MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

Reference is made to the announcement of Mongolia Energy Corporation Limited (the "**Company**") dated 15 July 2022 in relation to the unaudited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2022 (the "**Financial Year**" and the "**2022 Unaudited Results Announcement**"). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the 2022 Unaudited Results Announcement.

AUDITOR'S AGREEMENT ON THE 2022 ANNUAL RESULTS

As stated in the 2022 Unaudited Results Announcement, the unaudited annual results for the Financial Year contained therein were not yet agreed by the Company's auditor as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The board of directors (the "**Board**") wishes to announce that on 31 October 2022, the Company has obtained the agreement from the Company's auditor, Messrs. Ernst & Young ("**EY**"), on the completion of the audit of the figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto as set out in this announcement. The unaudited annual results contained in the 2022 Unaudited Results Announcement has no changes from the audited results for the Financial Year except for the following items:

DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS FOR THE YEARS ENDED 31 MARCH 2021 AND 2022

Items for the year ended 31 March 2021	Disclosed in this announcement *HK$'000*	Disclosed in the 2022 Unaudited Results Announcement *HK$'000*	Difference *HK$'000*	*Note*
CONSOLIDATED STATEMENT OF PROFIT OR LOSS				
Changes in fair value on derivative component of convertible notes	955,692	(1,070,118)	2,025,810	*(a)*
Reversal of impairment losses on property, plant and equipment	987,705	990,509	(2,804)	*(b)*
Finance costs	491,226	525,129	(33,903)	*(a)*
Income tax expense	25,576	50,663	(25,087)	*(c)*
Earnings (loss) per share attributable to ordinary equity holders of the Company				
– Basic earnings (loss) per share *(HK$)*	9.54	(1.53)	11.07	*(d)*
– Diluted earnings (loss) per share *(HK$)*	0.37	(1.53)	1.9	*(d)*

Items as at 31 March 2021	Disclosed in this announcement HK$'000	Disclosed in the 2022 Unaudited Results Announcement HK$'000	Difference HK$'000	Note
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Intangible assets	280,295	279,145	1,150	*(f)*
Other asset	–	1,150	(1,150)	*(f)*
Trade and bills receivables	374,083	274,369	99,714	*(e)*
Trade payables	261,932	173,861	88,071	*(e)*
Other payables and accruals	110,856	99,213	11,643	*(e)*
Tax liabilities	14,790	39,877	(25,087)	*(c)*
Convertible notes	3,352,843	3,564,399	(211,556)	*(a)*
Provision for rehabilitation	22,043	–	22,043	*(b)*

Items for the year ended 31 March 2022	**Disclosed in this announcement** ***HK$'000***	**Disclosed in the 2022 Unaudited Results Announcement** ***HK$'000***	**Difference** ***HK$'000***	***Note***
CONSOLIDATED STATEMENT OF PROFIT OR LOSS				
Impairment losses on property, plant and equipment	**377,171**	**399,214**	**(22,043)**	***(b)***
Income tax expense	**41,982**	**79,850**	**(37,868)**	***(c, h)***
Loss per share attributable to ordinary equity holders of the Company				
– Basic loss per share *(HK$)*	**1.86**	**2.17**	**(0.31)**	***(d)***
– Diluted loss per share *(HK$)*	**1.86**	**2.17**	**(0.31)**	***(d)***
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
Other comprehensive income				
– Fair value changes on debt instruments at fair value through other comprehensive income ("**FVTOCI**")	**1,089**	**–**	**1,089**	***(e)***
Items as at 31 March 2022				
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Intangible assets	**231,022**	**229,872**	**1,150**	***(f)***
Other asset	**–**	**1,150**	**(1,150)**	***(f)***
Deferred tax assets	**39,847**	**92**	**39,755**	***(h)***
Trade and bills receivables	**666,971**	**665,882**	**1,089**	***(e)***
Trade payables	**280,345**	**246,803**	**33,542**	***(g)***
Other payables and accruals	**267,389**	**300,931**	**(33,542)**	***(g)***
Deferred tax liabilities	**19,383**	**42,583**	**(23,200)**	***(h)***

Notes:

(a) An accounting error on the calculation of the convertible notes issued on 6 March 2020 was identified in the Financial Year and adjustments were made retrospectively. Detail of which is disclosed in Note 1.1 to the consolidated financial statements in this announcement.

