3, 15	**(1,231,455)**	(377,171)
Impairment losses on intangible assets	3, 17	**(128,225)**	(39,208)
Impairment losses on right-of-use assets	3, 16	**(1,212)**	(460)
Impairment losses on financial assets		**(1,245)**	(1,241)
Finance costs	9	**(599,206)**	(543,367)
Loss before taxation	10	**(1,369,459)**	(307,070)
Income tax expense	11	**(233,640)**	(41,982)
Loss for the year attributable to owners of the Company		**(1,603,099)**	(349,052)
Loss per share attributable to ordinary equity holders of the Company	14		
– basic and diluted loss per share (HK$)		**(8.52)**	(1.86)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000
Loss for the year	**(1,603,099)**	(349,052)
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of group companies	**(22,884)**	29,408
– Fair value changes on debt instruments at fair value through other comprehensive income ("**FVTOCI**")	**1,529**	1,089
Other comprehensive (expense) income for the year	**(21,355)**	30,497
Total comprehensive expense for the year attributable to owners of the Company	**(1,624,454)**	(318,555)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	**2023** **HK$'000**	**2022** **HK$'000**
Non-current assets			
Property, plant and equipment	15	**1,018,279**	2,083,792
Right-of-use assets	16	**8,613**	9,592
Intangible assets	17	**93,087**	231,022
Exploration and evaluation assets	18	**1,689**	1,559
Interest in an associate	19	**–**	–
Deferred tax assets	32	**40,166**	39,847
		1,161,834	2,365,812
Current assets			
Trade and bills receivables	20	**953,484**	666,971
Inventories	21	**303,382**	268,822
Other receivables, prepayments and deposits	22	**254,767**	202,810
Prepaid taxation		**15,498**	1,484
Financial asset at fair value through profit or loss ("**FVTPL**")	23	**51,598**	50,752
Amount due from an associate	19	**–**	–
Cash and cash equivalents	24	**60,264**	63,906
		1,638,993	1,254,745
Current liabilities			
Trade payables	25	**252,590**	280,345
Other payables and accruals	26	**782,010**	267,389
Contract liabilities	27	**67,967**	30,605
Tax liabilities		**14,712**	34,494
Advances from a Director	29	**1,302,017**	1,707,679
Interest-bearing bank borrowing	29	**–**	66,630
Lease liabilities	28	**3,056**	6,295
Deferred income	31	**1,591**	1,718
		2,423,943	2,395,155
Net current liabilities		**(784,950)**	(1,140,410)
Total assets less current liabilities		**376,884**	1,225,402

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Convertible notes	30(a)	**4,186,443**	3,501,682
Loan note	29, 30(b)	**474,140**	387,451
Deferred income	31	**2,093**	3,980
Deferred tax liabilities	32	**18,931**	19,383
Lease liabilities	28	**4,751**	1,077
Provision for rehabilitation	33	**27,372**	24,221
		4,713,730	3,937,794
Net liabilities		**(4,336,846)**	(2,712,392)
Financed by:			
Capital and reserves			
Share capital	34	**3,763**	3,763
Reserves		**(4,340,609)**	(2,716,155)
Capital deficiencies attributable to owners of the Company		**(4,336,846)**	(2,712,392)

The consolidated financial statements on pages 61 to 148 were approved and authorised for issue by the Board of Directors on 19 June 2023 and are signed on its behalf by:

Lo Lin Shing, Simon
Director

Lo, Rex Cze Kei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Share capital	Share options reserve	Translation reserve	Statutory surplus reserve	Fair value reserve of financial asset at FVTOCI	Capital contribution reserve	Accumulated losses	Total
		(Note (a))	*(Note (a))*	*(Note (a) & (b))*	*(Note (a))*	*(Note (a))*	*(Note (a))*	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2021	3,763	33,741	(4,839)	21,904	–	334,220	(2,782,626)	(2,393,837)
Loss for the year	–	–	–	–	–	–	(349,052)	(349,052)
Other comprehensive income								
Changes in fair value of debt instruments at FVTOCI	–	–	–	–	1,089	–	–	1,089
Exchange differences arising on translation	–	–	29,408	–	–	–	–	29,408
Total comprehensive income (expense) for the year	–	–	29,408	–	1,089	–	(349,052)	(318,555)
Appropriations to reserve *(Note (b))*	–	–	–	19,750	–	–	(19,750)	–
Share options lapsed	–	(287)	–	–	–	–	287	–
At 31 March 2022	**3,763**	**33,454**	**24,569**	**41,654**	**1,089**	**334,220**	**(3,151,141)**	**(2,712,392)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,603,099)**	**(1,603,099)**
Other comprehensive income (expense)								
Changes in fair value of debt instruments at FVTOCI	**–**	**–**	**–**	**–**	**1,529**	**–**	**–**	**1,529**
Exchange differences arising on translation	**–**	**–**	**(22,884)**	**–**	**–**	**–**	**–**	**(22,884)**
Total comprehensive income (expense) for the year	**–**	**–**	**(22,884)**	**–**	**1,529**	**–**	**(1,603,099)**	**(1,624,454)**
Appropriations to reserve *(Note (b))*	**–**	**–**	**–**	**31,195**	**–**	**–**	**(31,195)**	**–**
Share options lapsed	**–**	**(21,288)**	**–**	**–**	**–**	**–**	**21,288**	**–**
At 31 March 2023	**3,763**	**12,166**	**1,685**	**72,849**	**2,618**	**334,220**	**(4,764,147)**	**(4,336,846)**

Notes:

(a) *These reserve accounts comprise the consolidated reserves of HK$(4,340,609,000) (2022: HK$(2,716,155,000)) in the consolidated statement of financial position.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Operating activities			
Loss before taxation		**(1,369,459)**	(307,070)
Interest income	7	**(955)**	(409)
Exchange loss (gain)		**7,177**	(2,165)
Finance costs	9	**599,206**	543,367
Gain on disposal of property, plant and equipment	8	**(191)**	(1)
Amortisation of intangible assets	17	**10,540**	14,667
Depreciation of right-of-use assets	16	**6,344**	6,354
Amortisation of deferred income		**(4,083)**	(1,688)
Depreciation of property, plant and equipment	15	**65,275**	59,917
Changes in fair value on financial assets at FVTPL	8	**(846)**	–
Changes in fair value on derivative component of convertible notes	30(a)	**303,323**	(185,015)
Impairment losses on property, plant and equipment	3, 15	**1,231,455**	377,171
Impairment losses on intangible assets	3, 17	**128,225**	39,208
Impairment losses on right-of-use assets	3, 16	**1,212**	460
Impairment losses on financial assets		**1,245**	1,241
Operating cash flows before movements in working capital		**978,468**	546,037
Increase in inventories		**(34,560)**	(60,465)
Increase in trade and bills receivables		**(333,416)**	(277,837)
Increase in other receivables, prepayments and deposits		**(52,267)**	(46,716)
(Decrease) Increase in trade payables		**(22,683)**	16,332
Increase in other payables and accruals		**518,458**	155,261
Increase in contract liabilities		**38,909**	27,374
Net cash from operations		**1,092,909**	359,986
Tax paid		**(265,423)**	(62,805)
Net cash from operating activities		**827,486**	297,181

	Notes	2023 HK$'000	2022 HK$'000
Investing activities			
Purchases of property, plant and equipment		**(225,220)**	(104,469)
Proceeds on disposal of property, plant and equipment		**387**	1
Additions to intangible assets	17	**(854)**	(4,588)
Additions to exploration and evaluation assets	18	**(130)**	(297)
Advance to an associate		**(9)**	(14)
Bank interest received		**955**	409
Government grants received		**2,488**	–
Net cash used in investing activities		**(222,383)**	(108,958)
Financing activities			
Advance from a Director	29	**111,466**	10,300
Interest paid	29	**(1,076)**	(1,634)
Repayment to a Director	29	**(645,746)**	(225,466)
Repayment to a Director via loan arrangement with a related company	29, 37(a)	**–**	(24,416)
Drawdown of bank loans	29	**–**	66,223
Repayment to bank loans	29	**(62,405)**	–
Repayment of lease liabilities	29	**(6,745)**	(6,714)
Cash used in financing activities		**(604,506)**	(181,707)
Net increase in cash and cash equivalents		**597**	6,516
Cash and cash equivalents at beginning of the year		**63,906**	57,577
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(4,239)**	(187)
Cash and cash equivalents at end of the year		**60,264**	63,906

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The Company is an investment holding company, and its subsidiaries (together with the Company collectively referred to as the "**Group**") are principally engaged in mining, processing and sale of coal.

The consolidated financial statements are presented in Hong Kong dollar ("**HK$**"). The functional currency of the Company is United States dollar ("**US$**") as US$ better reflects the underlying transactions, events and conditions that are relevant to its ongoing business. For the convenience of the financial statements users, the consolidated financial statements are presented in HK$, as the Company's shares are listed on the Stock Exchange.

In preparing the consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity of the Group. The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of 12 months from 31 March 2023. The cash flow 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 2023, advances from a Director of HK$1,302.0 million comprised principal amount and accrued interest of HK$968.4 million and HK$333.6 million respectively. Excluding the accrued interest of HK$333.6 million, the balance of the unutilised facilities of HK$931.6 million remains valid until 31 March 2025 and Mr. Lo has undertaken not to demand for repayment of the principal amount of the loan and the accrued interest until the Group has sufficient cash to make repayment and the repayment will not affect the Group's liquidity position.

