MEC

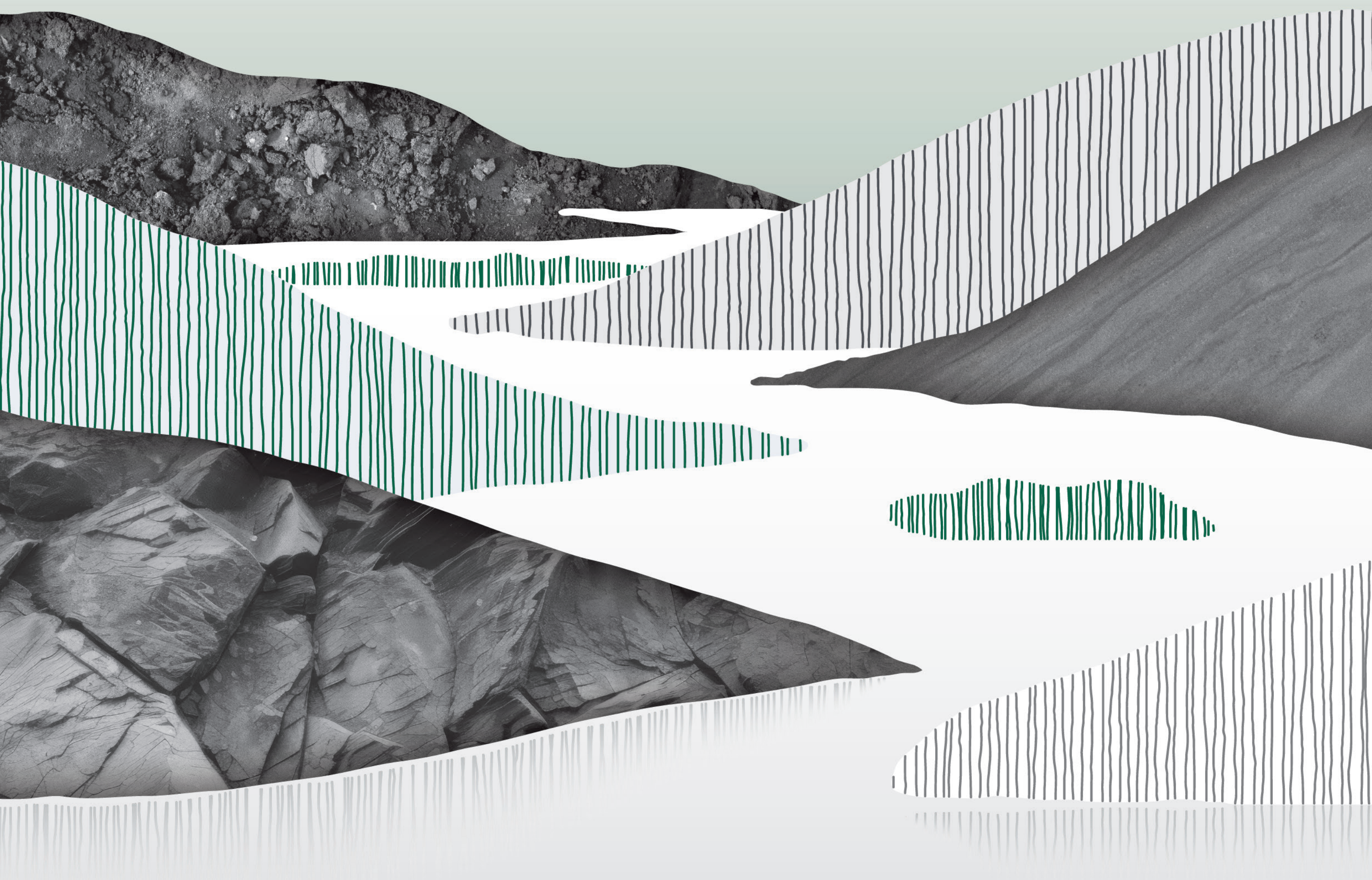
MONGOLIA ENERGY CORPORATION

蒙古能源有限公司

Incorporated in Bermuda with limited liability

Stock Code: 276

2025
ANNUAL REPORT



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**" or the "**Company**") 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**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 2025 (the "**Financial Year**") and report to you our performance during this period.

The year of 2024 was marked by several key features for the global economy: sluggish economic growth of 2.7% according to the World Bank, reflecting steady but slow economic recovery; decline of inflation rates but at a pace slower than anticipated; impact of economic dynamics continued under the geopolitical tensions and trade policies; and the advancement of technologies continued to shape the economies. The developing economies also expected to record the weakest growth at 4% last year since 2000. General business environment was unquestionably tougher than expected under uncertain conditions.

Notwithstanding the complex domestic and global landscape, China achieved the 2024 growth target. It was stable in the first three quarters. Since September 2024, a series of pro-economic growth policies have been rolled out, leading to positive changes in many areas. According to the National Bureau of Statistics of China ("**NBS**"), with a slew of policies gradually taking effect, China recorded a 5% gross domestic product ("**GDP**") growth in 2024, which was in line with the target set by the government. Value-added industrial output, retail sales, and fixed-asset investment were all better performed than prior year, contributing to the overall economic growth of China in 2024.

China remained top of the world crude steel producer in 2024, producing 1,005 million tonnes and accounting for approximately 54% of the world's crude steel production. However, it was slightly lower than that of 2023, mainly due to the ongoing real estate crisis, which had a significant impact on steel demand.

In 2024, the price of coking coal in China continued to decline. In order to reduce financial pressure and control production costs, steel and coke companies were cautious about replenishing coal stock. Their inventory levels were strictly controlled. The overall coking coal market presented a pattern of oversupply. Although the size of coking coal producing areas had been decreased significantly, due to the sluggish downstream demand, the reduction in supply had failed to boost coal prices. The price of coking coal fluctuated and had fallen from the high level at the beginning of the year.

According to the National Statistics Office of Mongolia, Mongolia's GDP expanded by 4.9% year-on-year in 2024, reaching over US$23.1 billion. The economic growth was primarily driven by significant expansions in the mining and services sectors, which played a major role in the overall Mongolian economy. Its industrial sector grew by 5%, and the mining sector expanded by 5.7%. Total exports increased moderately by 3.9% compared with previous year. It was primarily driven by a significant increase of copper export which increased 11.1% from the previous year. Coal export continued to grow by over 20% to a historic high of 83.7 million tonnes in 2024. Almost all coal exports were shipped to China. Despite the increase in coal export volume, the positive effect was substantially set off by the fall of coal price continuously due to the market conditions of China.

OUR PERFORMANCE

During the Financial Year, we had exercised our best efforts to increase production and export to offset the negative factors of the China coking coal market. However, due to the sluggish downstream demand of steel and oversupply of coking coal in China, the coking coal price experienced a continuous decline throughout the Financial Year. Our revenue decreased due to the fall of the average coking coal selling price per tonne from HK$1,796.5 in the prior financial year to HK$1,441.1 in the Financial Year.

We produced approximately 6,818,800 tonnes of run-of-mine ("**ROM**") coal during the Financial Year, which was a decrease of 4.13% from 7,112,200 tonnes in the last corresponding period. Our sales of coal achieved approximately 2,077,000 tonnes in the Financial Year, including approximately 1,980,800 tonnes of clean coking coal, approximately 96,200 tonnes of thermal coal and approximately 52 tonnes of raw coal. Comparing with 1,873,600 tonnes of coal sold to our customers in the last corresponding period, our sales performance increased slightly by 10.86% in the Financial Year.

OUTLOOK

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

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

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

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

ACKNOWLEDGEMENTS

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

Lo Lin Shing, Simon
Chairman
25 June 2025

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 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 6,818,800 tonnes (2024: 7,112,200 tonnes) of ROM coal were produced and approximately 2,077,000 tonnes (2024: 1,873,600 tonnes) of coal, including clean coking coal, thermal coal and raw coal, were sold to our customers.

RESULTS ANALYSIS

Revenue

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

Cost of Sales

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

Gross Profit

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

Other Income

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

Other Gains and Losses

The principal component under other gains and losses was a change in fair value of HK$112.8 million (2024: Nil) recognised on VAT receivables due from the MTA. The refund of these receivables was suspended pending the conclusion of a tax audit by the MTA. The Group expects that recovery of the VAT receivables will proceed upon final resolution of the current tax dispute. However, given the prolonged delay in settlement, the VAT receivables were discounted to the expected recovery period.

Gain on Derecognition of Convertible Notes

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

Gain on Modification of Convertible Notes

In 2020, the Company issued the 2020 Convertible Notes to CTF and Golden Infinity, respectively, with a maturity date of 6 March 2025. On 6 March 2025, the Company entered into the subscription agreements in relation to the new 3-year 3% convertible notes (the "**2025 Convertible Notes**"), under which, CTF and Golden Infinity have respectively agreed that the Company was not obliged to make any payment or repayment of any outstanding sum or further interest accrued on the principal amount of the 2020 Convertible Notes during the moratorium period, which commenced on the maturity date of the 2020 Convertible Notes and expired on the earlier of (a) 30 June 2025; (b) the completion date of the subscription agreements for 2025 Convertible Notes; and (c) the long stop date (i.e. 30 May 2025). The subscriptions of the 2025 Convertible Notes were completed on 28 May 2025.

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

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

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

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

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

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

Notes:

(a) *The discount rate is a pre-tax discount rate and is derived from the Group's weighted average cost of capital ("**WACC**") with appropriate adjustments made to reflect the risks specific to the Khushuut Coal Mine. The computation of WACC takes into account both cost of debt and equity, and weighted based on the Group's and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors and based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of comparable peer companies. The change of discount rate from last year was a combined result of the updates on the WACC including the risk-free rate and other risk premium factors. The risk-free rate adopted was the yield of China 10-year government bond as at 31 March 2025. The risk premium factors are to reflect the business risks of the Khushuut Coal Mine;*

(b) *The average current coking coal price was updated based on latest sales contracts signed by around 31 March 2025;*

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

(d) *The predicted average annual growth rate was updated based on the latest publicly available market data as at 31 March 2025. For the remaining year of the discounted cash flow model, the growth rate is the same as the inflation rate.*

Pursuant to the recoverable amount assessment, an impairment loss amounting to HK$1,299.1 million was recognised in the Financial Year (2024: reversal of impairment loss of HK$1,091.3 million). The primary factor contributing to the decrease in the Mine Assets' recoverable amount is the approximately 28% decline in the average current coking coal price compared to 2024.

Finance Costs

The major components of finance costs were the effective interest expenses on convertible notes, interest charge on advances from a Director and a loan note. The interest charge on the debt component of the convertible notes issued by the Company was calculated at an effective interest rate of 14.26% per annum (2024: 14.26%). The interest charge on advances from a Director was calculated at the Hong Kong prime rate plus 3% per annum, which was same as previous financial years. The interest of the loan note was charged at an effective interest rate of 22.37% per annum up to its maturity date on 21 November 2024 and at 3% per annum thereafter during the moratorium period (2024: 22.37%).

MARKET REVIEW

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

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

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

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

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

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

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

BUSINESS REVIEW

Coal Sales

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

Coal Production

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

Coal Processing

During the Financial Year, approximately 2,190,800 tonnes of ROM coal (2024: 1,900,600 tonnes) were processed by the dry coal processing plant, producing approximately 1,705,400 tonnes of raw coking coal (2024: 1,536,500 tonnes). The average recovery rate was 77.84%. The raw coking coal would then stand for export to Xinjiang.

The coal exported from Mongolia to Xinjiang was raw coking coal in nature. It is inferior in quality and lower in selling price and requires further handling and processing. In Xinjiang, approximately 3,023,600 tonnes of raw coking coal (2024: 2,734,400 tonnes) were processed by our washing plant or through subcontractors, producing approximately 2,147,300 tonnes of clean coking coal (2024: 1,944,100 tonnes). The average recovery rate was 71.02%.

Coal Shipping

Apart from the field work contractors, we hired external coal trucking companies with heavy duty trucks to provide coal transportation services for our coal export. During the Financial Year, approximately 3,046,900 tonnes of raw coking coal were shipped from Mongolia to Xinjiang.

Customers and Sales

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

During the Financial Year, we sold approximately 1,068,600 tonnes of clean coking coal to our largest customer and it accounted for approximately 56.6% of our revenue in the Financial Year. In general, our production and shipment of coal are closely linked to the market and other conditions, and shipment negotiations between us and the customers from time to time. We will closely monitor the developments and adjust our operation schedule from time to time.

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

Licences

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

Legal and Political Aspects

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Environmental Policies, Relevant Laws and Regulations Affecting Us

As a responsible corporation, environmental stewardship is one of the pillars of our sustainable business strategy to safeguard people and the environment, and to create enduring values for our customers, employees, host communities, shareholders, and business and supply chain partners. The Group has adopted an environmental policy focusing primarily on, among others, complying with the host-country legislation and regulations; establishing management systems and programmes relevant to our environmental risks to prevent, reduce and mitigate impacts at all stages of our operations; regularly assessing our performance through evaluating our business processes and practices and monitoring the surrounding environment in which we operate. Our production is mainly carried out by MoEnCo in Mongolia. MoEnCo has a detailed environmental assessment of the Khushuut mine covering five years of environmental management and protection related matters in our mine operation. Based on such documentation, the Ministry of Environment and Tourism of Mongolia will approve an annual environmental plan while monitoring the implementation of the preceding year's environmental plan through an implementation report submitted by MoEnCo. When preparing its annual environmental management plan ("**EMP**"), MoEnCo works closely with the local soum government and provincial environmental agencies to reflect their proposals in the EMP. We also conduct joint assessment on the execution of each EMP.

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

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

Key Stakeholders Relationship

Engaging and building relationships with stakeholders is the key to sustaining business. Our stakeholders are individuals, groups or organisations that affect and/or being affected by our business activities and performance. The stakeholders of the Group include our shareholders, employees, customers, contractors, various Mongolian governmental authorities (such as the Ministry of Environment and Tourism, the Ministry of Mining and Heavy Industry, the State Specialised Inspection Agency, the Mineral Resources and Petroleum Authority of Mongolia and their local governmental agencies), various Chinese governmental authorities (such as the Environmental Protection Bureau, the Safe Production Supervision Administration, the General Administration of Customs and their local governmental agencies), and local communities. In general, we maintain a good relationship with them. Apart from the tax disputes with the MTA which had been disclosed in our various announcements since August 2023, there was no material and significant dispute between the Group and its customers, suppliers and other business partners regarding our operation in the Financial Year.