(b) No provision for mining rehabilitation cost was made in prior years and the Group has engaged an independent expert to reassess the provision which was adjusted retrospectively. Such provision is recognised and stated as property, plant and equipment related to the Khushuut mine operations and is subject to annual impairment assessment on the recoverable amount. Corresponding reversal of impairment loss/(impairment loss) in prior and current years has been reflected in the consolidated statement of profit or loss.

(c) Overstatement of tax provision amounting to HK$25,087,000 in prior year was credited to the consolidated statement of profit or loss for the Financial Year in the 2022 Unaudited Results Announcement, it was rectified as prior year adjustment and adjusted retrospectively.

(d) The basic and diluted earnings (loss) per share were recalculated to reflect certain prior year adjustments items made to the consolidated statement of profit or loss.

(e) Prior year adjustments were made to re-recognise certain discounted or endorsed bills receivables and corresponding trade payables and other payables and accruals that do not satisfy the criteria for derecognition. Details of prior years adjustment is disclosed in Note 1.1 to the consolidated financial statements in this announcement. The expected credit losses in relation to bills receivables were adjusted accordingly.

(f) Reclassification of balance sheet items.

(g) Trading in nature items previously grouped under other payables and accruals were reclassified to trade payables.

(h) Deferred tax assets on depreciation and amortisation and unrealised foreign exchange losses were not recognised to the extent that tax profits will be available against which deductible temporary difference can be utilised in the 2022 Unaudited Results Announcement. Instead, deferred tax liabilities and income tax expenses were recorded in the 2022 Unaudited Results Announcement.

The audited consolidated results of the Group for the Financial Year together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2022

	Notes	2022	2021
			(Restated)
		HK$'000	*HK$'000*
Revenue	*4*	**1,562,718**	858,417
Cost of sales		**(947,966)**	(549,576)
Gross profit		**614,752**	308,841
Other income	*5*	**11,658**	81,898
Other gains and losses	*6*	**6,134**	1,715
Administrative expenses		**(163,182)**	(157,492)
Changes in fair value on derivative component of convertible notes	*15(a)*	**185,015**	955,692
(Impairment losses) reversal of impairment losses on property, plant and equipment	*3*	**(377,171)**	987,705
(Impairment losses) reversal of impairment losses on intangible assets	*3*	**(39,208)**	132,185
(Impairment losses) reversal of impairment losses on right-of-use assets	*3*	**(460)**	1,119
(Impairment losses) reversal of impairment losses on financial assets		**(1,241)**	230
Finance costs	*7*	**(543,367)**	(491,226)
(Loss) profit before taxation	*8*	**(307,070)**	1,820,667
Income tax expense	*9*	**(41,982)**	(25,576)
(Loss) profit for the year attributable to owners of the Company		**(349,052)**	1,795,091
(Loss) earnings per share attributable to ordinary equity holders of the Company	*11*		(Restated)
– basic (loss) earnings per share (HK$)		**(1.86)**	9.54
– diluted (loss) earnings per share (HK$)		**(1.86)**	0.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022	2021
		(Restated)
	HK$'000	*HK$'000*
(Loss) profit for the year	**(349,052)**	1,795,091
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of group companies	**29,408**	20,130
– Fair value changes on debt instruments at FVTOCI	**1,089**	–
Other comprehensive income for the year	**30,497**	20,130
Total comprehensive (expense) income for the year attributable to owners of the Company	**(318,555)**	1,815,221