While recognising that the Group had net liabilities of approximately HK$4,336.8 million and had net current liabilities of approximately HK$785.0 million at 31 March 2023 and incurred a loss of approximately HK$1,603.1 million for the year then ended, the Directors are of the opinion that, taking into account of the finance from Mr. Lo and the internally generated funds, the Group will be able to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

1.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

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

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

1.2 Basis of consolidation

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

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

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 3	Reference to the Conceptual Framework[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[3]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[4]

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

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

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

(1) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(2) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 "Inventories", in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 April 2022. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(3) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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

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

(4) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 April 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
HKFRS 17	Insurance Contracts[1]
Amendment to HKFRS 17	Insurance Contracts[1, 5]
Amendments to HKFRS 17	Initial application of HKFRS 17 and HKFRS 9 – comparative information[6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2, 4]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
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 Transaction[1]

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

[2] *Effective for annual periods beginning on or after 1 January 2024*

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

[4] *As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion*

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

[6] *An entity that chooses to apply the transition option relating to the classification overly set out in this amendment shall apply it on initial application of the HKFRS 17*

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

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

Amendment to HKFRS 16 "Lease Liability in a Sale and Leaseback"

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision.

As at 31 March 2023, the Group's outstanding convertible notes do not meet the equity instruments classification by applying HKAS 32. The Group classified these instruments as current or non-current liabilities based on the earliest date when the Group has the obligation to redeem these convertible notes through cash settlement. The convertible notes were classified as non-current liabilities as set out in Note 30.

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

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 March 2023.

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

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

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

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

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

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

Amendments to HKAS 8 " Definition of Accounting Estimates"

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

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

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

3. RECOVERABLE AMOUNT ASSESSMENT ON KHUSHUUT RELATED ASSETS

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

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

The Group performed an impairment test of the Khushuut Related Assets as at 31 March 2023, of which the recoverable amount determined by the Independent Valuer was lower than their carrying values, and an impairment loss amounting to HK$1,360.9 million (2022: impairment loss of HK$416.8 million) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2023.

Certain key assumptions adopted in the value in use calculation have been changed in determining the recoverable amount as at 31 March 2023 from 31 March 2022, including a reduction in the forecasted annual production and sales, by excluding the assumption that the Group will sell additional washed coal processed through a third party washing plant that was expected to be built and commissioned by 2024. These assumptions were included in the value in use calculation as at 31 March 2022 but were excluded in the value in use calculation as at 31 March 2023 according to the Group's current business plan. In the opinion of the Directors, the changes in these key assumptions were due to the increase in uncertainty over the ability of that third party in building the washing plant as expected.

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

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

Coal prices

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

Discount rate

In calculating the value in use, a pre-tax discount rate of 34.75% (2022: 27.61%) was applied to the discounted cash flows. This discount rate is derived from the Group's weighted average cost of capital ("**WACC**"), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate.

An impairment loss (2022: impairment loss) was recognised in the consolidated statement of profit or loss in the current year against the respective assets on a pro-rata basis with reference to their carrying values as follows:

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

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

Carrying values of the Khushuut Related Assets as at 31 March 2022:

	Carrying values before impairment loss HK$'000	Impairment loss HK$'000	Carrying values after impairment loss HK$'000
Property, plant and equipment	2,445,663	(377,171)	2,068,492
Intangible assets	268,546	(39,208)	229,338
Right-of-use assets	2,850	(460)	2,390
Total	2,717,059	(416,839)	2,300,220

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

Discount rate (Continued)

The reason for such an impairment loss being recognised in profit or loss for the year ended 31 March 2023 was mainly due to the changes in discount rate, production and sales volume of coking coal and estimated coking coal price for the forthcoming four-year period (2022: the changes in discount rate, production and sales volume of coking coal and estimated coking coal price for the forthcoming four-year period). The above changes have had a significant impact on the value in use assessment performed by the Directors in both years with the cash flows expected to be received.

Sensitivity analysis:

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

As the coal price has been fluctuating in the past, it raises an uncertainty to the revenue of the Group. The change in the estimated coking coal price is important for the assessment of the impact of changes in coking coal price on the estimated sales of the Group. A 5% increase or decrease in the forecasted coal price would result in an increase or decrease in recoverable amount of approximately 37% or 40% respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associate (Continued)

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

Revenue from sales of coal

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

Revenue from coal washing service

Revenue from coal washing service is recognised over time when the obligation of coal washing service is completed, which is measured by the output method with weighted of coals washed during the period.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to component of a contract

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

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

Short-term lease and leases of low-value assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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 assets.

Foreign currencies

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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".

Employee benefits

Retirement benefits costs

The Mandatory Provident Fund Scheme is available to all employees aged 18 to 65 and with at least 59 days of service under employment in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The maximum amount of relevant income for contribution purpose is HK$30,000 (2022: 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 11.5% of employees' salary or similar income from the employees (the "**Relevant Income**") and 14.5% of Relevant Income as employers' contribution. Employers' contributions are charged to profit or loss as they become payable in accordance with the social insurance scheme.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Short-term employee benefits

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

Mining structures

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

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

Mineral properties

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction in progress

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

Ownership interests in leasehold land and building

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

Intangible assets

Intangible assets acquired separately

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 tangible and intangible assets (excluding exploration and evaluation assets)

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

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

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

Cash and cash equivalents

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

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

Provisions

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

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

Provisions for rehabilitation

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions for rehabilitation (Continued)

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

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

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

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

Financial instruments

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

A financial asset is held for trading if:

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

(i) *Amortised cost and interest income*

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) *Financial assets at FVTOCI*

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

(iii) *Financial assets at FVTPL*

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(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.

(v) *Measurement and recognition of ECL*

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(v) *Measurement and recognition of ECL (Continued)*

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

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

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

Non-substantial modifications of financial liabilities

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Reserve estimates

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Reserve estimates (Continued)

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

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

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

Fair value of derivative financial instruments

As at 31 March 2023, the fair value of derivative component of the convertible notes of HK$1,131,838,000 (2022: HK$828,515,000) is determined based on unobservable inputs, such as expected volatility of share price, using valuation techniques.

Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of convertible notes. Further disclosures of the convertible notes are set out in Notes 30(a) and 39(b) and (c).

Estimated recoverable amount of Khushuut Related Assets

As described in Note 3, the Group engaged an Independent Valuer to determine the recoverable amount of the Khushuut Related Assets. For the purposes of impairment testing, the Khushuut Related Assets are treated as a cash-generating unit and its recoverable amount has been determined based on a value in use calculation, which requires the Group to estimate the future cash flows expected to arise from the cash-generating unit, using discounted cash flow analysis, in order to calculate the present value. Key assumptions used in the calculation include the estimated coking coal price and discount rate. During the year ended 31 March 2023, an impairment loss of HK$1,360,892,000 (2022: impairment loss of HK$416,839,000) was recognised against the Khushuut Related Assets as its recoverable amount is lower (2022: lower) than its carrying value. Changes to the assumptions underlying the assessment of the recoverable amount may have a significant effect on the recoverable amount of the Khushuut Related Assets. Where there are favourable or unfavourable changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, a reversal of impairment loss or further impairment loss may arise.

As at 31 March 2023, the carrying value of Khushuut Related Assets is HK$1,092,000,000 (net of accumulated impairment loss of HK$15,007,881,000) (2022: carrying value of HK$2,300,220,000 (net of accumulated impairment loss of HK$13,646,989,000)).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences arising from depreciation and amortisation and unrealised exchange difference on long-term borrowings to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to deductible temporary differences arising from depreciation and amortisation and unrealised exchange difference on long-term borrowings at 31 March 2023 amounted to HK$25,381,000 (2022: HK$12,702,000), HK$14,785,000 (2022: HK$27,145,000) respectively. Further details are set out in Note 32.

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

The impairment provisions for trade and bills receivables, amount due from an associate, and other receivables and deposits are based on assumptions about expected credit losses. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days of which an individual receivable is outstanding, the counterparty's credit rating and its related default rate, as well as the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details are given in Notes 19, 20, 22 and 39(b) to the consolidated financial statements.

Write-down of inventories to net realisable value

Inventories are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence. Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the Group expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale. The assessment of net realisable value of inventories was based on current market situation and conditions of the items. As at 31 March 2023, the carrying amount of inventories was HK$303.4 million (net of allowances of HK$22.3 million) (2022: carrying amount of HK$268.8 million (net of allowances of HK$Nil)). Allowances on inventories of HK$22.3 million (2022: HK$Nil) were charged in consolidated statement of profit or loss during the year ended 31 March 2023. Further disclosure is set out in Note 21.

Value-Added Tax ("VAT") receivables

As at 31 March 2023, the Group had VAT receivables amounting to HK$197.3 million (approximately Mongolian Tugrik ("**MNT**") 89 billion) (2022: HK$169.0 million) from the Mongolian Tax Authority ("**MTA**") arising from its operations in Mongolia that were accumulated since 2017. According to the prevailing tax rules and regulations in Mongolia, a taxpayer may offset future taxes and royalties payable to the MTA against VAT receivables and it is subject to the approval of MTA and the Ministry of Finance. Significant management judgement and estimation uncertainty associated with the timing of approval are applied in offsetting these VAT receivables against its other taxes payables due to the MTA. Further disclosure is set out in Note 22.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provision for rehabilitation

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

6. REVENUE AND SEGMENT INFORMATION

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

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

Segment revenue and results

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

For the year ended 31 March 2023

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 March 2022

	Coal mining HK$'000	Total HK$'000
Segment revenue *(Note (a))*	1,562,718	1,562,718
Segment profit	112,027	112,027
Unallocated expenses *(Note (b))*		(62,674)
Other income		–
Other gains and losses		(318)
Changes in fair value on derivative component of convertible notes		185,015
Impairment loss on financial asset		(14)
Finance costs		(541,106)
Loss before taxation		(307,070)
Timing of revenue recognition		
Goods transferred at a point in time		1,561,413
Services transferred over time		1,305
		1,562,718

Notes:

(a) *As at 31 March 2023, all outstanding contracts for the sale of coal have an original expected duration of less than one year. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.*

For contract liabilities of HK$67,967,000 as at 31 March 2023 (31 March 2022: HK$30,605,000), as the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component. Contract liabilities of HK$30,605,000 as at 31 March 2022 has been recognised as revenue in the current reporting period as the performance obligation of transferring the associated goods or services was met during the year.