Tax Disputes

Mongolian Tax

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

We strongly disagree with the basis of calculation for taxes by the MTA as the assessment made was based on its own data of market price for coal which has been fully washed and processed, while MoEnCo's coal for export is raw in nature (which requires further washing, processing and transporting); and therefore, could only be sold at a lower price, as opposed to the market price of the fully processed clean coal. An appeal against the 2017-2020 tax demand was lodged with the Tax Dispute Resolution Committee of Mongolia (the "**TDRC**"), and an application against the 2022-2024 tax demand has been filed with the Mongolia Administrative Court. On 25 June 2025, the TDRC issued an oral ruling in favour of the MTA regarding the Group's tax disputes, details of the ruling will be confirmed in writing in which the Group has not yet received.

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

In the meantime, MoEnCo has been exercising all its reasonable endeavours to negotiate with the Mongolian authorities for an amicable solution. MoEnCo has formulated a conditional part payment proposal to the Mongolian government without admission on the alleged tax liabilities for its consideration which was accepted by the MTA and disclosed on 2 July 2025.

The proposal is for a payment of a total sum of MNT 120.8 billion (approximately HK$279 million) ("**Settlement Amount**") representing mostly the royalty tax payables for the tax years 2022 and 2023. MoEnCo agrees to make an initial payment of MNT 31.6 billion (approximately HK$73 million) to MTA on or before 30 June 2025, and the balance of the Settlement Amount shall be paid by six(6) instalments within six (6) months, including MNT 8.8 billion (approximately HK$20.3 million) to be deducted from the VAT refundable by the MTA. In order to secure payments under the proposal, MoEnCo agrees to pledge approximately 996,000 tonnes of raw coking coal to the MTA as security. After receiving the initial payment by MoEnCo, MTA has lifted the frozen bank accounts of MoEnCo.

The Group has total provision of HK$988.6 million, including tax provision and penalty arising from the tax audit covering the fiscal years 2017 to 2020 of HK$346.2 million and royalty tax payables of HK$642.4 million as at 31 March 2025.

FINANCIAL REVIEW

Liquidity and Financial Resources

In preparing the consolidated financial statements, the Directors have given careful consideration of the future liquidity of the Group. While recognising that the Group had approximately net liabilities of HK$4,077.1 million and net current liabilities of HK$5,284.5 million as at 31 March 2025, the Directors are of the opinion that the Group will be able to meet 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$1,060.4 million as at 31 March 2025 remains valid until 24 March 2027; (2) Mr. Lo does not intend to demand immediate repayment of his advances to the Company; and (3) on 28 May 2025, MEC successfully completed agreements to issue new loan note and convertible notes with a three-year tenor, fully refinancing the 2019 RP Loan Notes and the 2020 Convertible Notes. The borrowings of the Group as at 31 March 2025 were the convertible notes, loan note, advances from Mr. Lo and a short-term bank loan in aggregate of HK$5,431.5 million (2024: HK$5,251.4 million). These borrowings as at 31 March 2025 were classified as current liabilities.

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

- Ongoing legal recourse being actively pursued;
- High-level government engagement;
- Continued business operations; and
- Management's expectation of a favourable or negotiated resolution within a timeframe that allows continued operations.

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

Property, Plant and Equipment

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

Trade and Bills Receivables

The Group allows a credit period of 30 to 45 days for trade receivables and the maturity dates for bills receivables should be within 180 days or less. In the final quarter of the Financial Year, delays by the Mongolia Customs Department in completing quality inspections and issuing confirmations contributed to an increase in receivables aged over 90 days. As at 31 March 2025, the majority of the trade receivables were within our credit period. For the bills receivables, they were non-interest bearing bank acceptance bills with settlement being guaranteed by the licenced banks in the PRC.

Long Term Receivables

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

Financial Assets at Fair Value Through Profit or Loss

As at 31 March 2025, the fair value of the financial assets at fair value through profit or loss was HK$46.5 million (2024: HK$30.9 million), which was approximately 1.5% (2024: 0.7%) of the total assets of the Group. It represents the Group's interest in Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "**Jade Bird**"), a company whose shares are listed on GEM of the Stock Exchange. The principal activities of Jade Bird and its subsidiaries are engaging in the technology research, development, marketing and sale of embedded system products and related products in security and fire alarm systems. The Group's investment is approximately 5.58% (2024: 5.58%) of the total issued share capital of Jade Bird. During the Financial Year, the Group did not receive dividend (2024: HK$6.2 million) from Jade Bird.

Charge on Group's Assets

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

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

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

Future Plans for Material Investments and Capital Assets

As at the date of this annual report, the Group did not have any concrete future plans for material investments or capital assets.

Foreign Exchange

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

Contingent Liabilities

The Group did not have material contingent liabilities as at 31 March 2025 (2024: Nil).

Significant Subsequent Events Occurred after the Financial Year

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

In addition, the subscriptions of the 2025 Convertible Notes were completed on 28 May 2025. On the same date, the Company and Ruby Pioneer entered into a loan note subscription agreement pursuant to which the Company agreed to issue and Ruby Pioneer agreed to subscribe for 2025 RP Loan Note for full settlement of the outstanding principals and accrued interests of the 2019 RP Loan Notes. The 2025 RP Loan Note with a principal amount of HK$657,565,542 carrying a 3% coupon interest per annum for 3 years was issued pursuant to the loan note subscription agreement. Details of the 2025 Convertible Notes and the 2025 RP Loan Note are set out in Note 31(a) and 31(b) to the consolidated financial statements.

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

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.

There is no assurance that the demand of the PRC, which we assume as our major market, for coal and related products will be sustainable, 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.

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

With the approval of the Law on the National Wealth Fund, respective amendments have been made to the Minerals Law. These amendments brought key changes to the Minerals law in terms of restrictions imposed on shares, authorised representative, state ownership of shares in derivative deposits associated with strategically important mineral deposits and special tax rate.

In January 2025, Minerals Law was amended that the special royalty derived from mineral deposits of strategic importance shall be designated to be sources of Savings Fund under the National Wealth Fund.

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.

However, in April 2024, the Minerals Law was amended, stipulating that if a strategically important mineral deposit whose resources have been explored with the state budget, and in case of joint exploitation, the state shall own up to 50% of the shares of that legal entity holding the deposit free of charge. The percentage and amount of state ownership can be replaced by royalties for mineral deposits of strategic importance.

When a strategically important mineral deposit, whose resources have been explored without the participation of the state budget, the state shall also own shares equivalent to up to 34% of investment made by an owner of a strategically important mineral deposit. The percentage and amount of state ownership may be determined taking into account the amount of investment to be made by the state. The percentage and amount of state ownership can be replaced by royalties for mineral deposits of strategic importance.

Further, under the amended Minerals Law, a person is prohibited to own more than 34% of the total issued shares of a legal entity that holds a special license for a strategic mineral deposit, either alone or jointly with an affiliated entity. However, the amended Minerals Law shall not apply to shares owned by wholly or partially state-owned, wholly or partially locally-owned legal entities, and shares of legal entities that have signed an Investment Agreement with the Government of Mongolia.

The amended Minerals Law creates uncertainties for existing or future investors to invest in the mining sectors of Mongolia. The Khushuut Coal Mine is not currently within the list of Strategic Deposits. However, there is no assurance that our mine will not be listed as a Strategic Deposit by the Mongolia government 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 licenced 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.

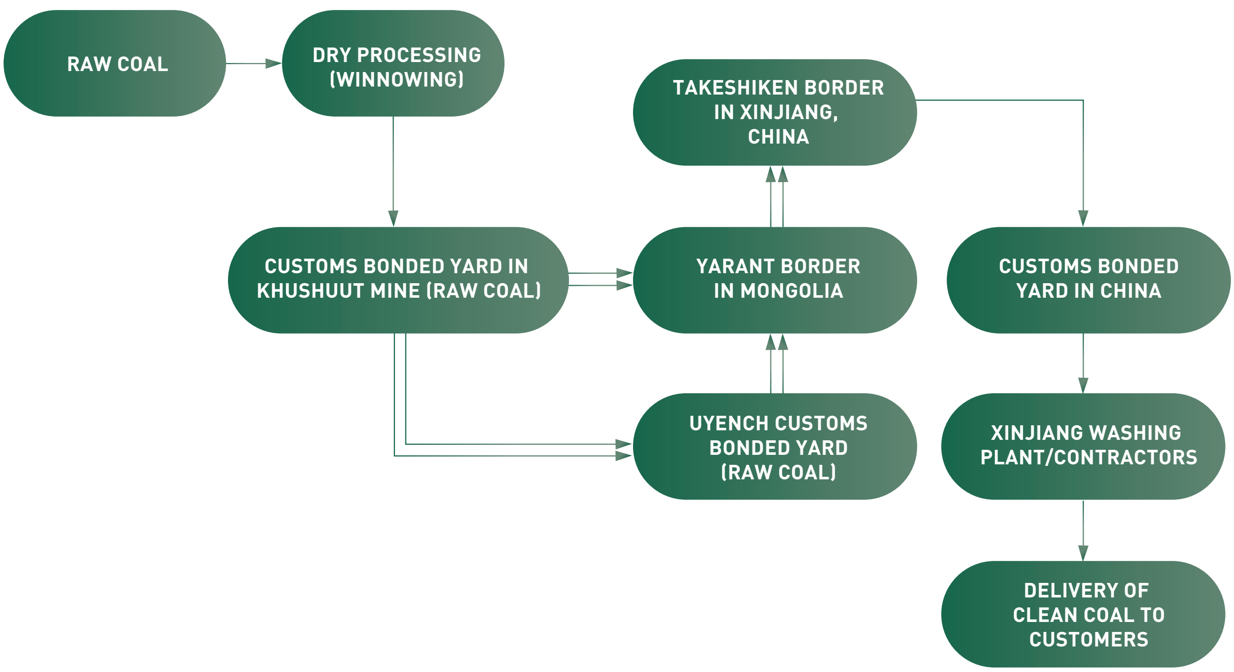
Operational risks

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 resources royalties, 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, and also other taxes on the following transactions including:

(i) Dividends;

(ii) Interest;

(iii) Gambling, betting games, and lotteries;

(iv) Sale of immovable property; and

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

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 or protectionism in the 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;

(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; and

(f) Since our formal commercial coal production from 2015, we have extracted a total of approximately 12.5 million tonnes of ROM coal for our coal production process. Based on the arithmetic calculation stated above, the remaining in-place resources under JORC Standards are 128.5 million tonnes. However, the aforesaid remaining is for reference only and the actual available resources are subjection to further identification though exploration.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

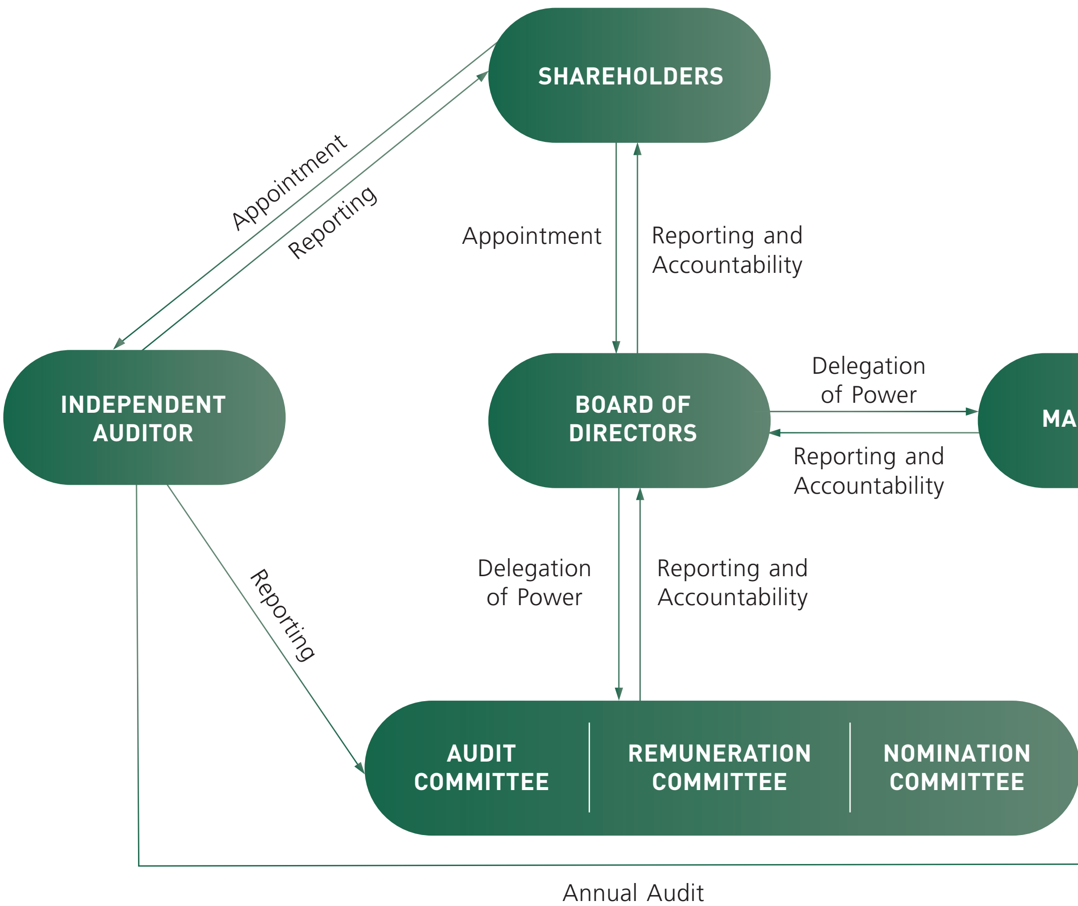
The Board recognizes the importance of maintaining a high standard of corporate governance practice to protect and enhance the benefits of the shareholders. The Board and the management of the Company have collective responsibilities to maintain the interest of the shareholders and the sustainable development 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 as set out in Part 2 of Appendix C1 to the Listing Rules on the Stock Exchange (the "**CG Code**").