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

	Notes	31 March 2022 HK$'000	31 March 2021 (Restated) HK$'000	1 April 2020 (Restated) HK$'000
Non-current assets				
Property, plant and equipment		**2,083,792**	2,394,590	1,373,022
Right-of-use assets		**9,592**	8,055	9,839
Intangible assets		**231,022**	280,295	154,859
Exploration and evaluation assets		**1,559**	1,262	498
Interest in an associate		**–**	–	–
Deferred tax assets	*16*	**39,847**	5,647	3,499
		2,365,812	2,689,849	1,541,717
Current assets				
Trade and bills receivables	*12*	**666,971**	374,083	188,836
Inventories		**268,822**	208,357	241,365
Other receivables, prepayments and deposits		**202,810**	155,913	122,733
Prepaid taxation		**1,484**	1,412	4,396
Financial asset at fair value through profit or loss ("**FVTPL**")		**50,752**	50,752	51,597
Amount due from an associate		**–**	–	–
Cash and cash equivalents		**63,906**	57,577	61,782
		1,254,745	848,094	670,709

	Notes	**31 March 2022** **HK$'000**	31 March 2021 (Restated) HK$'000	1 April 2020 (Restated) HK$'000
Current liabilities				
Trade payables	*13*	**280,345**	261,932	225,605
Other payables and accruals		**267,389**	110,856	155,780
Contract liabilities		**30,605**	2,823	5,027
Tax liabilities		**34,494**	14,790	–
Advances from a Director	*14*	**1,707,679**	1,811,276	1,709,372
Interest-bearing bank borrowing	*14*	**66,630**	–	–
Lease liabilities		**6,295**	2,939	6,110
Deferred income		**1,718**	1,648	1,469
		2,395,155	2,206,264	2,103,363
Net current liabilities		**(1,140,410)**	(1,358,170)	(1,432,654)
Total assets less current liabilities		**1,225,402**	1,331,679	109,063
Non-current liabilities				
Convertible notes	*15(a)*	**3,501,682**	3,352,843	4,016,325
Loan note	*14, 15(b)*	**387,451**	316,613	258,725
Deferred income		**3,980**	5,465	6,036
Deferred tax liabilities	*16*	**19,383**	26,216	27,981
Lease liabilities		**1,077**	2,336	2,115
Provision for rehabilitation		**24,221**	22,043	19,239
		3,937,794	3,725,516	4,330,421
Net liabilities		**(2,712,392)**	(2,393,837)	(4,221,358)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

	31 March 2022	31 March 2021 (Restated)	1 April 2020 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Financed by:			
Capital and reserves			
Share capital	**3,763**	3,763	3,763
Reserves	**(2,716,155)**	(2,397,600)	(4,225,121)
Capital deficiencies attributable to owners of the Company	**(2,712,392)**	(2,393,837)	(4,221,358)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

In preparing the consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity of the Group. The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flows projections cover a period of 12 months from 31 March 2022. The cash flow projections have been determined using estimation of future cash flows to be generated from the Group's operating activities and its working capital needs. Also, Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder who has significant influence over the Group and being the Chairman and Director of the Company, has provided facilities amounting to HK$1,900.0 million by way of advances to the Group. As at 31 March 2022, advances from a Director of HK$1,707.7 million comprised principal amount and accrued interest of HK$968.4 million and HK$739.3 million respectively. Excluding the accrued interest of HK$739.3 million, the balance of the unutilised facilities of HK$931.6 million remains valid until 29 March 2024 and Mr. Lo has undertaken not to demand for repayment of the principal amount of the loan and the accrued interest until the Group has sufficient cash to make repayment and the repayment will not affect the Group's liquidity position.

While recognising that the Group had net liabilities of approximately HK$2,712.4 million and had net current liabilities of approximately HK$1,140.4 million at 31 March 2022 and incurred a loss of approximately HK$349.1 million for the year then ended, the Directors are of the opinion that, taking into account of the finance from Mr. Lo and the internally generated funds, the Group will be able to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

1.1 Restatement of prior year balances

In preparing the Group's consolidated financial statements for the year ended 31 March 2022, accounting errors were identified during the current year and prior year adjustments were made in the consolidated financial statements to rectify the accounting errors retrospectively, details of which are as follows:

(a) The 2020 Convertible Notes contains a conversion option held by the holders and an early redemption option held by the issuer. An accounting error was noted because the conversion option and the redemption option should be treated as a single compound embedded derivative as the two options are not readily separable and independent of each other. For the year ended 31 March 2022, the Group engaged another independent valuer to assess the carrying amount of the 2020 Convertible Notes as at 31 March 2021 and 2020, and certain key assumptions were also reassessed by the valuer in determining the fair value of the 2020 Convertible Notes and the related debt and derivative components.