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

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

As at 31 March 2023

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

As at 31 March 2022

	HK$'000
ASSETS	
Segment assets – coal mining	3,543,965
Financial asset at FVTPL	50,752
Cash and cash equivalents	1,718
Other unallocated assets *(Note (a))*	24,122
Consolidated total assets	3,620,557
LIABILITIES	
Segment liabilities – coal mining	704,554
Convertible notes	3,501,682
Loan note	387,451
Advances from a Director	1,707,679
Other unallocated liabilities *(Note (b))*	31,583
Consolidated total liabilities	6,332,949

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Notes:

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

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

Other segment information

For the year ended 31 March

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

Coal mining

	2023 HK$'000	2022 HK$'000
Capital additions	**231,148**	102,264
Amortisation of intangible assets	**10,540**	14,667
Depreciation of right-of-use assets	**2,492**	2,445
Interest income	**(932)**	(409)
Depreciation of property, plant and equipment	**64,579**	59,237
Impairment losses on property, plant and equipment	**1,231,455**	377,171
Impairment losses on intangible assets	**128,225**	39,208
Impairment losses on right-of-use assets	**1,212**	460
Write down of inventories to net realisable value	**22,283**	–

Geographical information

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

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

	Revenue	
	2023 HK$'000	2022 HK$'000
Mongolia	**3,213**	2,990
The PRC	**2,902,096**	1,559,728
	2,905,309	1,562,718

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information (Continued)

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

	Non-current assets	
	2023	**2022**
	HK$'000	**HK$'000**
Hong Kong	**6,951**	7,548
Mongolia	**1,045,481**	2,237,388
The PRC	**69,236**	81,029
	1,121,668	2,325,965

Note:

Non-current assets exclude deferred tax assets.

Information about major customers

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

	2023	**2022**
	HK$'000	**HK$'000**
Customer A	**1,556,392**	829,132
Customer B	**326,428**	–

7. OTHER INCOME

	2023	**2022**
	HK$'000	**HK$'000**
Interest income	**955**	409
Government grants *(Note 31)*	**4,083**	3,779
Sundry income	**11,480**	7,470
	16,518	11,658

8. OTHER GAINS AND LOSSES

	2023	**2022**
	HK$'000	**HK$'000**
Changes in fair value on financial asset at FVTPL	**846**	–
Gain on disposal of property, plant and equipment	**191**	1
Net exchange gain	**30,404**	6,133
	31,441	6,134

9. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on advances from a Director *(Note 29)*	**128,618**	135,985
Interest on lease liabilities *(Note 29)*	**357**	584
Interest on bank borrowing *(Note 29)*	**1,076**	2,106
Effective interest expense on convertible notes *(Note 29 and 30(a))*	**381,438**	333,854
Effective interest expense on loan note *(Note 29 and 30(b))*	**86,689**	70,838
Effective interest expense on provision for rehabilitation *(Note 33)*	**1,028**	–
	599,206	543,367

10. LOSS BEFORE TAXATION

	2023 HK$'000	2022 HK$'000
Loss before taxation has been arrived at after charging (crediting):		
Directors' emoluments *(Note 12(a))*	**68,254**	25,524
Other staff costs:		
Salaries and other benefits (net of reimbursement from a related party *(Note 37(d))*	**129,955**	103,753
Retirement benefits scheme contributions (excluding contributions for Directors and net of reimbursement from a related party *(Note 37(d))*)	**12,609**	11,949
Total staff costs	**210,818**	141,226
Less: staff costs capitalised in inventories	**(66,190)**	(54,771)
	144,628	86,455
Impairment losses on:		
Trade and bills receivables	**1,241**	1,227
Amount due from an associate	**9**	14
	1,250	1,241
Depreciation of property, plant and equipment *(Note 15)*	**65,275**	59,917
Depreciation of right-of-use assets *(Note 16)*	**6,344**	6,354
Amortisation of intangible assets *(Note 17)*	**10,540**	14,667
Auditor's remuneration		
Provided for the year	**5,000**	4,300
Underprovision in prior year	**1,300**	–
Write down of inventories to net realisable value	**22,283**	–

11. INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**52,323**	52,317
Mongolian corporate income tax	**170,745**	28,204
	223,068	80,521
(Over) under provision in prior years:		
PRC EIT	**(1,338)**	2,034
Deferred taxation *(Note 32)*	**11,910**	(40,573)
	233,640	41,982

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% on the estimated assessable profits (if any) for both periods. One of the Group's subsidiaries, 新疆蒙科能源科技有限公司("**新疆蒙科**"), is entitled to enjoy a preferential income tax rate of 15%, and will continue to benefit from this preferential income tax policy until 31 December 2030 under the "Tax incentives of Western Development Policy".

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

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

11. INCOME TAX EXPENSE (Continued)

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

	2023 HK$'000	2022 HK$'000
Loss before taxation	**(1,369,459)**	(307,070)
Calculated at a tax rate of 25%	**(342,365)**	(76,768)
Tax effect on income not subject to tax	**(56,270)**	(46,339)
Tax effect on expenses not deductible for tax purposes	**659,314**	254,421
(Over)/under provision in prior years	**(1,338)**	2,034
Effect of preferential rates granted to a subsidiary	**(32,363)**	(29,285)
Effect of different tax rate of subsidiaries	**(5,248)**	(5,540)
Effect of deductible temporary difference previously not recognised	**–**	25,603
Utilisation of deductible temporary difference previously not recognised	**–**	(35,883)
Withholding tax on distributed/undistributed profits of a subsidiary	**12,730**	14,740
Derecognition of deferred tax liabilities	**–**	(21,246)
Recognition of deferred tax assets previously not recognised	**(820)**	(39,755)
Income tax expense	**233,640**	41,982

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

(a) Directors' and chief executive's emoluments

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

For the year ended 31 March 2023

Name of Directors	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive Directors						
Lo Lin Shing, Simon	–	6,000	23,800	283	18	30,101
Yvette Ong	–	4,866	20,618	1,077	18	26,579
Lo, Rex Cze Kei	100	653	3,000	59	18	3,830
Lo, Chris Cze Wai	100	653	2,000	67	18	2,838
Non-executive Directors						
To Hin Tsun, Gerald	300	–	–	–	–	300
Tang Chi Kei *(Note)*	–	1,809	1,500	339	18	3,666
Lo, James Cze Chung *(Note)*	12	26	–	1	1	40
Independent Non-executive Directors						
Lau Wai Piu	300	–	–	–	–	300
Tsui Hing Chuen, William	300	–	–	–	–	300
Lee Kee Wai, Frank	300	–	–	–	–	300
	1,412	14,007	50,918	1,826	91	68,254

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

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

For the year ended 31 March 2022

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

Note:

Tang Chi Kei was appointed as a Non-executive Director on 10 November 2021 and resigned on 4 April 2023.

Lo, James Cze Chung was appointed as a Non-executive Director on 17 March 2023.

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

During the years ended 31 March 2023 and 2022, no Director waived any directors' emoluments.

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

The emoluments of the Non-executive Directors 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, four (2022: two) were Directors whose emoluments are included in Note 12(a) above. The emoluments of the remaining one (2022: three) highest paid individuals during the year are as follows:

	2023 HK$'000	2022 HK$'000
Basic salaries, other allowances and benefits in kind	**2,946**	6,710
Discretionary bonus	**9,000**	6,120
Retirement benefit scheme contributions	**18**	54
	11,964	12,884

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	2023	2022
HK$2,500,001 – HK$3,000,000	**–**	2
HK$7,000,001 – HK$7,500,000	**–**	1
HK$11,500,001 – HK$12,000,000	**1**	–
	1	3

13. DIVIDENDS

No dividend was paid or proposed by the Company during 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

14. LOSS PER SHARE

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

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

14. LOSS PER SHARE (Continued)

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

	2023 HK$'000	2022 HK$'000
Losses		
Loss attributable to ordinary equity holders of the Company, as used in the calculation of basic loss per share	**1,603,099**	349,052
Adjusted by:		
Changes in fair value on derivative component of convertible notes	**–**	–
Interest on convertible notes	**–**	–
Loss attributable to ordinary equity holders of the Company, as used in the calculation of diluted loss per share	**1,603,099**	349,052

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basis loss per share	**188,126**	188,126
Effect of dilutive potential ordinary shares *(Note)*:		
Convertible notes	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**188,126**	188,126

Note:

The computation of diluted loss per share for the year ended 31 March 2023 and 2022 did not assume the exercise of share options and the conversion of the Company's outstanding convertible notes since assuming the exercise of the share options or the conversion of the convertible notes would result in a decrease in loss per share.