During the Financial Year, the Company had applied the principles of and met 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 2024 AGM. The Chairman of the Audit and Remuneration Committees of the Company took the chair of the 2024 AGM and answered questions raised by the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Other than the AGM, the shareholders may communicate with the Company through the contact methods listed on the Company's website.

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 C3 to the Listing Rules (the "**Model Code**"). The Code is sent to each Director on his/her initial appointment and from time to time when the same is amended or restated.

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

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

During the period of sixty days immediately preceding and including the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to and including the publication date of the annual results, all the Directors and relevant employees must not to deal in the securities and derivatives of the Company until such results have been published.

During the period of thirty days immediately preceding and including the publication date of the half year results or, if shorter, the period from the end of the relevant quarterly or half year period up to and including the publication date of the half year results, all the Directors and relevant employees must not 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 five executive Directors, one non-executive Director and three independent non-executive Directors, overseeing the overall business operation of the Company. Biographical details of the Directors are set out on pages 42 to 43.

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
Mr. Lo, James Cze Chung (re-designated on 13 August 2024)

Non-executive Director

Mr. To Hin Tsun, Gerald

Independent Non-executive Directors

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

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

– management and leadership experience;

– skills and diverse background;

– integrity and professionalism; and

– independency.

The Company has adopted a Board Diversity Policy (the "**Board Diversity Policy**") setting out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates would be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board reviews its composition under diversified perspectives, and monitors the implementation of the Board Diversity Policy annually. The Board will also review and any such revision to the Board Diversity Policy as and when required. The Board Diversity Policy has been published on the Company's website.

The Company values the importance and benefits of gender diversity of the Board. The Company will continue to apply the principles of equal employment with reference to the Board Diversity Policy, and continue to promote diversity at all levels of its workforce to develop a pipeline of potential successors to the Board to achieve gender diversity. As at the date of this annual report, eight of the Directors are male, and one of the Directors is female. For the gender ratio in the workforce of the Group, 81% of the Group's employees are male and 19% of them are female. The Board is of the view that the gender diversity across the workforce is proper taking into account the nature of our industry.

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. During the Financial Year, the Board in essence met the requirements under Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the board.

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

Appointment and Re-election of Directors

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

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

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 independent non-executive Directors are not involved in daily management. The non-executive Director 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.

In order to ensure independent views among the Board, the Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors or such higher threshold as may be required by the Listing Rules from time to time. Independent non-executive Directors have been appointed as the chairman and/or members of the Board committees to ensure independent views are available and in compliance with the requirements prescribed by the Listing Rules as to the composition of the certain Board committees. The Nomination Committee is also required to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

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 CG Code and disclosure in the Corporate Governance Report.

During the Financial Year, the Board:

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

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

iii. reviewed the internal controls of the Group;

iv. reviewed the corporate governance procedures;

v. reviewed and approved the Environment, Social and Governance Report 2024;

vi. reviewed and approved the auditor's remuneration and recommended the appointment of Messrs. Ernst & Young ("**EY**") as the independent auditor of the Company respectively;

vii. reviewed and approved the inside information announcements;

viii. reviewed the connected transaction of the Company;

ix. reviewed the major transaction of the Company; and

x. reviewed the discloseable transaction of the Company.

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 or other material/relevant 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 and are properly briefed on issues arising at a board meeting. 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 DIRECTOR

None of the existing non-executive Director, 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 ("**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, the Audit Committee and Nomination Committee, with specific terms of reference relating to their authorities and duties, which strengthen the Board's functions and enhance its expertise.

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

REMUNERATION COMMITTEE

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

The main responsibilities of the Remuneration Committee include, but not limited to, making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management, reviewing and approving the special remuneration packages of all the executive Directors with reference to corporate goals and objectives resolved by the Board from time to time, and determining, with delegated responsibility, the remuneration packages of the individual executive Directors. The Remuneration Committee is also required to review and approve matters relating to share option schemes under the requirement of the Listing Rules.

The terms of reference of the Remuneration Committee were revised and adopted in accordance with the requirements of the Listing Rules from time to time. 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) assessed performance of executive Directors, approved the terms of executive Directors' service contracts, and 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 from time to time. 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 2024 and for the six months ended 30 September 2024;

(ii) reviewed the effectiveness of the internal control and risk management systems, and that of the Company's internal audit function;

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

(iv) reviewed the Company's connected transaction for the year ended 31 March 2024 pursuant to the Listing Rules.

During the Financial Year, the Chief Financial Officer attended all 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 two executive Directors, namely Mr. Lo, an executive Director and the chairman of the Board, and Ms. Yvette Ong, the Managing Director (appointed on 27 June 2025), 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. Mr. Lo is the Chairman.

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 the independent non-executive Directors; 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 at least annually, 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 revised and adopted in accordance with the requirements of the Listing Rules from time to time. 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 Financial Year, the Nomination Committee:

(i) reviewed and endorsed the re-designation of Mr. Lo, James Cze Chung as an executive Director.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

	Number of Meetings Attended/Held					
Directors	**Board**	**Remuneration Committee**	**Audit Committee**	**Nomination Committee**	**General**	**Continuous Professional Development Type of Training** *(Notes)*
Mr. Lo	3/4	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	4/4	N/A	N/A	N/A	0/2	A
Mr. Lo, Chris Cze Wai	4/4	N/A	N/A	N/A	0/2	A
Mr. Lo, James Cze Chung	4/4	N/A	N/A	N/A	0/2	A
Mr. To Hin Tsun, Gerald	4/4	N/A	N/A	N/A	0/2	A, B
Mr. Tsui Hing Chuen, William *JP*	4/4	1/1	2/2	1/1	0/2	A
Mr. Lau Wai Piu	4/4	1/1	2/2	1/1	2/2	A
Mr. Lee Kee Wai, Frank	4/4	1/1	2/2	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.

All Directors have the opportunity to propose matters for inclusion in the agenda for regular Board meetings.

A notice of at least 14 days is given for regular Board Meetings and reasonable notice is given for other Board meetings.

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.

Remuneration of Directors

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors of the Group. The remuneration packages of Directors are determined with reference to the duties and responsibilities of each Director, the Company's performance and the prevailing market situation.

Details of the remuneration of each of the Directors for the Financial Year are set out in Note 12(a) to the consolidated financial statements.

INDEPENDENT AUDITOR

EY was re-appointed as independent auditor of the Company (the "**Independent Auditor**") at the 2024 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.

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	5,000
Non-audit services	1,138
	6,138

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 regarding responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 57 to 59.

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 acknowledges that it is responsible for the Group's risk management and internal control systems and the review of effectiveness of such systems 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 cover all material controls, including financial, operational and compliance controls and risk management functions.

The risk management and internal control systems adopted by the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only make reasonable but not absolute assurance against material misstatement or loss.

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 as well as those related to the Group's environmental, social and governance performance and reporting. 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 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.

The Company has developed its disclosure policy which provides a general guide to the Directors, senior management and relevant employees in handling and disseminating confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access to and use of inside information are strictly prohibited.

UNCERTAINTIES RELATING TO GOING CONCERN

As set out in Note 1 to the consolidated financial statements, the Group had net liabilities of approximately HK$4,077.1 million and net current liabilities of approximately HK$5,284.5 million as at 31 March 2025, including short-term bank loan, advances from a Director, convertible notes and a loan note in aggregate of HK$5,431.5 million. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, from a substantial shareholder who is also the Chairman and a director of the Company. As further set out in Note 1 to the consolidated financial statements, the Group has total provision of HK$988.6 million, including tax provision and penalty arising from the tax audit covering the fiscal years 2017 to 2020 of HK$346.2 million and royalty tax payables of HK$642.4 million as at 31 March 2025, of which, subsequent to the reporting date, the Mongolian Tax Authority demanded for a payment relating to the above of HK$852.2 million due 18 April 2025. The Group has requested to defer part of this payment and proposed a settlement plan for its royalty tax payables of which was accepted by the MTA and disclosed on 2 July 2025.

These conditions indicate the existence of material uncertainties that cast significant doubt on the Group's ability to continue as a going concern. Therefore, the independent auditor disclaimed the opinion of the Group's financial results in respect of the year ended 31 March 2025 (the "**Disclaimer**").

The Audit Committee has reviewed and understood the basis for the Disclaimer. The Company's management (the "**Management**") has also assessed the impact of the Disclaimer on the Group and is of the view that, barring any further adverse recovery actions by the MTA, it does not materially affect the Group's business operations. According to MoEnCo's legal counsel in Mongolia, despite the freezing of MoEnCo's bank accounts, MoEnCo has the right to contest the tax assessment before the TDRC and through applicable Mongolian legal procedures. In parallel, the Group will continue to exert its best efforts to engage constructively with the MTA to pursue an amicable resolution as promptly as possible. These efforts include, but are not limited to, holding high-level meetings with senior MTA officers and seeking supports from, among others, the Mongolian Minister of Finance and the Governor of Khovd, in relation to the ongoing tax disputes. There is no disagreement between the Audit Committee and Management regarding (i) the Disclaimer and (ii) the Company's approaches to addressing it. The Audit Committee concurs with Management's position that preparation of the consolidated financial statements on a going concern basis remains appropriate, taking into account the actions and assumptions disclosed in Note 1 to the consolidated financial statements.

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 two general meetings, one of which was the AGM. A Director and the Independent Auditor of the Company had attended the 2024 AGM to answer the shareholders' enquiries. In addition, separate resolutions for each issue had been proposed at the general meeting for voting by the shareholders.

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

The Group is of the view that through various communication channels including, among others, the Company's website, postal and email communication, circulation of corporate communication, and Shareholders' meetings, through which Shareholders, both individual and institutional, may communicate with and provide feedback to the Company effectively from time to time. The Group concluded that these channels were effective during the Financial Year and no negative feedback was received.

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

Shareholders, who, at the time a requisition is submitted, hold not less than one-tenth of the Company's paid up capital carrying voting right at general meetings shall have the right, by written requisition to the Board or the Company Secretary, to request a general meeting be convened by the Board for the transaction of any business specified in such requisition. A meeting so requested 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 the requisition is submitted 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-one clear days and all other general meeting (including a special general meeting) shall be called by not less than fourteen clear 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 of the company 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. In the case of a requisition requiring notice of a resolution not less than six weeks before the meeting must be given, and 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.

Whistleblowing Policy

The Group is committed to maintaining good corporate governance standard, emphasising probity, transparency and accountability. We require our business units and departments to maintain proper standards of business conduct and comply with all applicable laws and regulations. To support this policy, we have established a whistleblowing policy for reporting matters of serious concern which may affect the operation of the Group's business and its reputation.

If an employee has a serious concern about an act or omission that will impact the Group's business or its reputation, or will harm or put an individual at risk, the employee may raise it with their immediate supervisor either orally or in writing or to the Director of Legal and Compliance. Management shall ensure that all employees feel able to raise concerns without fear of reprisals. Once an employee has raised a concern, the Director of Legal and Compliance will review the matter to assess what action should be taken. The Audit Committee has overall responsibility for this policy.

The Whistleblowing Policy is also applicable to other stakeholders who would like to report misconduct or malpractices of our staff in the conduct of our businesses.

The Board will review this policy periodically to ensure that it is operating effectively and whether any changes to the policy are required.

CONSTITUTIONAL DOCUMENTS

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

DIRECTORS AND SENIOR MANAGEMENT

MR. LO LIN SHING, SIMON

Chairman and Executive Director

Mr. Lo, aged 69, 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 40 years of experience in commercial, financial, securities and futures industries, including many trans-border transactions. He is the father of Mr. Lo, Rex Cze Kei, Mr. Lo, Chris Cze Wai and Mr. Lo, James Cze Chung, who are executive Directors of the Company. Mr. Lo is a director of certain subsidiaries of the Company. He is also the chairman and executive director of Vision Values Holdings Limited which is listed on the Stock Exchange.

MS. YVETTE ONG

Managing Director and Executive Director

Ms. Ong, aged 60, 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 43, 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 eldest brother of Mr. Lo, Chris Cze Wai and Mr. Lo, James Cze Chung, both are executive Directors of the Company. Mr. Rex Lo is a director of certain subsidiaries of the Company. He is also an executive director of Vision Values Holdings Limited which is listed on the Stock Exchange.

MR. LO, CHRIS CZE WAI

Executive Director

Mr. Chris Lo, aged 31, 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. Lo, James Cze Chung, both are executive Directors of the Company. Mr. Chris Lo is a director of certain subsidiaries of the Company. He is also an executive director of Vision Values Holdings Limited which is listed on the Stock Exchange.

MR. LO, JAMES CZE CHUNG

Executive Director

Mr. James Lo, aged 29, 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. Mr. James Lo was appointed as a non-executive Director in March 2023 and re-designated as an executive Director in August 2024 of the Company. He has more than 5 years commercial experience. He is the son of Mr. Lo, the Chairman and executive Director of the Company and the youngest brother of Mr. Lo, Rex Cze Kei and Mr. Lo, Chris Cze Wai, both are executive Directors of the Company. He is also an executive director of Vision Values Holdings Limited which is listed on the Stock Exchange.

MR. TO HIN TSUN, GERALD

Non-executive Director

Mr. To, aged 76, 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 formerly served as non-executive director of NWS Holdings Limited which is listed on the Stock Exchange until his resignation with effect from 1 January 2024.

MR. TSUI HING CHUEN, WILLIAM *JP*

Independent Non-executive Director

Mr. Tsui, aged 73, 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 61, joined the Company as an independent non-executive Director since September 2004. He has over 30 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 66, 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 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 45 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 2025 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 15.

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 18 to 24 and in Note 5 to the consolidated financial statements. The financial risk management objectives and policies of the Group can be found in Note 40(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 and in the Environmental, Social and Governance Report.

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 2025 are set out in the Consolidated Statement of Profit or Loss on page 60.