(b) Bills receivables were classified at amortised cost in prior years. An incorrect classification on bills receivables was noted in view of the Group's business model for bills receivables being both for collecting of contractual cash flows and for selling. The Group has reassessed that its classification of bills receivables should have been as FVTOCI. The Group also derecognised all bills receivables in their entirety that were transferred either on discounting or endorsement in prior years, without assessing the extent to which the Group retained the risks and rewards of ownership of the bills receivables. The Group has reassessed its derecognition assessment and certain bills receivables transferred which did not satisfy the criteria for derecognition.

(c) Correction of an accounting error in the prior year resulting in an overstatement of tax provision.

(d) Accounting for the provision for mining rehabilitation relating to the Group's obligation to remove all machinery, equipment and other property from the mine site and ensure the safe use and reclamation of the environment upon closure of a mine as required by Mongolia Law on mineral resources. No provision was made in prior years and the Group has engaged an independent expert to reassess the provision which was adjusted retrospectively.

Consolidated statement of profit or loss for the year ended 31 March 2021

	Notes	2021 (as previously reported) HK$'000	Prior year adjustments HK$'000	2021 (as restated) HK$'000
Revenue		858,417	–	858,417
Cost of sales		(549,576)	–	(549,576)
Gross profit		308,841	–	308,841
Other income		81,898	–	81,898
Other gains and losses		1,715	–	1,715
Administrative expenses		(157,492)	–	(157,492)
Changes in fair value on derivative component of convertible notes	*(a)*	(1,070,118)	2,025,810	955,692
Reversal of impairment losses on property, plant and equipment	*(d)*	990,509	(2,804)	987,705
Reversal of impairment losses on intangible assets		132,185	–	132,185
Reversal of impairment losses on right-of-use assets		1,119	–	1,119
Reversal of impairment losses on financial assets, net		230	–	230
Finance costs	*(a)*	(525,129)	33,903	(491,226)
(Loss) profit before taxation		(236,242)	2,056,909	1,820,667
Income tax expense	*(c)*	(50,663)	25,087	(25,576)
(Loss) profit for the year attributable to owners of the Company		(286,905)	2,081,996	1,795,091
(Loss) earnings per share attributable to ordinary equity holders of the Company				
– basic (loss) earnings per share (HK$)		(1.53)	11.07	9.54
– diluted (loss) earnings per share (HK$)		(1.53)	1.90	0.37

Consolidated statement of comprehensive income for the year ended 31 March 2021

	Notes	2021 (as previously reported) HK$'000	Prior year adjustments HK$'000	2021 (as restated) HK$'000
(Loss) profit for the year		(286,905)	2,081,996	1,795,091
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
– Exchange differences on translation of financial statements of group companies		20,130	–	20,130
Other comprehensive income for the year		20,130	–	20,130
Total comprehensive (expense) income for the year attributable to owners of the Company		(266,775)	2,081,996	1,815,221