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 2021 (restated)	831,226	12,949,272	3,168	12,195	9,666	9,998	366,125	107,101	14,288,751
Exchange adjustments	–	16,611	–	73	88	60	9,978	343	27,153
Additions *(Note (a))*	78,286	–	1,578	–	645	843	11,228	14,067	106,647
Reclassification between categories	240	–	(240)	–	–	–	–	–	–
Disposals	–	–	–	–	(22)	(11)	–	–	(33)
Written off	–	–	–	–	(5)	–	–	–	(5)
At 31 March 2022	**909,752**	**12,965,883**	**4,506**	**12,268**	**10,372**	**10,890**	**387,331**	**121,511**	**14,422,513**
Exchange adjustments	**–**	**9,823**	**(59)**	**(135)**	**(174)**	**(131)**	**(17,716)**	**(1,539)**	**(9,931)**
Additions *(Note (a))*	**174,961**	**–**	**29,107**	**–**	**705**	**620**	**12,759**	**9,068**	**227,220**
Reclassification between categories	**153**	**–**	**(384)**	**–**	**–**	**–**	**231**	**–**	**–**
Disposals	**–**	**–**	**–**	**–**	**(10)**	**–**	**–**	**(1,249)**	**(1,259)**
Written off	**–**	**–**	**–**	**–**	**(67)**	**–**	**(36)**	**–**	**(103)**
At 31 March 2023	**1,084,866**	**12,975,706**	**33,170**	**12,133**	**10,826**	**11,379**	**382,569**	**127,791**	**14,638,440**
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 April 2021 (restated)	602,229	10,906,337	865	11,931	8,568	8,929	268,451	86,851	11,894,161
Exchange adjustments	–	308	–	66	72	41	6,347	676	7,510
Charge for the year	9,416	20,626	–	154	785	563	22,491	5,882	59,917
Impairment loss recognised in profit or loss	60,127	308,951	–	–	–	–	8,093	–	377,171
Disposals	–	–	–	–	(22)	(11)	–	–	(33)
Written off	–	–	–	–	(5)	–	–	–	(5)
At 31 March 2022	**671,772**	**11,236,222**	**865**	**12,151**	**9,398**	**9,522**	**305,382**	**93,409**	**12,338,721**
Exchange adjustments	**–**	**(335)**	**–**	**(127)**	**(143)**	**(83)**	**(12,132)**	**(1,304)**	**(14,124)**
Charge for the year	**8,867**	**27,316**	**–**	**109**	**451**	**742**	**21,425**	**6,365**	**65,275**
Impairment loss recognised in profit or loss	**220,735**	**994,022**	**–**	**–**	**–**	**–**	**16,698**	**–**	**1,231,455**
Disposals	**–**	**–**	**–**	**–**	**(10)**	**–**	**–**	**(1,053)**	**(1,063)**
Written off	**–**	**–**	**–**	**–**	**(67)**	**–**	**(36)**	**–**	**(103)**
At 31 March 2023	**901,374**	**12,257,225**	**865**	**12,133**	**9,629**	**10,181**	**331,337**	**97,417**	**13,620,161**
CARRYING VALUE									
At 31 March 2023	**183,492**	**718,481**	**32,305**	**–**	**1,197**	**1,198**	**51,232**	**30,374**	**1,018,279**
At 31 March 2022	237,980	1,729,661	3,641	117	974	1,368	81,949	28,102	2,083,792

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) *The addition of mining structure of HK$174,961,000 (2022: HK$78,286,000) includes rehabilitation provision of HK$2,000,000 (2022: HK$2,178,000) during the year, which is non-cash in nature.*

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

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

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

16. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties HK$'000	Leased motor vehicle HK$'000	Total HK$'000
At 1 April 2021	2,794	5,261	–	8,055
Exchange adjustments	125	141	–	266
Additions	–	8,085	–	8,085
Charge for the year	(69)	(6,285)	–	(6,354)
Impairment loss recognised in profit or loss	(460)	–	–	(460)
At 31 March 2022	**2,390**	**7,202**	**–**	**9,592**
Exchange adjustments	**(246)**	**(160)**	**(3)**	**(409)**
Additions	**–**	**5,569**	**1,417**	**6,986**
Charge for the year	**(45)**	**(6,275)**	**(24)**	**(6,344)**
Impairment loss recognised in profit or loss	**(1,212)**	**–**	**–**	**(1,212)**
At 31 March 2023	**887**	**6,336**	**1,390**	**8,613**

16. RIGHT-OF-USE ASSETS (Continued)

	For the year ended 31 March	
	2023	2022
	HK$'000	HK$'000
Expenses relating to short-term leases	**387**	768
Total cash outflow for leases	**7,177**	7,482
Interest expense	**357**	584

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

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

Restrictions or covenants on leases

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

17. INTANGIBLE ASSETS

	Software (Note (a)) HK$'000	Exclusive right of use of paved road (Note (b)) HK$'000	Club membership (Note (c)) HK$'000	Total HK$'000
COST				
At 1 April 2021	5,500	1,910,589	1,150	1,917,239
Exchange adjustment	16	–	–	16
Additions	178	4,410	–	4,588
At 31 March 2022	**5,694**	**1,914,999**	**1,150**	**1,921,843**
Exchange adjustment	**(29)**	**–**	**–**	**(29)**
Additions	**181**	**673**	**–**	**854**
At 31 March 2023	**5,846**	**1,915,672**	**1,150**	**1,922,668**
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2021	4,900	1,632,044	–	1,636,944
Exchange adjustment	2	–	–	2
Charge for the year	258	14,409	–	14,667
Impairment loss recognised in profit or loss	–	39,208	–	39,208
At 31 March 2022	**5,160**	**1,685,661**	**–**	**1,690,821**
Exchange adjustment	**(5)**	**–**	**–**	**(5)**
Charge for the year	**216**	**10,324**	**–**	**10,540**
Impairment loss recognised in profit or loss	**–**	**128,225**	**–**	**128,225**
At 31 March 2023	**5,371**	**1,824,210**	**–**	**1,829,581**
CARRYING VALUE				
At 31 March 2023	**475**	**91,462**	**1,150**	**93,087**
At 31 March 2022	534	229,338	1,150	231,022

17. INTANGIBLE ASSETS (Continued)

Notes:

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

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

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

(c) *The Group owns a club membership with an indefinite life with carrying amount of HK$1,150,000 (2022: HK$1,150,000).*

18. EXPLORATION AND EVALUATION ASSETS

	Mining and exploration rights *(Note (a) & (c))* **HK$'000**	**Others** *(Note (b))* **HK$'000**	**Total** **HK$'000**
At 1 April 2021	151	1,111	1,262
Additions	–	297	297
At 31 March 2022	**151**	**1,408**	**1,559**
Additions	**–**	**130**	**130**
At 31 March 2023	**151**	**1,538**	**1,689**

Notes:

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

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

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

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

	2023 HK$'000	2022 HK$'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	**11,002**	10,993
Impairment losses	**(11,002)**	(10,993)
	–	–

Details of the associate at 31 March 2023 and 2022 are as follows:

Name	Place of incorporation	Principal place of operation	Particulars of issued share capital	Interest held 2023	Interest held 2022	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

	2023 HK$'000	2022 HK$'000
Profit for the year	**222**	8
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**222**	8
The Group's share of profit (loss)	**–**	–
Aggregate carrying amount of the Group's interest in this associate	**–**	–

The Group has the discontinued recognition of its share of losses of an associate. The amounts of unrecognised share of losses of this associate as at 31 March 2023, extracted from the relevant management accounts of an associate, both for the year and cumulatively, are as follows:

	2023 HK$'000	2022 HK$'000
Unrecognised share of profit of an associate for the year	**44**	2
Cumulative unrecognised share of losses of an associate	**4,384**	4,428

20. TRADE AND BILLS RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables and accrued income *(Note)*	**212,891**	335,219
Bills receivables	**740,819**	332,396
	953,710	667,615
Less: allowance for credit losses	**(226)**	(644)
	953,484	666,971

Note:

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

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

20. TRADE AND BILLS RECEIVABLES (Continued)

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

	2023 HK$'000	2022 HK$'000
1 to 30 days	**336,131**	366,638
31 to 60 days	**195,295**	225,720
61 to 90 days	**76,400**	28,441
Over 90 days	**345,658**	46,172
	953,484	666,971

Details of impairment assessment of trade and bills receivables for the year ended 31 March 2023 and 2022 are set out in Note 39(b).

Transferred financial assets that are not derecognised in their entirety

At 31 March 2023, the Group endorsed certain bills receivables accepted by banks in the PRC (the "**Endorsed Bills**") with a carrying amount of HK$57,300,000 (2022: HK$33,541,000) to certain of its suppliers in order to settle the trade payables and other payables due to such suppliers (the "**Endorsement**"). In addition, the Group discounted certain bills receivables accepted by banks in the PRC (the "**Discounted Bills**") to certain banks to finance its operating cash flows (the "**Discount**"); the related aggregate carrying amount as at 31 March 2023 amounted to HK$347,754,000 (2022: HK$Nil).

In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills and Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables and other payables settled amounting to HK$57,300,000 (2022: HK$33,541,000); and the Discounted Bills and the associated other payables amounting to HK$347,754,000 (2022: HK$Nil). Subsequent to the Endorsement and Discount, the Group did not retain any rights on the use of the Endorsed Bills and Discounted Bills, including the sale, transfer or pledge to any other third parties.