No interim dividend was declared (2024: Nil) and the Directors do not recommend the payment of a final dividend for the year ended 31 March 2025 (2024: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 22 August 2025 to Wednesday, 27 August 2025, 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 Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 21 August 2025.

SHARE CAPITAL

There were no movements in the share capital and the share options of the Company during the Financial Year.

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 2025, the Company entered into subscription agreements with CTF and Golden Infinity respectively, which conditionally agreed to subscribe for the 2025 Convertible Notes subject to the fulfilment of certain condition. The closing market price of the shares of the Company on 6 March 2025 was HK$0.53 per share. The subscription money of 2025 Convertible Notes was used by the Company for full settlement of the outstanding principal amount and accrued interests of the 2020 Convertible Notes with maturity date on 6 March 2025, as disclosed in the circular of the Company dated 25 April 2025. The subscriptions of the 2025 Convertible Notes were completed on 28 May 2025. The new convertible notes under the 2025 Subscription carries 3% coupon interest per annum for 3 years from the date of issue with principal amount of HK$3,977,221,339. They can be converted into 1 ordinary share of the Company of HK$0.02 each for every HK$0.65 (subject to adjustments) at the holders' option on any business day since the issue date up to the business day immediately prior to their maturity date. The net price per conversion share is approximately HK$0.65. Subject to the terms of the 2025 GI Convertible Note (as defined below), upon full conversion of the principal amount of the 2025 GI Convertible Note of HK$726,932,284 and the accrued interest thereon of HK$65,423,905.56 (calculated from the date of issue of the 2025 GI Convertible Note until its maturity) at the initial conversion price of HK$0.65 per share, 1,219,009,522 shares will be issued. Subject to the terms of the 2025 CTF Convertible Note (as defined below), upon full conversion of the principal amount of the 2025 CTF Convertible Note of HK$3,250,289,055 and the accrued interest thereon of HK$292,526,014.95 (calculated from the date of issue of the 2025 CTF Convertible Note until its maturity) at the initial conversion price of HK$0.65 per share, 5,450,484,723 shares will be issued. During the Financial Year, none of the conversion rights under the 2020 Convertible Notes had been exercised. Details of the convertible notes are set out in Note 31(a).

Share Option Scheme

Details of the movements in share options during the Financial Year are set out in Note 36 to the consolidated financial statements and "Share Option Scheme" section contained in this Directors' Report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results for the Financial Year and of the assets and liabilities of the Group as at 31 March 2025 and for the last four financial years are set out on page 151.

RESERVES

Details of the movements in reserves of the Group and the Company during the Financial Year are set out on page 64 and in Note 44 to the consolidated financial statements respectively.

CHARITABLE DONATIONS

For the year ended 31 March 2025, the Group made charitable and other donations in a total amount of HK$36,196,000 (2024: HK$24,784,000).

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 2025 are set out in Notes 45 and 19 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
The largest customer	56.6%
Five largest customers in aggregate	77.9%
Purchases	
The largest purchaser	21.9%
Five largest purchasers in aggregate	52.8%

One of the five largest suppliers was 新疆遠見鴻業物流有限公司(「**新疆遠見鴻業**」). 新疆遠見鴻業is indirectly held as to 60% by Vision Values Holdings Limited ("**Vison Values**"). Mr. Lo is a controlling shareholder, chairman and executive director of Vision Values. Apart from it, none of the Directors, their close 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 customers or suppliers.

DIRECTORS

During the Financial Year and up to the date of this Directors' Report, the board composition and biographical details of the Directors of the Group are set out on pages 29 to 30, and pages 42 to 43 respectively.

In accordance with Bye-law 87 of the Bye-laws of the Company, Mr. Lo, Mr. Lau Wai Piu and Mr. Tsui Hing Chuen, William$_{JP}$ 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.

CHANGE IN DIRECTORS' INFORMATION

Ms. Yvette Ong, the managing director and executive Director of the Company, was appointed as a member of the Nomination Committee with effect from 27 June 2025.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Mr. Lo entered into a service contract with the Company on 28 March 2025 for a fixed term of three years with effect from 1 April 2025.

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 was 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 26 to 41.

DIRECTORS' INTERESTS

As at 31 March 2025, 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	1,219,182,742 *(Note)*	1,251,302,449	665.14%
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. Lo, James Cze Chung	–	–	–	500,000	–	500,000	0.27%
Mr. To Hin Tsun, Gerald	135,000	–	–	500,000	–	635,000	0.34%
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 SCHEME**", as at 31 March 2025, 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 2025, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital (other than interests of the Directors):

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

	Number of shares and/or underlying shares				
Name of Shareholders	Beneficial/ Personal interests	Spouse interests	Corporate interests	Total interests	Percentage of nominal value of issued share capital
Cheng Yu Tung Family (Holdings) Limited	–	–	5,456,759,232	5,456,759,232 *(Note 1)*	2,900.59%
Cheng Yu Tung Family (Holdings II) Limited	–	–	5,456,759,232	5,456,759,232 *(Note 1)*	2,900.59%
Chow Tai Fook (Holding) Limited	–	–	5,456,759,232	5,456,759,232 *(Note 1)*	2,900.59%
Chow Tai Fook Capital Limited	–	–	5,456,759,232	5,456,759,232 *(Note 1)*	2,900.59%
Chow Tai Fook Nominee Limited	5,456,759,232	–	–	5,456,759,232 *(Notes 1 & 2)*	2,900.59%
Ms. Ku Ming Mei, Rouisa	43,750	1,251,258,699	–	1,251,302,449 *(Note 3)*	665.14%
Golden Infinity	1,249,334,699	–	–	1,249,334,699	664.10%
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 99.9% 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 5,456,759,232 shares held by Chow Tai Fook Nominee Limited.*

2. *Among 5,456,759,232 shares held by Chow Tai Fook Nominee Limited, 5,451,259,232 shares were underlying shares.*

3. *Ms. Ku Ming Mei, Rouisa, the spouse of Mr. Lo, was deemed to be interested in 1,251,302,449 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 2025.

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

Save as disclosed in the paragraph (a) in the section headed "Connected Transactions" in the Director's report, and Note 38(a), (b) and (c) to the consolidated financial statements, 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 or an entity connected with 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 SCHEME

Pursuant to a share option scheme adopted by the Company on 30 August 2012 (the "**2012 Option Scheme**"), the Company granted certain options to eligible participants to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. 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 share option has been granted since the adoption of the 2022 Option Scheme. The total number of options available for grant as at 1 April 2024 and 31 March 2025 is 18,812,584.

The following is a summary of the terms of the 2022 Option Scheme:

1. Purpose

The purpose of the 2022 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 2022 Option Scheme include any Directors, employees, and 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 the date of the annual report.

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. Exercise 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 is 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 is 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. The remaining life of the 2022 Option Scheme is approximately seven years and five months.

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 2024	Granted during the Financial Year	Lapsed or cancelled during the Financial Year	Exercised during the Financial Year	As at 31 March 2025
Mr. Lo	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	1,800,000	–	–	–	1,800,000
Ms. Yvette Ong	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	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	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. To Hin Tsun, Gerald	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. Tsui Hing Chuen, William *JP*	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. Lau Wai Piu	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	500,000	–	–	–	500,000
Mr. Lee Kee Wai, Frank	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)	18-01-2021	1.310	18-01-2021 to 17-01-2026	N/A	7,200,000	–		–	7,200,000
TOTAL					**16,300,000**	**–**	**–**	**–**	**16,300,000**

CONNECTED TRANSACTIONS

(a) 2025 Convertible Notes

The 2025 GI Subscription

On 6 March 2025, the Company entered into a conditional subscription agreement (the "**2025 GI Subscription Agreement**") with Golden Infinity pursuant to which Golden Infinity has agreed to subscribe for the 2025 GI Convertible Note under the 2025 GI Subscription Agreement (the "**2025 GI Subscription**"). The principal amount of the 2025 GI Convertible Note is HK$726,932,284 (equivalent to the aggregate outstanding amount (including the principal amount and any outstanding accrued interest up to the completion date (the "**GI Completion Date**")) owing by the Company to Golden Infinity under the 3% convertible note due 6 March 2025 (the "**2020 GI Convertible Note**")). The subscription price of the 2025 GI Convertible Note was used by the Company for full settlement of the outstanding principal amount and accrued interest of the 2020 GI Convertible Note on the GI Completion Date. As Golden Infinity is a substantial Shareholder and wholly-owned by Mr. Lo, an executive Director, the 2025 GI Subscription constitutes a connected transaction of the Company.

(b) Tenancy Agreement

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

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

To save the Group from relocation expenses and administrative inconvenience, on 8 May 2025, Mongolia Energy Corporation (HK) Limited renewed the office tenancy agreement with the Landlord for a term of two years at a monthly rent of HK$288,000 (exclusive of rates, government rent, management fees and all other outgoings) from 8 May 2025 to 7 May 2027. For details, please refer to the announcement made by the Company on 8 May 2025.

CONTINUING CONNECTED TRANSACTION

2023–2026 Logistics Services Framework Agreement

The Company entered into a logistics services framework agreement with 新疆遠見鴻業物流有限公司 ("**新疆遠見鴻業**") on 3 March 2023 (the "**2023–2026 Logistics Services Framework Agreement**"). Pursuant to the 2023–2026 Logistics Services Framework Agreement, 新疆遠見鴻業 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.

新疆遠見鴻業 is indirectly held as to 60% by Vision Values. Mr. Lo, the substantial Shareholder, the 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 position in both the Company and Vision Values, Vision Values is a connected person of the Company. As 新疆遠見鴻業 is indirectly held as to 60% by Vision Values, 新疆遠見鴻業 is therefore also connected person of the Company. Accordingly, the transactions contemplated under the 2023-2026 Logistics Services Framework Agreement constitute continuing connected transactions for the Company under Rule 14A of the Listing Rules.

Under the 2023–2026 Logistics Services Framework Agreement, 新疆遠見鴻業 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 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 respectively. 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. For details, please refer to the circular of the Company dated 30 March 2023.

In accordance with rule 14A.55 of the Listing Rules, the continuing connected transaction set out above during the year is required to be reviewed by the independent non-executive Directors. The independent non-executive Directors confirm 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 agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has followed its pricing policies when determining the price and terms of the continuing connected transactions conducted during the Financial Year.

EY has been engaged to report on the continuing connected transaction as set out 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 which EY has confirmed the matters set out in Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

During the year, the Company has complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, a summary of significant related party transactions including fully exempted connected transactions or continuing connected transaction during the Financial Year was disclosed in Note 38 to the consolidated financial statements.

GROUP'S BORROWINGS

Details of the Group's borrowings are set out in Note 30 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 (including sale of treasury shares).

As at 31 March 2025, the Company did not hold any treasury shares.

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 2025, the Company's reserves available for distribution and/or distribution in specie, calculated in accordance with the Companies Act of Bermuda, is HK$Nil (2024: HK$Nil) which is the sum of the Company's share premium, contribution surplus and accumulated losses as stated in Note 44 to the consolidated financial statements on page 149.

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 2025 had been reviewed by the Audit Committee.

HUMAN RESOURCES

As at 31 March 2025, excluding site and construction workers directly employed by our contractors, the Group employed 876 full-time employees in Hong Kong, Mongolia, and the PRC. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on a periodic basis. Apart from the retirement benefits scheme, 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 and up to the date of this annual report.

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

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

On 25 June 2025, the TDRC issued an oral ruling in favor of the MTA concerning the Group's tax disputes. As of the date of this Report, the Group has not yet received the official letter of the ruling.

On behalf of the Board

Lo Lin Shing, Simon
Chairman
Hong Kong, 25 June 2025

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

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Mongolia Energy Corporation Limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 60 to 150, which comprise the consolidated statement of financial position as at 31 March 2025, and 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 material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for disclaimer of opinion section of our report, it is not possible for us to form an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As set out in Note 1 to the consolidated financial statements, the Group had net liabilities of approximately HK$4,077.1 million and net current liabilities of approximately HK$5,284.5 million as at 31 March 2025, including short-term bank loan, advances from a Director, convertible notes and a loan note in aggregate of HK$5,431.5 million. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, from a substantial shareholder who is also the Chairman and a director of the Company.

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

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

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

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

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

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

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

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

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

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

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

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 HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA and to issue an auditor's report. 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on the consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Chu Shiu Ting, Adrian David (practising certificate number: P05861).