Transferred financial assets that are derecognised in their entirety

At 31 March 2023, the Group had Endorsed Bills with an aggregate carrying amount of HK$65,139,000 (2022: HK$5,679,000) and Discounted Bills with an aggregate carrying amount of HK$91,757,000 (2022: HK$Nil) that have been transferred and derecognised (the "**Derecognised Bills**"). The Derecognised Bills have maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangements with certain banks, the holders of the Derecognised Bills have a right of recourse against the Group if the accepting banks default (the "**Continuing Involvement**").

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

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

21. INVENTORIES

	2023 HK$'000	2022 HK$'000
Coal	**283,090**	234,440
Materials and supplies *(Note)*	**20,292**	34,382
	303,382	268,822

Note:

For the year ended 31 March 2023, the Group recognised a write-down of inventories to net realized value of HK$22.3 million (2022: HK$Nil).

22. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2023 HK$'000	2022 HK$'000
Other receivables	**28,250**	18,253
Prepayments	**19,320**	14,754
Deposits	**11,343**	2,564
VAT receivables *(Note (b))*	**197,328**	168,984
Others	**372**	101
	256,613	204,656
Less: allowance for doubtful debts	**(1,846)**	(1,846)
	254,767	202,810

Notes:

(a) Details of impairment assessment of other receivables and deposits for the year ended 31 March 2023 and 2022 are set out in Note 39(b).

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

Included in the balance are VAT receivables amounting to HK$20.0 million (MNT8.9 billion) that have been confirmed by the MTA, representing its VAT receivables up to 31 December 2017. The MTA is currently conducting a full tax inspection including confirming the Group's VAT receivables for the years ended 31 December 2018, 2019 and 2020 and other taxes for the years ended 31 December 2017, 2018, 2019 and 2020. VAT receivables have indefinite lives once confirmed by the MTA. The Group has submitted a number of requests to the MTA to offset its confirmed VAT receivables with other taxes payable due to the MTA but has been rejected on the basis that any request will be put on hold until the tax inspection including other taxes is concluded. The Group anticipates that the recovery will proceed once the inspection is completed and would be recovered in full. However, the timing of completion and the actual approval cannot be anticipated.

23. FINANCIAL ASSET AT FVTPL

	2023 HK$'000	2022 HK$'000
Equity security of company listed in Hong Kong	**51,598**	50,752

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

24. CASH AND CASH EQUIVALENTS

	2023 HK$'000	2022 HK$'000
Bank balances and cash	**60,264**	63,906

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

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to HK$37,379,000 (2022: HK$49,555,000). The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Details of impairment assessment of cash and cash equivalents for the year ended 31 March 2023 and 2022 are set out in Note 39(b).

25. TRADE PAYABLES

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

	2023 HK$'000	2022 HK$'000
0 to 30 days	**201,344**	158,836
31 to 60 days	**5,509**	26,407
61 to 90 days	**5,222**	20,349
Over 90 days	**40,515**	74,753
	252,590	280,345

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

26. OTHER PAYABLES AND ACCRUALS

	2023 HK$'000	2022 HK$'000
Other payables *(Note (a))*	**395,511**	43,919
Accrued staff costs	**5,681**	25,203
Balance payment for Khushuut road *(Note (b))*	**35,958**	35,958
Other tax payables *(Note (c))*	**344,860**	162,309
	782,010	267,389

Notes:

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

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

(c) Since 1 July 2021, royalty tax on sales of coal in Mongolia has been calculated at a market rate which is published by the Ministry of Finance on a monthly basis. As at 31 March 2023, HK$338,644,000 (2022: HK$144,570,000) was recorded as royalty tax payable.

27. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2023 HK$'000	2022 HK$'000
Short-term advances received from customers		
Sale of goods and services	**67,967**	30,605

Contract liabilities include short-term advances received to deliver clean coal and services. The increase in contract liabilities in 2023 was mainly due to the increase in short-term advances received from customers before the completion of performance obligation.

28. LEASE LIABILITIES

Maturity analysis:

	2023 HK$'000	2022 HK$'000
Within one year	**3,056**	6,295
Within a period more than one year but not more than three years	**4,751**	1,077
	7,807	7,372
Less: amount due for settlement within 12 months shown under current liabilities	**(3,056)**	(6,295)
	4,751	1,077
Lease liabilities:		
Current	**3,056**	6,295
Non-current	**4,751**	1,077
	7,807	7,372

The weighted average incremental borrowing rates applied to lease liabilities range from 3.98% to 13.20% (2022: 4.25% to 13.20%).

29. BORROWINGS

	2023 HK$'000	2022 HK$'000
At amortised cost		
Advances from a Director – unsecured *(Note (a))*	**1,302,017**	1,707,679
Interest-bearing bank borrowing – secured *(Note (b))*	**–**	66,630
Convertible notes – unsecured *(Note 30(a))*	**3,054,605**	2,673,167
Loan note – unsecured *(Note 30(b))*	**474,140**	387,451
	4,830,762	4,834,927
Analysed for reporting purposes as:		
Current liabilities	**1,302,017**	1,774,309
Non-current liabilities	**3,528,745**	3,060,618
	4,830,762	4,834,927

29. BORROWINGS (Continued)

Reconciliation liabilities arising from financing activities

	Advances from a Director HK$'000 *(Note (a))*	Interest-bearing bank borrowing HK$'000 *(Note (b))*	Convertible notes HK$'000	Loan note HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2021	1,811,276	–	2,339,313	316,613	5,275	4,472,477
Financing cash flows	(239,582)	64,589	–	–	(6,714)	(181,707)
Interest charge *(Note 9)*	135,985	2,106	333,854	70,838	584	543,367
Inception of leases	–	–	–	–	8,085	8,085
Foreign exchange translation	–	(65)	–	–	142	77
At 31 March 2022	**1,707,679**	**66,630**	**2,673,167**	**387,451**	**7,372**	**4,842,299**
Financing cash flows	**(534,280)**	**(63,481)**	**–**	**–**	**(6,745)**	**(604,506)**
Interest charge *(Note 9)*	**128,618**	**1,076**	**381,438**	**86,689**	**357**	**598,178**
Inception of leases	**–**	**–**	**–**	**–**	**6,986**	**6,986**
Foreign exchange translation	**–**	**(4,225)**	**–**	**–**	**(163)**	**(4,388)**
At 31 March 2023	**1,302,017**	**–**	**3,054,605**	**474,140**	**7,807**	**4,838,569**

Notes:

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

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

30. CONVERTIBLE NOTES AND LOAN NOTE

(a) Convertible notes

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

	Debt component HK$'000	Derivative component HK$'000	Total HK$'000
At 1 April 2021	2,339,313	1,013,530	3,352,843
Interest charge	333,854	–	333,854
Changes in fair value of derivative component	–	(185,015)	(185,015)
At 31 March 2022	**2,673,167**	**828,515**	**3,501,682**
Interest charge	**381,438**	**–**	**381,438**
Changes in fair value of derivative component	**–**	**303,323**	**303,323**
At 31 March 2023	**3,054,605**	**1,131,838**	**4,186,443**

2020 Convertible Notes with maturity date 6 March 2025

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

CTF and Golden Infinity Convertible Notes

On 6 March 2020, the Company issued 3% convertible notes with a principal of HK$2,809,671,052 and HK$628,387,371 to CTF and Golden Infinity respectively (the "**2020 Convertible Notes**") to replace the 3% CTF Convertible Note and the 3% GI Convertible Note.

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

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

30. CONVERTIBLE NOTES AND LOAN NOTE (Continued)

(a) Convertible notes (Continued)

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

CTF and Golden Infinity Convertible Notes (Continued)

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

	6 March 2020	31 March 2022	31 March 2023
Stock price	HK$0.63	HK$0.91	**HK$1.05**
Exercise price	HK$1.2	HK$1.2	**HK$1.2**
Volatility *(Note (i))*	71.98%	114.03%	**77.91%**
Dividend yield	0%	0%	**0%**
Option life *(Note (ii))*	5 years	2.93 years	**1.93 years**
Risk free rate	0.67%	1.89%	**3.31%**

Notes:

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

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

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

No conversion was made during both years.

(b) Loan note

The 3% ZV Convertible Note matured on 21 November 2019. On 21 November 2019, Mr. Lo took up the full amount owing to the 3% ZV Convertible Note holder through Ruby Pioneer Limited ("**Ruby Pioneer**"). Ruby Pioneer is a wholly-owned company of Mr. Lo as at 21 November 2019. Immediately after the aforesaid taking up, the Company and Ruby Pioneer entered into a standstill agreement pursuant to which Ruby Pioneer agreed to extend the note for five years from 21 November 2019 to 21 November 2024 at a coupon rate of 3% per annum ("**RP Note**"). The loan note contains no conversion or redemption option.

31. DEFERRED INCOME

	2023 HK$'000	2022 HK$'000
At beginning of the year	**5,698**	7,113
Granted *(Note)*	**2,488**	2,091
Credited to profit or loss	**(4,083)**	(3,779)
Exchange adjustment	**(419)**	273
At end of the year	**3,684**	5,698
Analysed for reporting purposes as:		
Current liabilities	**1,591**	1,718
Non-current liabilities	**2,093**	3,980
	3,684	5,698

Notes:

During the year ended 31 March 2023, the Group received government grants of HK$2,488,000 (2022: HK$2,091,000) and details are as follows:

(a) The grants of HK$1,114,000 (2022: HK$381,000) received represents COVID-19 related grants provided by governments in Hong Kong, Mongolia and the PRC to retain employees who may otherwise be made redundant and to support businesses affected by COVID-19 respectively. The grants are unconditional and granted on a discretionary basis to the Group during the year.