Ernst & Young
Certified Public Accountants
Hong Kong
25 June 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Revenue	6	**2,861,190**	3,173,215
Cost of sales		**(2,010,019)**	(1,986,327)
Gross profit		**851,171**	1,186,888
Other income	7	**10,522**	19,586
Other gains and losses	8	**(76,936)**	(50,744)
Administrative expenses		**(303,472)**	(329,940)
Changes in fair value on derivative component of convertible notes	31(a)	**–**	959,326
Gain on derecognition of convertible notes	31(a)	**172,512**	–
Gain on modification of convertible notes	31(a)	**97,570**	–
(Impairment losses) reversal of impairment losses on property, plant and equipment	3, 15	**(1,176,038)**	965,061
(Impairment losses) reversal of impairment losses on right-of-use assets	3, 16	**(4,278)**	1,081
(Impairment losses) reversal of impairment losses on intangible assets	3, 17	**(118,751)**	125,122
Reversal of impairment losses (impairment losses) on financial assets		**6,762**	(6,480)
Finance costs	9	**(653,795)**	(655,861)
(Loss) profit before taxation	10	**(1,194,733)**	2,214,039
Income tax expense	11	**(181,917)**	(536,118)
(Loss) profit for the year attributable to owners of the Company		**(1,376,650)**	1,677,921
(Loss) earnings per share attributable to ordinary equity holders of the Company	14		
– basic and diluted (loss) earnings per share (HK$)		**(7.32)**	8.92

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2025

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Non-current assets			
Property, plant and equipment	15	**921,415**	2,053,437
Right-of-use assets	16	**9,328**	10,315
Intangible assets	17	**85,660**	214,973
Exploration and evaluation assets	18	**4,939**	1,972
Interest in an associate	19	**–**	–
Deferred tax assets	33	**59,421**	24,784
Long-term receivable	20	**205,297**	–
		1,286,060	2,305,481
Current assets			
Trade and bills receivables	21	**1,092,671**	1,037,155
Inventories	22	**444,860**	402,669
Other receivables, prepayments and deposits	23	**116,847**	341,306
Prepaid taxation		**78**	50
Financial asset at fair value through profit or loss ("**FVTPL**")	24	**46,522**	30,874
Amount due from an associate	19	**–**	–
Cash and cash equivalents	25	**88,283**	97,826
		1,789,261	1,909,880
Current liabilities			
Trade payables	26	**301,305**	337,406
Other payables and accruals	27	**1,109,183**	870,579
Contract liabilities	28	**16,496**	9,627
Tax liabilities		**211,274**	357,624
Advances from a Director	30	**845,357**	1,006,689
Short-term bank loan	30	**37,960**	–
Convertible notes	31(a)	**3,892,989**	3,664,199
Loan note	30, 31(b)	**655,210**	580,545
Lease liabilities	29	**3,696**	5,961
Deferred income	32	**278**	1,509
		7,073,748	6,834,139
Net current liabilities		**(5,284,487)**	(4,924,259)
Total assets less current liabilities		**(3,998,427)**	(2,618,778)

	Notes	2025 HK$'000	2024 HK$'000
Non-current liabilities			
Deferred income	32	**555**	476
Deferred tax liabilities	33	**39,814**	30,143
Lease liabilities	29	**815**	2,584
Provision for rehabilitation	34	**37,458**	33,272
		78,642	66,475
Net liabilities		**(4,077,069)**	(2,685,253)
Financed by:			
Capital and reserves			
Share capital	35	**3,763**	3,763
Reserves		**(4,080,832)**	(2,689,016)
Capital deficiencies attributable to owners of the Company		**(4,077,069)**	(2,685,253)

The consolidated financial statements on pages 60 to 150 were approved and authorised for issue by the Board of Directors on 25 June 2025 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 2025

	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))*	*(Notes (a) and (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 2023	3,763	12,166	1,685	72,849	2,618	334,220	(4,764,147)	(4,336,846)
Profit for the year	–	–	–	–	–	–	1,677,921	1,677,921
Other comprehensive income (expense)								
Changes in fair value of debt instruments at FVTOCI	–	–	–	–	6,059	–	–	6,059
Exchange differences arising on translation	–	–	(32,387)	–	–	–	–	(32,387)
Total comprehensive income (expense) for the year	–	–	(32,387)	–	6,059	–	1,677,921	1,651,593
Appropriations to reserve *(Note (b))*	–	–	–	35,534	–	–	(35,534)	–
At 31 March 2024	**3,763**	**12,166**	**(30,702)**	**108,383**	**8,677**	**334,220**	**(3,121,760)**	**(2,685,253)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,376,650)**	**(1,376,650)**
Other comprehensive expense								
Changes in fair value of debt instruments at FVTOCI	**–**	**–**	**–**	**–**	**(6,877)**	**–**	**–**	**(6,877)**
Exchange differences arising on translation	**–**	**–**	**(8,289)**	**–**	**–**	**–**	**–**	**(8,289)**
Total comprehensive expense for the year	**–**	**–**	**(8,289)**	**–**	**(6,877)**	**–**	**(1,376,650)**	**(1,391,816)**
Appropriations to reserve *(Note (b))*	**–**	**–**	**–**	**14,157**	**–**	**–**	**(14,157)**	**–**
At 31 March 2025	**3,763**	**12,166**	**(38,991)**	**122,540**	**1,800**	**334,220**	**(4,512,567)**	**(4,077,069)**

Notes:

(a) These reserve accounts comprise the consolidated reserves of HK$(4,080,832,000) (2024: HK$(2,689,016,000)) 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 2025

	Notes	**2025** **HK$'000**	**2024** **HK$'000**
Operating activities			
(Loss) profit before taxation		**(1,194,733)**	2,214,039
Interest income	7	**(732)**	(895)
Dividend income	7	**–**	(6,178)
Exchange gain		**(5,759)**	(3,434)
Finance costs	9	**653,795**	655,861
Gain on disposal of property, plant and equipment	8	**(526)**	(301)
Loss on write off of property, plant and equipment	8	**–**	227
Amortisation of intangible assets	17	**10,724**	3,655
Depreciation of right-of-use assets	16	**5,951**	5,896
Amortisation of deferred income	32	**(3,211)**	(5,932)
Depreciation of property, plant and equipment	15	**72,237**	48,308
Changes in fair value on long-term receivable	8	**112,757**	–
Changes in fair value on financial assets at FVTPL	8	**(15,648)**	20,724
Changes in fair value on derivative component of convertible notes	31(a)	**–**	(959,326)
Gain on derecognition of convertible notes	31(a)	**(172,512)**	–
Gain on modification of convertible notes	31(a)	**(97,570)**	–
Impairment losses (reversal of impairment losses) property, plant and equipment	3, 15	**1,176,038**	(965,061)
Impairment losses (reversal of impairment losses) right-of-use assets	3, 16	**4,278**	(1,081)
Impairment losses (reversal of impairment losses) intangible assets	3, 17	**118,751**	(125,122)
(Reversal of impairment losses) impairment losses on financial assets		**(6,762)**	6,480
Operating cash flows before movements in working capital		**657,078**	887,860
Increase in inventories		**(42,191)**	(99,287)
Increase in trade and bills receivables		**(67,776)**	(133,966)
Increase in other receivables, prepayments and deposits		**(93,639)**	(81,657)
(Decrease) increase in trade payables		**(34,269)**	90,126
Increase in other payables and accruals		**241,150**	106,155
Increase (decrease) in contract liabilities		**7,064**	(55,347)
Net cash from operations		**667,417**	713,884
Income tax paid		**(346,727)**	(151,007)
Net cash from operating activities		**320,690**	562,877

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Investing activities			
Purchases of property, plant and equipment		**(117,379)**	(118,727)
Proceeds on disposal of property, plant and equipment		**1,290**	855
Additions to intangible assets	17	**(162)**	(433)
Additions to exploration and evaluation assets	18	**(2,967)**	(283)
Advance to an associate		**(18)**	–
Bank interest received	7	**732**	895
Government grants received	32	**2,073**	4,410
Net cash used in investing activities		**(116,431)**	(113,283)
Financing activities			
Interest paid	30	**(1,281)**	–
Repayment to a Director	30	**(235,605)**	(403,800)
Drawdown of bank loans	30	**56,940**	–
Repayment to bank loans	30	**(18,980)**	–
Repayment of lease liabilities	30	**(13,753)**	(6,681)
Net cash used in financing activities		**(212,679)**	(410,481)
Net (decrease) increase in cash and cash equivalents		**(8,420)**	39,113
Cash and cash equivalents at beginning of the year		**97,826**	60,264
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(1,123)**	(1,551)
Cash and cash equivalents at end of the year		**88,283**	97,826

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

In preparing the consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity of the Group. The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of at least 12 months from 31 March 2025. The cash flow projections have been determined using the estimation of future cash flows to be generated from the Group's operating activities and its working capital needs.

On 6 March 2025, the Company entered into subscription agreements with Chow Tai Fook Nominee Limited ("**CTF**") and Golden Infinity Co., Ltd. ("**Golden Infinity**") respectively, which conditionally agreed to subscribe for the new 3-year 3% convertible notes (the "**2025 Convertible Notes**") subject to the fulfilment of certain conditions. The subscription money of 2025 Convertible Notes were to be used by the Company for full settlement of the outstanding principal amount and accrued interests of the existing convertible notes which were issued in 2020 with maturity date on 6 March 2025. The subscriptions of the 2025 Convertible Notes were completed on 28 May 2025. Details of the convertible notes are set out in Note 31(a).

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

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

In addition, Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder who has significant influence over the Group and being the Chairman and Director of the Company, has provided facilities amounting to HK$1,900.0 million by way of advances to the Group. As at 31 March 2025, advances from Mr. Lo in the sum of HK$845.4 million comprised the principal amount and accrued interest of HK$839.6 million and HK$5.8 million respectively. Excluding the accrued interest of HK$5.8 million, the balance of the unutilised facilities of HK$1,060.4 million remains valid until 24 March 2027. Mr. Lo has undertaken not to demand for repayment of the principal amount of the loan and the accrued interest until the Group has sufficient cash to make repayment which will not affect the Group's liquidity position, and to provide financial support to the Group for the unutilised facilities as and when needed.

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

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

1.1 Basis of preparation of consolidated financial statements

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards 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.

These consolidated financial statements have been prepared under the historical cost convention 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.

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

1.1 Basis of preparation of consolidated financial statements (Continued)

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 over the investee to affect the amount of 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 REVISED HKFRS

Revised HKFRSs that are mandatorily effective for the current year

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

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

2. APPLICATION OF NEW AND REVISED HKFRS (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

2. APPLICATION OF NEW AND REVISED HKFRS (Continued)

New and revised HKFRSs in issue but not yet effective

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 21	Lack of Exchangeability[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

[1] *Effective for annual periods beginning on or after 1 January 2025*
[2] *Effective for annual periods beginning on or after 1 January 2026*
[3] *Effective for annual/reporting periods beginning on or after 1 January 2027*
[4] *No mandatory effective date yet determined but available for adoption*

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

2. APPLICATION OF NEW AND REVISED HKFRS (Continued)

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

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to HKAS 7 "Statement of Cash Flows", which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

HKFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. HKFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

HKFRS 19 "Subsidiaries without Public Accountability: Disclosures"

HKFRS 19 allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with HKFRS accounting standards.

HKFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply HKFRS 19.

Amendments to HKAS 21 "Lack of Exchangeability"

The amendments specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. 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 were indicators of an impairment and the Group engaged an independent qualified professional valuer (the "**Independent Valuer**") to determine the recoverable amount of its property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations (collectively referred to as "**Khushuut Related Assets**").

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

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

There are no significant changes in key assumptions adopted in the value in use calculation in determining the recoverable amount as at 31 March 2025 compared to 31 March 2024. In the opinion of the Directors, the consideration of key assumptions were based long term mine plan.

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

Coal prices

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

Sales quantity/production plan

Sales quantity is in line with production plan. Forecasted production volumes are based on mining plans agreed by the management as part of the long-term planning process and take into account additional coals processed by other third party washing facilities for the coming 12 months. The production plans used were consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of reserves and prepared on the assumption that the mining operations will operate on a business-as-usual basis normally throughout the forecasted period.

Discount rate

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

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

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

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

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

Carrying values of the Khushuut Related Assets as at 31 March 2024:

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

The reason for the impairment loss being recognised in profit or loss for the year ended 31 March 2025 was mainly due to the changes in coal prices (2024: the changes in production and sales volume of coking coal). The above changes have had a significant impact on the value in use assessment performed by the Directors in both years with the cash flows expected to be received.

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

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 5% or 5% 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 35% or 35% respectively.

As the sales quantity has been fluctuating in the past, it raises an uncertainty to the revenue of the Group. The change in the estimated sales quantity is important for the assessment of the impact of changes in sales quantity on the estimated sales of the Group. A 5% increase or decrease in the forecasted sales quantity would result in an increase or decrease in recoverable amount of approximately 6% or 7% respectively.

4. MATERIAL 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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

Investment in associate (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

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.

Borrowing costs

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

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

Government grants

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

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

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

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 (2024: 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 12.5%-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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payment arrangements (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

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

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.

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 deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, 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 and short-term deposits as defined above, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

4. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

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

(i) *Amortised cost and interest income*

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

(ii) *Financial assets at 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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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. The ECL on these assets are assessed individually.

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

(i) *Significant increase in credit risk*

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

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

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

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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.

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on 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.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial assets (Continued)

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.

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, short-term bank loan, 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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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. MATERIAL 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 could require 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 2025, the fair value of derivative component of the convertible notes of HK$Nil (2024: HK$172,512,000) 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 31(a) and 40(b) and (c).

Estimated recoverable amount of the 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 2025, an impairment loss of HK$1,299,067,000 (2024: reversal of impairment loss of HK$1,091,264,000) was recognised against the Khushuut Related Assets as its recoverable amount is lower (2024: higher) than its carrying value. Changes to the assumptions underlying the assessment of the recoverable amount may have a significant effect on the recoverable amount of the Khushuut Related Assets. Where there are favourable or unfavourable changes in facts and circumstances which result in 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 2025, the carrying value of Khushuut Related Assets is HK$992,940,000 (net of accumulated impairment loss of HK$14,909,557,000) (2024: carrying value of HK$2,247,960,000 (net of accumulated impairment loss of HK$13,916,617,000)).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Deferred tax assets

Deferred tax assets are recognised 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. Further details are set out in Note 33.

Tax uncertainty

The Group operates across a large number of jurisdictions and is subject to review and challenge by local tax authorities on a range of matters. Where the amount of tax payable or recoverable is uncertain, whether due to local tax authority challenge or due to uncertainty regarding the appropriate treatment, judgement is required to assess the probability that the adopted treatment will be accepted. In accordance with HKFRIC 23 "Uncertainty over Income Tax Treatments", if it is not probable that the treatment will be accepted, the Group accounts for uncertain tax provisions for all matters worldwide based on the Group's judgement of the most likely amount of the liability or recovery, or, where there is a wide range of possible outcomes, using a probability weighted average approach. Further details are set out in Note 1 and 11.

Impairment of trade and bills receivables, amount due from an associate, and 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, 21, 23 and 40(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 2025, the carrying amount of inventories was HK$444.9 million (net of HK$Nil allowances for current year) (2024: carrying amount of HK$402.7 million (net of HK$Nil allowances). No allowance on inventories has been charged in the consolidated statement of profit or loss for both years. Further disclosure is set out in Note 22.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Value-Added Tax ("VAT") receivables

As at 31 March 2025, the Group had VAT receivables amounting to HK$205.3 million (2024: HK$280.0 million) from the 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 20.

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 34.

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.

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.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 March 2025

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

For the year ended 31 March 2024

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Notes:

(a) *As at 31 March 2025, all outstanding contracts for the sale of coal have an original expected duration of less than one year. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.*

For contract liabilities of HK$16,496,000 as at 31 March 2025 (31 March 2024: HK$9,627,000), as the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component. Contract liabilities of HK$9,627,000 as at 31 March 2024 has been recognised as revenue in the current reporting period as the performance obligation of transferring the associated goods or services was met during the year.

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

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

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 2025

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

As at 31 March 2024

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

Notes:

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

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 March

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

Coal mining

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

Geographical information

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

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

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

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

Note:

Non-current assets exclude deferred tax assets.

Information about major customers

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

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

7. OTHER INCOME

	2025	**2024**
	HK$'000	**HK$'000**
Interest income	**732**	895
Government grants *(Note 32)*	**3,211**	5,932
Dividend income	**–**	6,178
Sundry income	**6,579**	6,581
	10,522	19,586

8. OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

	2025 HK$'000	2024 HK$'000
Interest on advances from a Director *(Note 30)*	**74,273**	108,472
Interest on lease liabilities *(Note 30)*	**416**	853
Interest on short-term bank loan *(Note 30)*	**1,281**	–
Effective interest expense on convertible notes *(Note 30 and 31(a))*	**498,872**	437,082
Effective interest expense on loan note *(Note 30 and 31(b))*	**74,665**	106,405
Effective interest expense on provision for rehabilitation *(Note 34)*	**4,288**	3,049
	653,795	655,861

10. (LOSS) PROFIT BEFORE TAXATION

	2025 HK$'000	2024 HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments *(Note 12(a))*	**61,131**	56,537
Other staff costs:		
Salaries and other benefits (net of reimbursement from a related party *(Note 38(d))*	**129,599**	128,638
Retirement benefits scheme contributions (excluding contributions for Directors and net of reimbursement from a related party *(Note 38(d))*	**17,765**	14,650
Total staff costs	**208,495**	199,825
Less: staff costs capitalised in inventories	**(80,717)**	(66,992)
	127,778	132,833
(Reversal of impairment losses) impairment losses on:		
Trade and bills receivables	**(6,780)**	6,480
Amount due from an associate	**18**	–
	(6,762)	6,480
Depreciation of property, plant and equipment *(Note 15)*	**72,237**	48,308
Depreciation of right-of-use assets *(Note 16)*	**5,951**	5,896
Amortisation of intangible assets *(Note 17)*	**10,724**	3,655
Auditor's remuneration		
– provided for the year	**5,000**	5,000

11. INCOME TAX EXPENSE

	2025 HK$'000	2024 HK$'000
Current tax:		
Withholding tax	–	618
PRC Enterprise Income Tax ("**EIT**") *(Note (a))*	**76,028**	233,527
Mongolian corporate income tax *(Note (b))*	**130,548**	262,073
Deferred taxation (credit)/charge *(Note 33)*	**(24,659)**	39,900
	181,917	536,118

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% on the estimated assessable profits (if any) for both periods.

Mongolian corporate income tax was calculated at 10% to the first MNT6 billion of annual taxable income and 25% on the remaining annual taxable income for both years.

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

Notes:

(a) *In prior years, it was assessed that the principal activity of one of the Group's subsidiaries, 新疆蒙科能源科技有限公司 ("**新疆蒙科**"), satisfied the definition as one of the encouraged industries stated in the "Tax incentives of Western Development Policy" and was entitled to enjoy a preferential income tax rate of 15% until 31 December 2030, which was also aligned with industry practice within the region. However, a notification was received last year from the PRC tax authority that the principal activity of 新疆蒙科 does not satisfy the definition. As a result of changes in facts and circumstances, income tax has been provided at 25% for 2023 tax year and an additional tax provision of HK$132.1 million has been provided accordingly.*

11. INCOME TAX EXPENSE (Continued)

Notes: (Continued)

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

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

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

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

The Group has engaged with independent external tax consultants and legal advisor in assessing the findings and further disagrees on a number of matters and its calculation included in the Revised Tax Demand Letter and on 14 June 2024, the Group has filed another appeal notice against the Revised Tax Demand Letter. An assessment has been made on the uncertain tax position and tax provision of HK$28.1 million (2024: HK$182.7 million) was provided during the year.

As at 31 March 2025, the Group has total provision of HK$988.6 million, including tax provision and penalty arising from the 2020 Tax Audit of HK$346.2 million and royalty tax payables of HK$642.4 million included in other payables (Note 27(c)).

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

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

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 2025

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	20,680	312	18	27,010
Yvette Ong	–	4,979	17,833	1,356	18	24,186
Lo, Rex Cze Kei ("**Mr. Rex Lo**")	–	768	2,570	80	18	3,436
Lo, Chris Cze Wai ("**Mr. Chris Lo**")	–	768	1,790	109	18	2,685
Lo, James Cze Chung ("**Mr. James Lo**") *(Note)*	–	768	1,790	38	18	2,614
Non-executive Director						
To Hin Tsun, Gerald	300	–	–	–	–	300
Independent Non-executive Directors						
Lau Wai Piu	300	–	–	–	–	300
Tsui Hing Chuen, William	300	–	–	–	–	300
Lee Kee Wai, Frank	300	–	–	–	–	300
	1,200	13,283	44,663	1,895	90	61,131

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 2024

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	18,800	177	18	24,995
Yvette Ong	–	4,831	16,353	1,132	18	22,334
Lo, Rex Cze Kei	100	648	2,360	30	18	3,156
Lo, Chris Cze Wai	100	648	1,590	74	18	2,430
Non-executive Directors						
To Hin Tsun, Gerald	300	–	–	–	–	300
Tang Chi Kei *(Note)*	–	19	13	4	–	36
Lo, James Cze Chung *(Note)*	100	648	1,590	30	18	2,386
Independent Non-executive Directors						
Lau Wai Piu	300	–	–	–	–	300
Tsui Hing Chuen, William	300	–	–	–	–	300
Lee Kee Wai, Frank	300	–	–	–	–	300
	1,500	12,794	40,706	1,447	90	56,537

Note:

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

Mr. James Lo was appointed as a Non-executive Director on 17 March 2023 and was re-designated as an executive Director with effect from 13 August 2024.

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.

No Director waived any directors' emoluments for both years.

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, two (2024: two) were Directors whose emoluments are included in Note 12(a) above. The emoluments of the remaining three (2024: three) highest paid individuals during the year are as follows:

	2025 HK$'000	2024 HK$'000
Basic salaries, other allowances and benefits in kind	**7,224**	6,379
Discretionary bonus	**10,650**	10,367
Retirement benefit scheme contributions	**54**	36
	17,928	16,782

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	2025	2024
HK$3,000,001 – HK$3,500,000	**1**	2
HK$3,500,001 – HK$4,000,000	**1**	–
HK$10,000,001 – HK$10,500,000	**–**	1
HK$10,500,001 – HK$11,000,000	**1**	–
	3	3

13. DIVIDENDS

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

14. (LOSS) EARNINGS PER SHARE

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

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

14. (LOSS) EARNINGS PER SHARE (Continued)

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

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

	2025 '000	2024 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**188,126**	188,126
Effect of dilutive potential ordinary shares *(Note)*:		
Convertible notes	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**188,126**	188,126

Note:

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

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

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 2023	1,084,866	12,975,706	33,170	12,133	10,826	11,379	382,569	127,791	14,638,440
Exchange adjustments	–	–	(1,119)	(87)	(118)	(85)	(11,899)	(1,165)	(14,473)
Additions *(Note (a))*	99,904	–	1,822	–	1,018	389	10,440	8,873	122,446
Reclassification between categories	694	–	(25,740)	–	–	–	25,046	–	–
Disposals	–	–	–	–	(42)	–	–	(1,715)	(1,757)
Written off	–	–	–	–	(1,819)	(1,687)	(3,211)	(2,394)	(9,111)
At 31 March 2024	**1,185,464**	**12,975,706**	**8,133**	**12,046**	**9,865**	**9,996**	**402,945**	**131,390**	**14,735,545**
Exchange adjustments	**–**	**–**	**(15)**	**(18)**	**(26)**	**(18)**	**(2,913)**	**(243)**	**(3,233)**
Additions *(Note (a))*	**87,941**	**–**	**3,333**	**–**	**844**	**212**	**17,060**	**7,989**	**117,379**
Disposals	**–**	**–**	**–**	**–**	**(30)**	**–**	**(292)**	**(4,633)**	**(4,955)**
Written off	**–**	**–**	**–**	**–**	**(36)**	**(23)**	**–**	**–**	**(59)**
At 31 March 2025	**1,273,405**	**12,975,706**	**11,451**	**12,028**	**10,617**	**10,167**	**416,800**	**134,503**	**14,844,677**
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
At 1 April 2023	901,374	12,257,225	865	12,133	9,629	10,181	331,337	97,417	13,620,161
Exchange adjustments	–	–	–	(87)	(102)	(64)	(10,062)	(898)	(11,213)
Charge for the year	5,059	11,075	–	–	755	445	23,185	7,789	48,308
Reversal of impairment loss recognised in profit or loss	(67,136)	(889,412)	–	–	–	–	(8,513)	–	(965,061)
Disposals	–	–	–	–	(42)	–	–	(1,161)	(1,203)
Written off	–	–	–	–	(1,641)	(1,860)	(2,989)	(2,394)	(8,884)
At 31 March 2024	**839,297**	**11,378,888**	**865**	**12,046**	**8,599**	**8,702**	**332,958**	**100,753**	**12,682,108**
Exchange adjustments	**–**	**–**	**–**	**(18)**	**(24)**	**(14)**	**(2,633)**	**(182)**	**(2,871)**
Charge for the year	**10,882**	**31,690**	**–**	**–**	**839**	**441**	**20,107**	**8,278**	**72,237**
Impairment loss recognised in profit or loss	**236,814**	**912,842**	**–**	**–**	**–**	**–**	**26,382**	**–**	**1,176,038**
Disposals	**–**	**–**	**–**	**–**	**(25)**	**–**	**(287)**	**(3,879)**	**(4,191)**
Written off	**–**	**–**	**–**	**–**	**(36)**	**(23)**	**–**	**–**	**(59)**
At 31 March 2025	**1,086,993**	**12,323,420**	**865**	**12,028**	**9,353**	**9,106**	**376,527**	**104,970**	**13,923,262**
CARRYING VALUE									
At 31 March 2025	**186,412**	**652,286**	**10,586**	**–**	**1,264**	**1,061**	**40,273**	**29,533**	**921,415**
At 31 March 2024	346,167	1,596,818	7,268	–	1,266	1,294	69,987	30,637	2,053,437

Notes:

(a) The addition of mining structure of HK$87,941,000 (2024: HK$99,904,000) includes rehabilitation provision of HK$Nil (2024: HK$3,719,000) 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*

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 fixed assets HK$'000	Total HK$'000
At 1 April 2023	887	6,336	1,390	8,613
Exchange adjustments	(49)	(148)	(69)	(266)
Additions	–	6,591	222	6,813
Charge for the year	(14)	(5,604)	(278)	(5,896)
Written off	–	(30)	–	(30)
Reversal of impairment loss recognised in profit or loss	1,081	–	–	1,081
At 31 March 2024	**1,905**	**7,145**	**1,265**	**10,315**
Exchange adjustments	**(62)**	**(15)**	**(10)**	**(87)**
Additions	**7,552**	**1,777**	**–**	**9,329**
Charge for the year	**(53)**	**(5,586)**	**(312)**	**(5,951)**
Impairment loss recognised in profit or loss	**(4,278)**	**–**	**–**	**(4,278)**
At 31 March 2025	**5,064**	**3,321**	**943**	**9,328**

	2025 HK$'000	2024 HK$'000
Expenses relating to short-term leases	**501**	477
Total cash outflow for leases	**6,702**	7,158
Interest expense	**416**	853

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 29.

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 2023	5,846	1,915,672	1,150	1,922,668
Exchange adjustments	(19)	–	–	(19)
Additions	433	–	–	433
Written off	(2,688)	–	–	(2,688)
At 31 March 2024	**3,572**	**1,915,672**	**1,150**	**1,920,394**
Exchange adjustments	**(4)**	**–**	**–**	**(4)**
Additions	**162**	**–**	**–**	**162**
Written off	**–**	**–**	**–**	**–**
At 31 March 2025	**3,730**	**1,915,672**	**1,150**	**1,920,552**
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2023	5,371	1,824,210	–	1,829,581
Exchange adjustment	(5)	–	–	(5)
Charge for the year	222	3,433	–	3,655
Reversal of impairment loss recognised in profit or loss	–	(125,122)	–	(125,122)
Written off	(2,688)	–	–	(2,688)
At 31 March 2024	**2,900**	**1,702,521**	**–**	**1,705,421**
Exchange adjustment	**(4)**	**–**	**–**	**(4)**
Charge for the year	**268**	**10,456**	**–**	**10,724**
Impairment loss recognised in profit or loss	**–**	**118,751**	**–**	**118,751**
Written off	**–**	**–**	**–**	**–**
At 31 March 2025	**3,164**	**1,831,728**	**–**	**1,834,892**
CARRYING VALUE				
At 31 March 2025	**566**	**83,944**	**1,150**	**85,660**
At 31 March 2024	672	213,151	1,150	214,973

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, 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 (2024: 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 2023	151	1,538	1,689
Additions	–	283	283
At 31 March 2024	**151**	**1,821**	**1,972**
Additions	**–**	**2,967**	**2,967**
At 31 March 2025	**151**	**4,788**	**4,939**

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

	2025 HK$'000	2024 HK$'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	**11,020**	11,002
Impairment losses	**(11,020)**	(11,002)
	–	–

Details of the associate at 31 March 2025 and 2024 are as follows:

Name	Place of incorporation	Principal place of operation	Particulars of issued share capital	Interest held 2025	Interest held 2024	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

	2025 HK$'000	2024 HK$'000
Loss for the year	**3**	108
Other comprehensive income	**–**	–
Total comprehensive expense for the year	**3**	108
The Group's share of (loss) profit	**–**	–
Aggregate carrying amount of the Group's interest in this associate	**–**	–

The Group has discontinued the recognition of its share of losses of an associate. The amounts of unrecognised share of losses of this associate as at 31 March 2025, extracted from the relevant management accounts of an associate, both for the year and cumulatively, are as follows:

	2025 HK$'000	2024 HK$'000
Unrecognised share of loss of an associate for the year	**1**	22
Cumulative unrecognised share of losses of an associate	**4,407**	4,406

20. LONG-TERM RECEIVABLE

	2025 HK$'000	2024 HK$'000
VAT receivables *(Note)*	**205,297**	–

Note:

As at 31 March 2025, the Group has undiscounted VAT receivables of HK$318.1 million (2024: HK$280.0 million). VAT receivables mainly arise from services paid for its mining related activities conducted by 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 royalty tax payable to the MTA against VAT receivables subject to the approvals from the MTA and the Ministry of Finance.