(b) A special fund of HK$1,374,000 (2022: HK$1,710,000) was received for foreign trade and economic.

32. DEFERRED TAXATION

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

Deferred tax liabilities

	Undistributed profits of a subsidiary HK$'000	Depreciation and amortisation HK$'000	Total HK$'000
At 1 April 2021	4,200	22,016	26,216
Charged (credited) to profit or loss	14,740	(21,246)	(6,506)
Exchange adjustments	443	(770)	(327)
At 31 March 2022	**19,383**	–	**19,383**
Charged to profit or loss	**12,730**	–	**12,730**
Utilised during the year	**(11,713)**	–	**(11,713)**
Exchange adjustments	**(1,469)**	–	**(1,469)**
At 31 March 2023	**18,931**	–	**18,931**

32. DEFERRED TAXATION (Continued)

Deferred tax assets

	Unrealised exchange difference on long-term borrowing HK$'000	Tax losses HK$'000	Depreciation and amortisation HK$'000	Total HK$'000
At 1 April 2021	–	5,647	–	5,647
(Charged) credited to profit or loss	27,145	(5,783)	12,705	34,067
Exchange adjustments	–	136	(3)	133
At 31 March 2022	**27,145**	**–**	**12,702**	**39,847**
(Charged) credited to profit or loss	**(12,360)**	**–**	**13,180**	**820**
Exchange adjustments	**–**	**–**	**(501)**	**(501)**
At 31 March 2023	**14,785**	**–**	**25,381**	**40,166**

Deferred tax asset is recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has tax losses arising in Hong Kong of HK$46,972,000 (2022: HK$46,972,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax assets have been recognised as it is not probable there will be sufficient future taxable profits to utilise these tax losses.

As at 31 March 2023, deferred tax assets of HK$158,175,000 and HK$342,332,000 (2022: HK$130,835,000 and HK$373,970,000) have not been recognised in respect of deductible temporary differences of HK$655,809,000 (2022: HK$545,157,000) arising from depreciation and amortisation and HK$1,369,327,000 (2022: HK$1,495,880,000) arising from unrealised exchange losses respectively, as it is not probably there will be sufficient future taxable profits to utilise these deductible temporary differences.

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

33. PROVISION FOR REHABILITATION

The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to the end of mine life in 2037. These provisions have been created based on the Group's estimates. Assumptions based on the current economic environment have been made and management believes that these assumptions are reasonable bases to be based upon to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions because of changes in laws and regulations, public expectations, prices, discovery and analyses of site conditions and changes in technology to restore the mine sites. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future coal prices, which are inherently uncertain. The discount rate used in the calculation of the provision as at 31 March 2023 was 14% (31 March 2022: 9.5%).

The following table shows the movement in provision for rehabilitation:

	HK$'000
At 1 April 2021	22,043
Additions	2,178
At 31 March 2022	**24,221**
Additions	**2,000**
Interest charge *(Note 9)*	**1,028**
Foreign exchange translation	**123**
At 31 March 2023	**27,372**

34. SHARE CAPITAL

Authorised and issued share capital

	2023 HK$'000	2022 HK$'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 2021, 31 March 2022 and 31 March 2023	188,125,849	3,763

35. SHARE-BASED PAYMENT

Equity-settled share option scheme

Under the share option scheme adopted by the Company on 30 August 2012 (the "**Share Option Scheme**"), options were granted to certain Directors, employees and consultants of the Group entitling them to subscribe for shares of the Company. The Company operates the share option scheme for the purpose of providing incentive or reward to eligible participants who contribute to the success of the Group's operations. Options may be exercised at any time from the date of grant of the share options. Share options granted were immediately vested at the date of grant. The Share Option Scheme was expired on 29 August 2022 but the share options already granted are still exercisable pursuant to their term of grant.

The number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme as at 31 March 2023 was 16,300,000 (2022: 30,200,000), representing 8.7% (2022: 16.1%) of the shares of the Company as at 31 March 2023.

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

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

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

35. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme (Continued)

No expense was recognised by the Group for the year ended 31 March 2023 in relation to share options under the Share Option Scheme granted by the Company (2022: HK$Nil).

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

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

2023

Grant date	Exercise price (HK$)	Exercisable period	Number of options Outstanding at 1 April 2022	Granted during the year	Lapsed during the year	Outstanding at 31 March 2023
1 September 2017	2.26	01-09-2017 to 31-08-2022	**13,900,000**	**–**	**(13,900,000)**	**–**
18 January 2021	1.31	18-01-2021 to 17-01-2026	**16,300,000**	**–**	**–**	**16,300,000**
			30,200,000	**–**	**(13,900,000)**	**16,300,000**
Exercisable at 31 March 2023						**16,300,000**
Weighted average exercise price (HK$)			**1.747**	**N/A**	**2.260**	**1.310**

2022

Grant date	Exercise price (HK$)	Exercisable period	Number of options Outstanding at 1 April 2021	Granted during the year	Lapsed during the year	Outstanding at 31 March 2022
1 September 2017	2.26	01-09-2017 to 31-08-2022	14,000,000	–	(100,000)	13,900,000
18 January 2021	1.31	18-01-2021 to 17-01-2026	16,500,000	–	(200,000)	16,300,000
			30,500,000	–	(300,000)	30,200,000
Exercisable at 31 March 2023						30,200,000
Weighted average exercise price (HK$)			1.746	N/A	1.627	1.747

No share options were exercised for both years.

At the end of the reporting period, the Company had 16,300,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 16,300,000 additional ordinary shares of the Company and additional share capital of HK$21,353,000 (before issue expenses).

36. CAPITAL COMMITMENTS

As at 31 March 2023, the Group had capital commitments contracted for but not provided in the consolidated financial statements amounting to HK$37,243,000 (2022: HK$61,909,000). These commitments are for the following projects:

	2023 HK$'000	2022 HK$'000
Other exploration related commitments	**5,759**	895
Purchase of property, plant and equipment	**1,081**	4,494
Road improvement and transportation of mining equipment	**15,101**	13,897
Expansion of wash plant	**14,976**	42,388
Others	**326**	235
	37,243	61,909

37. RELATED PARTY TRANSACTIONS

All of the following related party transactions constitute a fully exempted connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules, except for transaction in respect of coal transportation services with related party disclosed in Note 37(d).

(a) Advances from Mr. Lo

	2023 HK$'000	2022 HK$'000
Balance of advances *(Note 29)*	**1,302,017**	1,707,679
Effective interest charge for the year *(Note 29)*	**128,618**	135,985

During the year ended 31 March 2022, the Group made a net repayment of HK$239,582,000 to Mr. Lo of which HK$24,416,000 was repaid via an off-setting arrangement with a related company incorporated in the PRC as follows:

Pursuant to the Repayment Notice dated 18 November 2021 (the "**Repayment Notice**") from MEC to Mr. Lo, MEC intended to make partial repayment of the loan in the amount of RMB20,000,000 (equivalent to HK$24,416,000) (the "**Repayment**") owed by MEC to Mr. Lo. The Repayment under the Repayment Notice was subsequently made on 23 November 2021 through 新疆蒙科, being an indirect wholly-owned subsidiary of MEC in the PRC, to a Related Company (the "**Related Company**") with a common director of MEC, being the nominee company in the PRC directed by Mr. Lo to receive the Repayment amount. Mr. Lo, MEC, 新疆蒙科, and the Related Company (together, the "**Parties**") declared and confirmed, in a form of deed of confirmation ("**Deed**") dated 24 June 2022, that the Repayment was made out of the intention of MEC to repay part of the liability due to Mr. Lo under the Standby Revolving Facility Agreement as set out in Note 1, it was the agreement between MEC and Mr. Lo that the Repayment could be made by MEC through 新 疆 蒙 科, to the Related Company in the PRC as designated recipient of Mr. Lo. The Deed confirms that upon receipt by the Related Company of the Repayment amount made by 新 疆 蒙 科, it constituted a full and final discharge of the liability of MEC under the facility granted by Mr. Lo under the Standby Revolving Facility Agreement in respect of the relevant amount equal to the Repayment amount. The Group further obtained legal advice that the Repayment arrangement was valid when it was made on 23 November 2021 based on the true intention of the Parties.

37. RELATED PARTY TRANSACTIONS (Continued)

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

	2023 HK$'000	2022 HK$'000
Convertible note	**765,067**	639,856
Coupon interest charge on convertible note for the year *(Note (ii))*	**18,852**	18,852

Notes:

(i) *Mr. Lo has a controlling interest in Golden Infinity. Details of the convertible note held by Golden Infinity are set out in Note 30(a).*

(ii) *The amount represents coupon interest charge on a convertible note. The effective interest expense on a convertible note for the year is approximately HK$69,771,000 (2022: HK$60,988,000).*

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

	2023 HK$'000	2022 HK$'000
Loan note	**474,140**	387,451
Coupon interest charge on loan note for the year *(Note (ii))*	**17,246**	17,246

Notes:

(i) *Mr. Lo and Mr. Lo, Rex Cze Kei are the directors of Ruby Pioneer. Details of the loan note by Ruby Pioneer are set out in Note 30(b).*

(ii) *The amount represents coupon interest charge on a loan note. The effective interest expense on a loan note for the year is approximately HK$86,689,000 (2022: HK$70,838,000).*

(d) Transactions with related party

Nature of transactions	2023 HK$'000	2022 HK$'000
Reimbursement of sharing of administrative services from a related party *(Notes (i) and (ii))*	**7,416**	6,975
Coal transportation services provided by a related party *(Note (i) and (iii))*	**149,529**	2,699
Geological mapping and geochemical study report services provided by a related party *(Note (i))*	**94**	83

Notes:

(i) *Except for Mr. To Hin Tsun, Gerald and Mr. Tang Chi Kei who are the directors of the Company, the directors of the Company and the ultimate holding company of the related parties are the same.*

(ii) *On 10 July 2015, the Group entered into a share of administrative service agreement with a related party. The service is charged at cost basis. The Group further renewed the contract with the related party on 20 July 2022 and extended the agreement for a period of 1 year.*

(iii) *The transaction in respect of the logistics services for coal transportation in the PRC provided to the Group constitutes continuing connect transaction as defined in Chapter 14 A of the Listing Rules.*

37. RELATED PARTY TRANSACTIONS (Continued)

(e) Balance with related parties

	2023 HK$'000	2022 HK$'000
Rental deposits paid to related parties *(Note (i))*	**401**	401
Lease liabilities *(Notes (i) and (iii))*	**801**	4,204
Balance of sharing of administrative services from a related party *(Notes (ii) and (iv))*	**21,034**	14,188
Balance of coal transportation services provided by a related party *(Notes (ii) and (v))*	**–**	2,157

Notes:

(i) Mr. Lo, Mr. Rex Lo and Mr. Chris Lo are the directors of the related parties or ultimate holding company of the related parties.

(ii) Except Mr. To Hin Tsun, Gerald and Mr. Tang Chi Kei who are the directors of the Group, the directors of the Company and the ultimate holding company of the related parties are the same.

(iii) During the years ended 31 March 2023 and 2022, the Group entered into new lease agreements for the use of the properties with the related companies for 2 years. The Group has recognised an addition of right-of-use assets and lease liabilities of HK$518,000 and HK$518,000 respectively (2022: addition of right-of-use assets and lease liabilities of HK$7,097,000 and HK$7,097,000 respectively).

(iv) The balance is non-trade in nature, unsecured, interest-free and repayable on demand.

(v) The balance is trade in nature, unsecured, interest-free and repayable on demand.

(f) Key management compensation

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

	2023 HK$'000	2022 HK$'000
Basic salaries, other allowances and benefits in kind	**68,163**	25,445
Retirement benefit scheme contributions	**91**	79
	68,254	25,524

Note:

During the year ended 31 March 2023, no share options were granted to the Directors (2022: Nil).

38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes advances from a Director and an interest-bearing bank borrowing disclosed in Note 29, convertible notes disclosed in Note 30(a) and loan note disclosed in Note 30(b), net of cash and cash equivalents and equity of the Group, comprising share capital and reserves.

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

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets		
Financial assets at amortised cost	**310,676**	417,452
Financial asset at FVTOCI (debt instrument)	**740,819**	332,396
Financial asset at FVTPL	**51,598**	50,752
Financial liabilities		
Measured at amortised cost	**5,514,821**	5,195,149
Embedded derivative component of convertible notes measured at FVTPL	**1,131,838**	828,515

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

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

	Liabilities		Assets	
	2023 HK$'000	**2022 HK$'000**	**2023 HK$'000**	**2022 HK$'000**
HK$	**5,969,826**	5,603,120	**5,176**	–
RMB	**18,217**	20,992	**2,473**	10,076
MNT	**91,886**	157,047	**11,734**	5,404

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.

Sensitivity analysis

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

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

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in US$ against the relevant foreign currencies. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A positive/negative number below indicates a decrease/increase in post-tax profit or an increase/decrease in post-tax loss where US$ weakening 5% (2022: 5%) against RMB and MNT respectively. For a 5% (2022: 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	
	2023 HK$'000	**2022 HK$'000**	**2023 HK$'000**	**2022 HK$'000**
Increase in loss for the year *(Note)*	**787**	546	**4,008**	7,582

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.

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities, an interest-bearing bank borrowing (see Note 29), convertible notes (see Note 30(a)) and a loan note (see Note 30(b)). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 24) and advances from a Director (see Note 29).

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's cash flow interest rate risk is mainly due to the Hong Kong Prime Rate in relation to advances from a Director.

Sensitivity analysis

The Group's interest rate risk arises principally from advances from a Director as the effect on bank balances is considered not significant. The sensitivity analysis below has been prepared assuming that the change in interest rate had occurred at the end of the respective reporting periods and had been applied to the exposure to interest rate risk for the existence of advances from a Director at that date and outstanding for the whole year. The 50 basis points represent the best estimation of the possible change in the interest rates over the period until the end of the next reporting period.

As at 31 March 2023, if interest rates had decreased/increased by 50 basis points and all other variables were held constant, the Group's loss for the year would decrease/increase by HK$5,799,000 (2022: loss for the year would decrease/increase by HK$7,130,000). The Group has no other significant interest rate risk.

(iii) Other price risk

a. *Price risk on equity securities*

The Group is exposed to equity price risk through its investment in listed equity security classified as financial asset at FVTPL. Management regularly reviews the expected returns from holding these investments on an individual basis.

The Group's equity price risk is mainly concentrated on an entity operating in the network security industry.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period for financial assets at FVTPL.

If the listed share prices of the respective equity instruments had been 5% higher/lower, the loss for the year ended 31 March 2023 would decrease/increase by HK$2,580,000 (2022: loss for the year would decrease/increase by HK$2,538,000) as a result of the changes in fair value on financial asset at FVTPL.

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(iii) Other price risk (Continued)

b. *Price risk on embedded derivative components of the convertible notes (defined in Note 30(a))*

The Company is required to estimate the fair value of the derivative component of the convertible notes with changes in fair value to be recognised in the consolidated statement of profit or loss as long as the convertible notes are outstanding. The fair value will be affected either positively or negatively, amongst others, by the changes in the Company's share price and share price volatility.

Sensitivity analysis

If the listed share price of the Company had been 10% higher/lower and all other input variables of the valuation model were held constant, the Group's loss for the year would increase by HK$35,500,000 (2022: loss would increase by HK$29,840,000)/decrease by HK$29,211,000 (2022: HK$1,950,000), 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 10% higher/lower and all other input variables of the valuation model were held constant, the Group's loss for the year would decrease by HK$1,146,000 (2022: HK$1,383,000)/increase by HK$1,051,000 (2022: HK$1,372,000), 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 2023, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties was arising from the carrying amounts of the trade and bills receivables, other receivables and deposits, amount due from an associate and cash and cash equivalents as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that a follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon the application of HKFRS 9 on trade and bills receivables by reviewing the recoverable amount of each individual trade and bills receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group measures the loss allowance on bank balances equal to 12m ECL. The credit risk on bank balances is limited because most of the cash and deposits are placed with reputable banks with high external credit rating assigned by international credit-rating agencies or state-owned banks in the PRC.

39. 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 internally developed information or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

2023	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Amount due from an associate	19	(Note (i)) Loss	Lifetime ECL (credit impaired)	**11,002**
Other receivables and deposits	22	(Note (i)) Low risk	12m ECL (not credit impaired)	**37,747**
		Loss	Lifetime ECL (credit impaired)	**1,846**
				39,593
Trade receivables and accrued income	20	(Note (iii)) Low risk	Lifetime ECL (not credit impaired)	**212,891**
Cash and cash equivalent	24	(Note (iv)) Low risk	12m ECL (not credit impaired)	**60,264**
Financial assets at FVTOCI				
Bills receivables	20	(Note (ii)) Low risk	12m ECL (not credit impaired)	**740,819**

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

2022	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Amount due from an associate	19	(Note (i)) Loss	Lifetime ECL (credit impaired)	10,993
Other receivables and deposits	22	(Note (i)) Low risk	12m ECL (not credit impaired)	18,971
		Loss	Lifetime ECL (credit impaired)	1,846
				20,817
Trade receivables and accrued income	20	(Note (iii)) Low risk	Lifetime ECL (not credit impaired)	335,219
Cash and cash equivalent	24	(Note (iv)) Low risk	12m ECL (not credit impaired)	63,906
Financial assets at FVTOCI				
Bills receivables	20	(Note (ii)) Low risk	12m ECL (not credit impaired)	332,396

Notes:

(i) *For the purpose of internal credit risk management, the Group uses historical repayment records to assess whether credit risk has increased significantly since initial recognition for amount due from an associate and other receivables and deposits.*

	Not yet past due HK$'000	*No fixed repayment terms HK$'000*	*Total HK$'000*
2023			
Amount due from an associate	***–***	***11,002***	***11,002***
Other receivables and deposits	***37,747***	***1,846***	***39,593***
	37,747	***12,848***	***50,595***

	Not yet past due HK$'000	*No fixed repayment terms HK$'000*	*Total HK$'000*
2022			
Amount due from an associate	*–*	*10,993*	*10,993*
Other receivables and deposits	*18,971*	*1,846*	*20,817*
	18,971	*12,839*	*31,810*

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Notes: (Continued)

(ii) For bills receivables at FVTOCI, the Group measures the loss allowance individually with reference to external credit ratings of the issuing counterparties which are banks in the PRC.

(iii) For trade receivables and accrued income, the Group has applied the simplified approach in accordance with HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items individually.

(iv) The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For the years ended 31 March 2023 and 2022, the Group has assessed the impairment of cash and cash equivalents and has concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for credit losses is provided.