Included in the balance are VAT receivables amounting to HK$91.9 million (MNT41.1 billion) that have been confirmed by the MTA, representing its VAT receivables up to 31 December 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. The Group anticipates that the recovery will proceed once the tax dispute with the MTA is settled and would be recovered in full. However, the timing of completion and the actual approval cannot be anticipated. For details of the tax dispute case, please refer to Note 11. As a result, the VAT receivables were classified as non-current during the year and has been discounted to the expected recovery period.

21. TRADE AND BILLS RECEIVABLES

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

Note:

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

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

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

Details of impairment assessment of trade and bills receivables for the year ended 31 March 2025 and 2024 are set out in Note 40(b).

21. TRADE AND BILLS RECEIVABLES (Continued)

Transferred financial assets that are not derecognised in their entirety

At 31 March 2025, the Group endorsed certain bills receivables accepted by banks in the PRC (the "**Endorsed Bills**") with a carrying amount of HK$111,897,000 (2024: HK$129,998,000) 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 2025 amounted to HK$199,479,000 (2024: HK$131,912,000).

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$111,897,000 (2024: HK$129,998,000); and the Discounted Bills and the associated other payables amounting to HK$199,479,000 (2024: HK$131,912,000). 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 2025, the Group had Endorsed Bills with an aggregate carrying amount of HK$14,681,000 (2024: HK$111,811,000) and Discounted Bills with an aggregate carrying amount of HK$59,902,000 (2024: HK$193,935,000) 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.

22. INVENTORIES

	2025 HK$'000	2024 HK$'000
Coal	**422,889**	379,617
Materials and supplies *(Note)*	**21,971**	23,052
	444,860	402,669

Note:

For the year ended 31 March 2025, the Group recognised a write-down of inventories to net realized value of HK$Nil (2024: HK$Nil).

23. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2025 HK$'000	2024 HK$'000
Other receivables	**40,475**	42,483
Prepayments	**74,442**	17,670
Deposits	**3,339**	2,999
VAT receivables	**198**	280,000
	118,454	343,152
Less: allowance for expected credit losses	**(1,607)**	(1,846)
	116,847	341,306

Note:

Details of impairment assessment of other receivables and deposits for the year ended 31 March 2025 and 2024 are set out in Note 40(b).

24. FINANCIAL ASSET AT FVTPL

	2025 HK$'000	2024 HK$'000
Equity security of company listed in Hong Kong	**46,522**	30,874

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

25. CASH AND CASH EQUIVALENTS

	2025 HK$'000	2024 HK$'000
Bank balances and cash	**88,283**	97,826

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$27,137,000 (2024: HK$63,779,000). 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 2025 and 2024 are set out in Note 40(b).

26. TRADE PAYABLES

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

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

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

27. OTHER PAYABLES AND ACCRUALS

	2025 HK$'000	2024 HK$'000
Other payables *(Note (a))*	**375,132**	271,900
Accrued staff costs	**52,367**	8,240
Balance payment for Khushuut road *(Note (b))*	**35,958**	35,958
Other tax payables *(Note (c))*	**645,726**	554,481
	1,109,183	870,579

Notes:

(a) Included in balance are payables arising from the transferred bills receivables that do not satisfy for derecognition (Note 21).

(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 2025, HK$642,428,000 (2024: HK$546,402,000) was recorded as royalty tax payable.

28. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2025 HK$'000	2024 HK$'000
Short-term advances received from customers		
Sale of goods and services	**16,496**	9,627

Contract liabilities include short-term advances received to deliver clean coal and services. The increase in contract liabilities in 2025 was mainly due to the increase in short-term advances received from customers before the completion of performance obligation.

29. LEASE LIABILITIES

Maturity analysis:

	2025 HK$'000	2024 HK$'000
Within one year	**3,696**	5,961
Between 1 and 2 years	**718**	2,446
Between 2 and 3 years	**41**	45
Between 3 and 4 years	**56**	93
	4,511	8,545
Less: amount due for settlement with 12 months shown under current liabilities	**(3,696)**	(5,961)
	815	2,584

	2025 HK$'000	2024 HK$'000
Lease liabilities:		
Current liabilities	**3,696**	5,961
Non-current liabilities	**815**	2,584
	4,511	8,545

The weighted average incremental borrowing rates applied to lease liabilities range from 3.45% to 13.20% (2024: 4.25% to 13.20%).

30. BORROWINGS

	2025 HK$'000	2024 HK$'000
At amortised cost		
Advances from a Director – unsecured *(Note (a))*	**845,357**	1,006,689
Short-term bank loan – secured *(Note (b))*	**37,960**	–
Convertible notes – unsecured *(Note 31(a))*	**3,892,989**	3,491,687
Loan note – unsecured *(Note 31(b))*	**655,210**	580,545
	5,431,516	5,078,921

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

30. BORROWINGS (Continued)

Reconciliation liabilities arising from financing activities

	Advances from a Director *(Note (a))* HK$'000	Short-term bank loan *(Note (b))* HK$'000	Convertible notes HK$'000	Loan note HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2023	1,302,017	–	3,054,605	474,140	7,807	4,838,569
Financing cash flows	(403,800)	–	–	–	(6,681)	(410,481)
Interest charge *(Note 9)*	108,472	–	437,082	106,405	853	652,812
Inception of leases	–	–	–	–	6,783	6,783
Foreign exchange translation	–	–	–	–	(217)	(217)
At 31 March 2024	**1,006,689**	**–**	**3,491,687**	**580,545**	**8,545**	**5,087,466**
Financing cash flows	**(235,605)**	**36,679**	**–**	**–**	**(13,753)**	**(212,679)**
Interest charge *(Note 9)*	**74,273**	**1,281**	**498,872**	**74,665**	**416**	**649,507**
Modification gain	**–**	**–**	**(97,570)**	**–**	**–**	**(97,570)**
Inception of leases	**–**	**–**	**–**	**–**	**9,329**	**9,329**
Foreign exchange translation	**–**	**–**	**–**	**–**	**(26)**	**(26)**
At 31 March 2025	**845,357**	**37,960**	**3,892,989**	**655,210**	**4,511**	**5,436,027**

Notes:

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

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

31. CONVERTIBLE NOTES AND LOAN NOTE

(a) Convertible notes

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

	Debt component HK$'000	Derivative component HK$'000	Total HK$'000
At 1 April 2023	3,054,605	1,131,838	4,186,443
Interest charge	437,082	–	437,082
Changes in fair value of derivative component	–	(959,326)	(959,326)
At 31 March 2024	**3,491,687**	**172,512**	**3,664,199**
Interest charge	**498,872**	**–**	**498,872**
Gain on derecognition of convertible notes	**–**	**(172,512)**	**(172,512)**
Gain on modification of convertible notes	**(97,570)**	**–**	**(97,570)**
At 31 March 2025	**3,892,989**	**–**	**3,892,989**

31. CONVERTIBLE NOTES AND LOAN NOTE (Continued)

(a) Convertible notes (Continued)

2020 Convertible Notes with maturity date 6 March 2025

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

CTF and Golden Infinity Convertible Notes

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

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

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

The 2020 Convertible Notes contained two components, a debt component and a derivative component with a conversion option derivative of the holders and a redemption option derivative of the issuer. The effective interest rate of the debt component was 14.26%.

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

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

31. 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)

Notes:

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

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

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

No conversion was made during both years.

(b) Loan note

The 3% ZV Convertible Note matured on 21 November 2019. On 21 November 2019, Mr. Lo took up the full amount owing to the 3% ZV Convertible Note holder through Ruby Pioneer Limited ("**Ruby Pioneer**"). Subsequently, the Company and Ruby Pioneer entered into a standstill agreement pursuant to which Ruby Pioneer agreed to extend the note for five years from 21 November 2019 to 21 November 2024 and further extend to 30 June 2025 at a coupon rate of 3% per annum ("**2019 RP Loan Notes**").

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

Both loan notes contain no conversion option. Mr. Lo and Mr. Rex Lo are among the directors of Ruby Pioneer.

32. DEFERRED INCOME

	2025 HK$'000	2024 HK$'000
At beginning of the year	**1,985**	3,684
Granted *(Note)*	**2,073**	4,410
Credited to profit or loss	**(3,211)**	(5,932)
Exchange adjustment	**(14)**	(177)
At end of the year	**833**	1,985

	2025 HK$'000	2024 HK$'000
Analysed for reporting purposes as		
Current liabilities	**278**	1,509
Non-current liabilities	**555**	476
	833	1,985

Notes:

During the year ended 31 March 2025, the Group received government grants of HK$2,073,000 (2024: HK$4,410,000) and details are as follows:

(a) The grants of HK$129,000 (2024: HK$143,000) received represents grants provided by PRC to retain employees who may otherwise be made redundant. The grants are unconditional and granted on a discretionary basis to the Group during the year.

(b) A special fund of HK$1,944,000 (2024: HK$4,267,000) was received for foreign trade and economic.

33. DEFERRED TAXATION

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

Deferred tax liabilities

	Undistributed profits of a subsidiary HK$'000
At 1 April 2023	18,931
Charged to profit or loss	24,883
Utilised during the year	(12,581)
Exchange adjustments	(1,090)
At 31 March 2024	**30,143**
Charged to profit or loss	**10,096**
Exchange adjustments	**(425)**
At 31 March 2025	**39,814**

Deferred tax assets

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

33. DEFERRED TAXATION (Continued)

Deferred tax assets (Continued)

Deferred tax asset is recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has tax losses arising in Hong Kong of HK$46,972,000 (2024: HK$46,972,000) that are available indefinitely for offsetting against future taxable profits of the companies in which losses arose. No deferred tax assets have been recognised as it is not probable that there will be sufficient future taxable profits to utilise these tax losses.

As at 31 March 2025, deferred tax assets of HK$150,325,000 (2024: HK$116,930,000) have not been recognised in respect of deductible temporary differences of HK$601,300,000 (2024: HK$467,719,000) arising from depreciation and amortisation, as it is not probably there will be sufficient future taxable profits to utilise these deductible temporary differences.

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

34. 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 2025 was 7% (31 March 2024: 13%).

34. PROVISION FOR REHABILITATION (Continued)

The following table shows the movement in provision for rehabilitation:

	HK$'000
At 1 April 2023	27,372
Additions	3,719
Interest charge *(Note 9)*	3,049
Foreign exchange translation	(868)
At 31 March 2024	**33,272**
Interest charge *(Note 9)*	**4,288**
Foreign exchange translation	**(102)**
At 31 March 2025	**37,458**

35. SHARE CAPITAL

	2025 HK$'000	2024 HK$'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 2023, 31 March 2024 and 31 March 2025	188,125,849	3,763

36. 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 within the option period. 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. A new share option scheme for granting options to eligible participants to subscribe for ordinary shares of the Company was adopted on 12 December 2022 (the "**2022 Option Scheme**").

The number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme as at 31 March 2025 was 16,300,000 (2024: 16,300,000), representing 8.7% (2024: 8.7%) of the shares of the Company as at 31 March 2025.

The maximum aggregate number of ordinary shares which may be issued in respect of all options and awards to be granted under 2022 Option Scheme and any other schemes of the Company (the "**Scheme Mandate Limit**") shall not exceed 10% of the ordinary shares of the Company in issue as at the adoption date of the 2022 Option Scheme. The Scheme Mandate Limit may be refreshed by ordinary resolution of the shareholders in general meeting after three years from the date of the shareholders' approval for the last refreshment (or the adoption date), provided that the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued shares as at the date of such shareholders' approval of the refreshment of the Scheme Mandate Limit.

The exercise price of share options is determinable by the directors, 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.

No expense was recognised by the Group for both years ended 31 March 2025 and 2024 in relation to share options under the Share Option Scheme granted by the Company.

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.

36. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme (Continued)

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

2025

			Number of options			
Grant date	Exercise price (HK$)	Exercisable period	Outstanding at 1 April 2024	Granted during the year	Lapsed during the year	Outstanding at 31 March 2025
18 January 2021	1.31	18-01-2021 to 17-01-2026	**16,300,000**	**–**	**–**	**16,300,000**
			16,300,000	**–**	**–**	**16,300,000**
Exercisable at 31 March 2025						**16,300,000**
Weighted average exercise price (HK$)			**1.310**	**N/A**	**N/A**	**1.310**

2024

			Number of options			
Grant date	Exercise price (HK$)	Exercisable period	Outstanding at 1 April 2023	Granted during the year	Lapsed during the year	Outstanding at 31 March 2024
18 January 2021	1.31	18-01-2021 to 17-01-2026	16,300,000	–	–	16,300,000
			16,300,000	–	–	16,300,000
Exercisable at 31 March 2024						16,300,000
Weighted average exercise price (HK$)			1.310	N/A	N/A	1.310

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).

37. CAPITAL COMMITMENTS

As at 31 March 2025, the Group had capital commitments contracted for but not provided in the consolidated financial statements amounting to HK$26,861,000 (2024: HK$22,702,000). These commitments are for the following projects:

	2025 HK$'000	2024 HK$'000
Other exploration related commitments	**7,095**	3,078
Purchase of property, plant and equipment	**415**	982
Road improvement and transportation of mining equipment	**12,411**	12,455
Expansion of wash plant	**6,595**	5,838
Others	**345**	349
	26,861	22,702

38. 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 38(d).