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 2021	200
Impairment losses recognised	428
Exchange adjustments	16
At 31 March 2022	**644**
Reversal of impairment losses recognised	**(372)**
Exchange adjustments	**(46)**
At 31 March 2023	**226**

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

The following table show the reconciliation of loss allowances that has been recognised for bills receivables, amount due from an associate and other receivables and deposits:

	Bills receivables at FVTOCI 12m ECL (not credit-impaired) HK$'000	Amount due from an associate Lifetime ECL (credit-impaired) HK$'000	Other receivables and deposits Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 April 2021	266	10,979	1,846	13,091
Impairment losses recognised, net	799	14	–	813
Exchange adjustments	24	–	–	24
At 31 March 2022	**1,089**	**10,993**	**1,846**	**13,928**
Impairment losses recognised, net	**1,613**	**9**	**–**	**1,622**
Exchange adjustments	**(84)**	**–**	**–**	**(84)**
At 31 March 2023	**2,618**	**11,002**	**1,846**	**15,466**

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 65% (2022: 67%) 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$784,950,000 (2022: HK$1,140,410,000).

As at 31 March 2023, 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$1,302.0 million under these facilities as at 31 March 2023 comprised a principal amount and accrued interest of HK$968.4 million and HK$333.6 million respectively. The balance of the unutilised facilities of HK$931.6 million remained valid until 31 March 2025 and Mr. Lo has undertaken not to demand for repayment until the Group has sufficient cash to make a repayment and the repayment will not affect the Group's liquidity position.

39. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both the interest and principal of cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

2023

	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$'000	Carrying amount at 31 March 2023 HK$'000
Trade payables *(Note 25)*	–	252,590	–	–	–	252,590	252,590
Other payables *(Note 26)*	–	405,237	7,123	18,767	342	431,469	431,469
Advances from a Director – floating rate *(Note 29)*	8.63%	1,302,017	–	–	–	1,302,017	1,302,017
Convertible notes (debt component) – fixed rate *(Note 30(a))*	14.26%	–	–	–	3,954,050	3,954,050	3,054,605
Loan note – fixed rate *(Note 30(b))*	22.37%	–	–	–	661,183	661,183	474,140
Lease liabilities	7.56%	555	800	2,016	4,989	8,360	7,807
		1,960,399	7,923	20,783	4,620,564	6,609,669	5,522,628

2022

	Weighted average effective interest rate	Less than 1 month or repayable on demand HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2022 HK$'000
Trade payables *(Note 25)*	–	280,345	–	–	–	280,345	280,345
Other payables *(Note 26)*	–	47,737	7,500	24,297	343	79,877	79,877
Advances from a Director – floating rate *(Note 29)*	8%	1,707,679	–	–	–	1,707,679	1,707,679
Interest-bearing bank borrowing *(Note 29)*	13.2%	–	–	70,490	–	70,490	66,630
Convertible notes (debt component) – fixed rate *(Note 30(a))*	14.26%	–	–	–	3,954,050	3,954,050	2,673,167
Loan note – fixed rate *(Note 30(b))*	22.37%	–	–	–	661,183	661,183	387,451
Lease liabilities	6.62%	553	1,752	4,307	1,073	7,685	7,372
		2,036,314	9,252	99,094	4,616,649	6,761,309	5,202,521

39. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Fair value measurements and valuation processes

The Executive Directors are responsible for determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Executive Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Executive Directors review the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair values of various assets and liabilities is disclosed above.

The Group's financial assets at FVTPL, FVTOCI and embedded derivative component of convertible notes are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial assets/ financial liabilities	Fair value as at 31 March 2023 HK$'000	2022 HK$'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	**51,598**	50,752	Level 1	– Quoted bid prices in an active market	N/A	N/A
Bills receivables at FVTOCI	**740,819**	332,396	Level 2	– Discounted cash flow: Future cash flows are estimated based on discount rate observed in the available market	N/A	N/A
Embedded derivatives component of convertible notes	**1,131,838**	828,515	Level 3	– Binomial Valuation Model – The key inputs are stock price, exercise price, option life, risk free rate, volatility, discount rate and dividend yield	Volatility is 77.91% (2022: 114.03%)	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 39(b).

There was no transfer between Levels 1, 2 and 3 for both years.

39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Embedded derivatives component of convertible notes HK$'000
At 1 April 2021	1,013,530
Changes in fair value recognised in the consolidated statement of profit or loss	(185,015)
At 31 March 2022	**828,515**
Changes in fair value recognised in the consolidated statement of profit or loss	**303,323**
At 31 March 2023	**1,131,838**

Fair values of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

40. MAJOR NON-CASH TRANSACTIONS

Save as disclosed elsewhere, the Group has no other major non-cash transactions for both years.

41. STATEMENT OF FINANCIAL POSITION – THE COMPANY

	2023 HK$'000	2022 HK$'000
Non-current assets		
Interests in subsidiaries	**713,303**	1,432,076
Interest in an associate	**–**	–
Amounts due from subsidiaries	**220,401**	603,860
	933,704	2,035,936
Current assets		
Other receivables, prepayments and deposits	**616**	737
Amount due from an associate	**–**	–
Cash and cash equivalents	**5,290**	–
	5,906	737
Current liabilities		
Other payables and accruals	**7,474**	10,946
Advances from a Director	**1,302,017**	1,707,679
Amount due to a subsidiary	**262,136**	205,383
	1,571,627	1,924,008
Net current liabilities	**(1,565,721)**	(1,923,271)
Total assets less current liabilities	**(632,017)**	112,665
Non-current liabilities		
Convertible notes	**4,186,443**	3,501,682
Loan note	**474,140**	387,451
	4,660,583	3,889,133
Net liabilities	**(5,292,600)**	(3,776,468)
Financed by:		
Capital and reserves		
Share capital	**3,763**	3,763
Reserves	**(5,296,363)**	(3,780,231)
Capital deficiencies to owners of the Company	**(5,292,600)**	(3,776,468)

42. RESERVES – THE COMPANY

	Share options reserve HK$'000	Capital Contribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2021	33,741	334,220	(3,348,225)	(2,980,264)
Profit for the year	–	–	(799,967)	(799,967)
Other comprehensive income				
Share option lapsed	(287)	–	287	–
At 31 March 2022	**33,454**	**334,220**	**(4,147,905)**	**(3,780,231)**
Loss for the year	**–**	**–**	**(1,516,132)**	**(1,516,132)**
Other comprehensive income				
Share option lapsed	**(21,288)**	**–**	**21,288**	**–**
At 31 March 2023	**12,166**	**334,220**	**(5,642,749)**	**(5,296,363)**

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.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at 31 March 2023 and 2022:

Name of subsidiaries	Place of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held 2023	Effective interest held 2022	Place of operation	Principal activities
Gamerian Limited*	British Virgin Islands	1 share of US$1.00	**100%**	100%	Hong Kong	Investment holding
Mongolia Energy Corporation (Greater China) Limited*	Hong Kong	2 shares with no par value	**100%**	100%	Hong Kong	Management services
Mongolia Energy Corporation (HK) Limited*	Hong Kong	1 share with no par value	**100%**	100%	Hong Kong	Management services
Mongolia Energy Corporation Services Limited *	Hong Kong	2 shares with no par value	**100%**	100%	Hong Kong	Provision of secretarial and nominee services
MoEnCo	Mongolia	1,010,000 shares of US$1.00 each	**100%**	100%	Mongolia	Minerals exploration and mining activities
MEC Trans LLC	Mongolia	MNT4,556,575,582	**100%**	100%	Mongolia	Provision of coal transportation service
烏魯木齊蒙富礦業有限公司#	The PRC	RMB14,299,899	**100%**	100%	The PRC	Provision of mining and exploration advisory service
新疆蒙科#	The PRC	RMB216,415,136	**100%**	100%	The PRC	Trading of coal and operation of coal washing plant

* *Subsidiaries directly held by the Company*

\# *Wholly foreign owned enterprise established in the PRC*

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

44. EVENTS AFTER THE REPORTING PERIOD

On 12 June 2023, the Company made voluntary repayment to a Director amounting to HK$91.1 million.

FIVE YEARS SUMMARY OF RESULTS, ASSETS AND LIABILITIES

	Results of the Group for the year ended 31 March				
	2019	2020 (Restated)	2021 (Restated)	2022	2023
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	776,708	1,124,996	858,417	1,562,718	**2,905,309**
(Loss) Profit attributable to owners of the Company	(44,425)	(425,438)	1,795,091	(349,052)	**(1,603,099)**
(Loss) Earnings per share (HK$) *(Note)*	(Restated)	(Restated)	(Restated)		
– Basic	(0.24)	(2.26)	9.54	(1.86)	**(8.52)**
– Diluted	(0.24)	(2.26)	0.37	(1.86)	**(8.52)**

	Assets and liabilities of the Group at 31 March				
	2019	2020 (Restated)	2021 (Restated)	2022	2023
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	1,515,123	2,212,426	3,537,943	3,620,557	**2,800,827**
Less: total liabilities	(5,627,748)	(6,433,784)	(5,931,780)	(6,332,949)	**(7,137,673)**
Total net liabilities	(4,112,625)	(4,221,358)	(2,393,837)	(2,712,392)	**(4,336,846)**

Note:

As a result of the capital reorganisation completed on 6 March 2020, figures for the 2019 have been restated for comparative purpose.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. To Hin Tsun, Gerald
Mr. Lo, James Cze Chung *(appointed on 17 March 2023)*
Mr. Tang Chi Kei *(resigned on 4 April 2023)*

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Tang Chi Kei

INDEPENDENT AUDITOR

Ernst & Young
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

Public Bank (Hong Kong) Limited
Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th floor North
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Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR

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REGISTERED OFFICE

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CHINESE TRANSLATION

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