(a) Advances from Mr. Lo

	2025 HK$'000	2024 HK$'000
Balance of advances *(Note 30)*	**845,357**	1,006,689
Effective interest charge for the year *(Note 30)*	**74,273**	108,472

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

	2025 HK$'000	2024 HK$'000
Convertible note	**722,645**	669,669
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 31(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$91,232,000 (2024: HK$79,942,000).

38. RELATED PARTY TRANSACTIONS (Continued)

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

	2025 HK$'000	2024 HK$'000
Loan note	**655,210**	580,545
Coupon interest charge on loan note for the year (Note (ii))	**17,246**	17,246

Notes:

(i) Mr. Lo and Mr. Rex Lo are the directors of Ruby Pioneer. Details of the loan note by Ruby Pioneer are set out in Note 31(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$74,665,000 (2024: HK$106,405,000).

(d) Transactions with related party

Nature of transactions	2025 HK$'000	2024 HK$'000
Reimbursement of sharing of administrative services from a related party *(Notes (i) and (iii))*	**6,883**	7,653
Coal transportation services provided by a related party *(Notes (i) and (iv))*	**178,785**	162,148
Geology exploration plan and survey services provided by a related party *(Note (i))*	**759**	150
Flight services provided by a related party *(Note (ii))*	**1,014**	–
Vehicle rental services provided by a related party *(Note (i))*	**–**	10

Notes:

(i) Except for Mr. To Hin Tsun, Gerald who is a director of the Company, the directors of the Company and the ultimate holding company of the related parties are the same.

(ii) Mr. Lo, Mr. Rex Lo, Mr. Chris Lo and Mr. James Lo are the directors of the related parties.

(iii) 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 19 July 2024 and extended the agreement for a period of 1 year.

(iv) 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 14A of the Listing Rules.

38. RELATED PARTY TRANSACTIONS (Continued)

(e) Balance with related parties

	2025 HK$'000	2024 HK$'000
Rental deposits paid to related parties *(Note (i))*	**379**	379
Lease liabilities *(Notes (i) and (iii))*	**764**	3,835
Balance of sharing of administrative services from a related party *(Notes (ii) and (iv))*	**35,570**	28,686
Balance of coal transportation services provided by a related party *(Notes (ii) and (v))*	**28,502**	2,764
Balance of Geology exploration plan and survey services provided by a related party *(Note (ii))*	**57**	–

Notes:

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

(ii) Except Mr. To Hin Tsun, Gerald who is a director 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 2025 and 2024, 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$516,000 and HK$516,000 respectively (2024: addition of right-of-use assets and lease liabilities of HK$6,432,000 and HK$6,432,000 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:

	2025 HK$'000	2024 HK$'000
Basic salaries, other allowances and benefits in kind	**61,041**	56,447
Contributions to Mandatory Provident Fund Scheme	**90**	90
	61,131	56,537

Note:

During the year ended 31 March 2025, no share options were granted to the Directors (2024: Nil).

39. 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 a short-term bank loan disclosed in Note 30, convertible notes disclosed in Note 31(a) and loan note disclosed in Note 31(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.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2025 HK$'000	2024 HK$'000
Financial assets		
Financial assets at amortised cost	**645,801**	652,418
Financial asset at FVTOCI (debt instrument)	**577,360**	526,199
Financial asset at FVTPL	**46,522**	30,874
Financial liabilities		
Measured at amortised cost	**6,089,044**	5,667,499
Embedded derivative component of convertible notes measured at FVTPL	**–**	172,512

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, bills receivables at FVTOCI, financial assets at FVTPL, an amount due from an associate, cash and cash equivalents, trade payables, other payables and accruals, advances from a Director, short-term bank loan, 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 and deposits, an amount due from an associate, cash and cash equivalents, trade payables, other payables and accruals, advances from a Director, short-term bank loan, convertible notes and a loan note denominated in currencies other than functional currency of the relevant group entities.

40. 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	
	2025 HK$'000	2024 HK$'000	2025 HK$'000	2024 HK$'000
HK$	**5,399,278**	5,257,631	**6,475**	9,233
RMB	**18,264**	17,936	**47,013**	38,599
MNT	**172,969**	143,429	**37,203**	17,735

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% (2024: 5%) increase and decrease in US$ against the relevant foreign currencies. 5% (2024: 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% (2024: 5%) against RMB and MNT respectively. For a 5% (2024: 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	
	2025 HK$'000	2024 HK$'000	2025 HK$'000	2024 HK$'000
Increase in profit (loss) for the year *(Note)*	**1,437**	1,033	**(6,788)**	(6,285)

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.

40. 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, a short-term bank loan (see Note 30), convertible notes (see Note 31(a)) and a loan note (see Note 31(b)). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 25) and advances from a Director (see Note 30).

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 2025, 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$3,755,000 (2024: profit for the year would increase/decrease by HK$4,492,000). 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 2025 would decrease/increase by HK$2,326,000 (2024: profit for the year would increase/decrease by HK$1,544,000) as a result of the changes in fair value on financial asset at FVTPL.

40. 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 31(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 profit for the year ended 31 March 2024 would decrease by HK$8,274,000/increase by HK$6,628,000, 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 profit for the year ended 31 March 2024 would decrease by HK$5,540,000/increase by HK$2,510,000, 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 2025, 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.

40. 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

2025	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Amount due from an associate *(Note (i))*	19	Loss	Lifetime ECL (credit impaired)	**11,020**
Other receivables and deposits *(Note (i))*	23	Low risk	12m ECL (not credit impaired)	**42,207**
		Loss	Lifetime ECL (credit impaired)	**1,607**
				43,814
Trade receivables and accrued income *(Note (iii))*	21	Low risk	Lifetime ECL (not credit impaired)	**515,798**
Cash and cash equivalent *(Note (iv))*	25	Low risk	12m ECL (not credit impaired)	**88,283**
Financial assets at FVTOCI				
Bills receivables *(Note (ii))*	21	Low risk	12m ECL (not credit impaired)	**577,360**

40. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

2024	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Amount due from an associate *(Note (i))*	19	Loss	Lifetime ECL (credit impaired)	11,002
Other receivables and deposits *(Note (i))*	23	Low risk	12m ECL (not credit impaired)	43,636
		Loss	Lifetime ECL (credit impaired)	1,846
				45,482
Trade receivables and accrued income *(Note (iii))*	21	Low risk	Lifetime ECL (not credit impaired)	511,398
Cash and cash equivalent *(Note (iv))*	25	Low risk	12m ECL (not credit impaired)	97,826
Financial assets at FVTOCI				
Bills receivables *(Note (ii))*	21	Low risk	12m ECL (not credit impaired)	526,199

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*
2025			
Amount due from an associate	***–***	***11,020***	***11,020***
Other receivables and deposits	***42,207***	***1,607***	***43,814***
	42,207	***12,627***	***54,834***

	Not yet past due HK$'000	*No fixed repayment terms HK$'000*	*Total HK$'000*
2024			
Amount due from an associate	*–*	*11,002*	*11,002*
Other receivables and deposits	*43,636*	*1,846*	*45,482*
	43,636	*12,848*	*56,484*

40. 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, 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 2025 and 2024, 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 under the simplified approach:

	Lifetime ECL (not credit-impaired) HK$'000
At 1 April 2023	226
Impairment losses recognised	229
Exchange adjustments	(13)
At 31 March 2024	**442**
Impairment losses recognised	**52**
Exchange adjustments	**(7)**
At 31 March 2025	**487**

40. 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 2023	2,618	11,002	1,846	15,466
Impairment losses recognised, net	6,059	–	–	6,059
Exchange adjustments	–	–	–	–
At 31 March 2024	**8,677**	**11,002**	**1,846**	**21,525**
Impairment losses recognised, net	**(6,832)**	**18**	**–**	**(6,814)**
Written off	**–**	**–**	**(239)**	**(239)**
Exchange adjustments	**(45)**	**–**	**–**	**(45)**
At 31 March 2025	**1,800**	**11,020**	**1,607**	**14,427**

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 80.3% (2024: 75.9%) of the total trade and bills receivables was due from the Group's largest customer within the coal mining segment.

40. FINANCIAL INSTRUMENTS (Continued)

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

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$5,284.5 million (2024: HK$4,924.3 million).

As at 31 March 2025, 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$845.4 million under these facilities as at 31 March 2025 comprised a principal amount and accrued interest of HK$839.6 million and HK$5.8 million respectively. The balance of the unutilised facilities of HK$1,060.4 million remained valid until 24 March 2027 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.

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.

2025

	Weighted average effective interest rate borrowing	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$'000	Carrying amount at 31 March 2025 HK$'000
Trade payables *(Note 26)*	–	301,305	–	–	–	301,305	301,305
Other payables *(Note 27)*	–	331,317	5,713	18,357	836	356,223	356,223
Advances from a Director							
– floating rate *(Note 30)*	8.88%	845,357	–	–	–	845,357	845,357
Short-term bank loan							
– fixed rate *(Note 30)*	8.50%	18,980	–	19,274	–	38,254	37,960
Convertible notes (debt component)							
– fixed rate *(Note 31(a))*	14.26%	–	3,977,786	–	–	3,977,786	3,892,989
Loan note – fixed rate *(Note 31(b))*	22.37%	–	657,648	–	–	657,648	655,210
Lease liabilities	8.63%	1,045	903	2,020	695	4,663	4,511
		1,498,004	4,642,050	39,651	1,531	6,181,236	6,093,555

40. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

2024

	Weighted average effective interest rate borrowing	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$'000	Carrying amount at 31 March 2024 HK$'000
Trade payables *(Note 26)*	–	337,406	–	–	–	337,406	337,406
Other payables *(Note 27)*	–	228,274	3,674	18,224	1,000	251,172	251,172
Advances from a Director							
– floating rate *(Note 30)*	8.88%	1,006,689	–	–	–	1,006,689	1,006,689
Convertible notes (debt component)							
– fixed rate *(Note 31(a))*	14.26%	–	–	3,954,050	–	3,954,050	3,491,687
Loan note – fixed rate *(Note 31(b))*	22.37%	–	–	661,183	–	661,183	580,545
Lease liabilities	8.63%	547	1,686	4,141	2,608	8,982	8,545
		1,572,916	5,360	4,637,598	3,608	6,219,482	5,676,044

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.

40. FINANCIAL INSTRUMENTS (Continued)

(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 2025 HK$'000	2024 HK$'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	**46,522**	30,874	Level 1	– Quoted bid prices in an active market	N/A	N/A
Bills receivables at FVTOCI	**577,360**	526,199	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	**–**	172,512	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 Nil% (2024: 105.99%)	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 40(b).

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

40. 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 2023	1,131,838
Changes in fair value recognised in the consolidated statement of profit or loss	(959,326)
At 31 March 2024	**172,512**
Gain on derecognition of convertible notes	**(172,512)**
At 31 March 2025	–

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.

41. MAJOR NON-CASH TRANSACTIONS

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

42. EVENTS AFTER THE REPORTING PERIOD

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

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

43. STATEMENT OF FINANCIAL POSITION – THE COMPANY

	2025 HK$'000	2024 HK$'000
Non-current assets		
Interests in subsidiaries	**647,972**	1,587,713
Interest in an associate	**–**	–
Amounts due from subsidiaries	**72,358**	41,494
	720,330	1,629,207
Current assets		
Other receivables, prepayments and deposits	**680**	612
Amount due from an associate	**–**	–
Cash and cash equivalents	**6,583**	9,343
	7,263	9,955
Current liabilities		
Other payables and accruals	**33,958**	7,947
Advances from a Director	**845,357**	1,006,689
Amount due to a subsidiary	**440,081**	496,857
Convertible notes	**3,892,989**	3,664,199
Loan note	**655,210**	580,545
	5,867,595	5,756,237
Net current liabilities	**(5,860,332)**	(5,746,282)
Net liabilities	**(5,140,002)**	(4,117,075)
Financed by:		
Capital and reserves		
Share capital	**3,763**	3,763
Reserves	**(5,143,765)**	(4,120,838)
Capital deficiencies to owners of the Company	**(5,140,002)**	(4,117,075)

44. RESERVES – THE COMPANY

	Share options reserve HK$'000	Capital Contribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2023	12,166	334,220	(5,642,749)	(5,296,363)
Profit and other comprehensive income for the year	–	–	1,175,525	1,175,525
At 31 March 2024	**12,166**	**334,220**	**(4,467,224)**	**(4,120,838)**
Loss and other comprehensive expense for the year	**–**	**–**	**(1,022,927)**	**(1,022,927)**
At 31 March 2025	**12,166**	**334,220**	**(5,490,151)**	**(5,143,765)**

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.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at 31 March 2025 and 2024:

Name of subsidiaries	Place of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held		Place of operation	Principal activities
			2025	2024		
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.

FIVE YEARS SUMMARY OF RESULTS, ASSETS AND LIABILITIES

	Results of the Group for the year ended 31 March				
	2021 (Restated) HK$'000	**2022 HK$'000**	**2023 HK$'000**	**2024 HK$'000**	**2025 HK$'000**
Turnover	858,417	1,562,718	2,905,309	3,173,215	**2,861,190**
Profit (loss) attributable to owners of the Company	1,795,091	(349,052)	(1,603,099)	1,677,921	**(1,376,650)**
Earnings (loss) per share (HK$)	(Restated)				
– Basic	9.54	(1.86)	(8.52)	8.92	**(7.32)**
– Diluted	0.37	(1.86)	(8.52)	8.92	**(7.32)**

	2021 (Restated) HK$'000	**2022 HK$'000**	**2023 HK$'000**	**2024 HK$'000**	**2025 HK$'000**
Total assets	3,537,943	3,620,557	2,800,827	4,215,361	**3,075,321**
Less: total liabilities	(5,931,780)	(6,332,949)	(7,137,673)	(6,900,614)	**(7,152,390)**
Total net liabilities	(2,393,837)	(2,712,392)	(4,336,846)	(2,685,253)	**(4,077,069)**

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
Mr. Lo, James Cze Chung *(re-designated on 13 August 2024)*

Non-executive Director

Mr. To Hin Tsun, Gerald

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Tang Chi Kei

INDEPENDENT AUDITOR

Ernst & Young
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

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Hang Seng Bank Limited

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Bermuda

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CHINESE TRANSLATION

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