Consolidated statement of financial position as at 31 March 2021

	Notes	2021 (as previously reported) *HK$'000*	Prior year adjustments *HK$'000*	2021 (as restated) *HK$'000*
Non-current assets				
Property, plant and equipment		2,394,590	–	2,394,590
Right-of-use assets		8,055	–	8,055
Intangible assets		280,295	–	280,295
Exploration and evaluation assets		1,262	–	1,262
Interest in an associate		–	–	–
Deferred tax assets		5,647	–	5,647
		2,689,849	–	2,689,849
Current assets				
Trade and bills receivables	*(b)*	274,369	99,714	374,083
Inventories		208,357	–	208,357
Other receivables, prepayments and deposits		155,913	–	155,913
Prepaid taxation		1,412	–	1,412
Financial asset at FVTPL		50,752	–	50,752
Amount due from an associate		–	–	–
Cash and cash equivalents		57,577	–	57,577
		748,380	99,714	848,094
Current liabilities				
Trade payables	*(b)*	173,861	88,071	261,932
Other payables and accruals	*(b)*	99,213	11,643	110,856
Contract liabilities		2,823	–	2,823
Tax liabilities	*(c)*	39,877	(25,087)	14,790
Advances from a Director		1,811,276	–	1,811,276
Lease liabilities		2,939	–	2,939
Deferred income		1,648	–	1,648
		2,131,637	74,627	2,206,264
Net current liabilities		(1,383,257)	25,087	(1,358,170)
Total assets less current liabilities		1,306,592	25,087	1,331,679

	Notes	2021 (as previously reported) HK$'000	Prior year adjustments HK$'000	2021 (as restated) HK$'000
Non-current liabilities				
Convertible notes	*(a)*	3,564,399	(211,556)	3,352,843
Loan note		316,613	–	316,613
Deferred income		5,465	–	5,465
Deferred tax liabilities		26,216	–	26,216
Lease liabilities		2,336	–	2,336
Provision for rehabilitation	*(d)*	–	22,043	22,043
		3,915,029	(189,513)	3,725,516
Net liabilities		(2,608,437)	214,600	(2,393,837)
Financed by:				
Capital and reserves				
Share capital		3,763	–	3,763
Reserves	*(a), (c) & (d)*	(2,612,200)	214,600	(2,397,600)
Capital deficiencies attributable to owners of the Company		(2,608,437)	214,600	(2,393,837)

Consolidated statement of financial position as at 1 April 2020

	Notes	2020 (as previously reported) HK$'000	Prior year adjustments HK$'000	2020 (as restated) HK$'000
Non-current assets				
Property, plant and equipment		1,373,022	–	1,373,022
Right-of-use assets		9,839	–	9,839
Intangible assets		154,859	–	154,859
Exploration and evaluation assets		498	–	498
Interest in an associate		–	–	–
Deferred tax assets		3,499	–	3,499
		1,541,717	–	1,541,717
Current assets				
Trade and bills receivables	*(b)*	120,365	68,471	188,836
Inventories		241,365	–	241,365
Other receivables, prepayments and deposits		122,733	–	122,733
Prepaid taxation		4,396	–	4,396
Financial asset at FVTPL		51,597	–	51,597
Amount due from an associate		–	–	–
Cash and cash equivalents		61,782	–	61,782
		602,238	68,471	670,709
Current liabilities				
Trade payables	*(b)*	174,607	50,998	225,605
Other payables and accruals	*(b)*	138,307	17,473	155,780
Contract liabilities		5,027	–	5,027
Tax liabilities		–	–	–
Advances from a Director		1,709,372	–	1,709,372
Lease liabilities		6,110	–	6,110
Deferred income		1,469	–	1,469
		2,034,892	68,471	2,103,363
Net current liabilities		(1,432,654)	–	(1,432,654)
Total assets less current liabilities		109,063	–	109,063

	Notes	2020 (as previously reported) HK$'000	Prior year adjustments HK$'000	2020 (as restated) HK$'000
Non-current liabilities				
Convertible notes	*(a)*	2,168,168	1,848,157	4,016,325
Loan note		258,725	–	258,725
Deferred income		6,036	–	6,036
Deferred tax liabilities		27,981	–	27,981
Lease liabilities		2,115	–	2,115
Provision for rehabilitation	*(d)*	–	19,239	19,239
		2,463,025	1,867,396	4,330,421
Net liabilities		(2,353,962)	(1,867,396)	(4,221,358)
Financed by:				
Capital and reserves				
Share capital		3,763	–	3,763
Reserves	*(a), (c) & (d)*	(2,357,725)	(1,867,396)	(4,225,121)
Capital deficiencies attributable to owners of the Company		(2,353,962)	(1,867,396)	(4,221,358)

Consolidated statement of Changes in Equity for the year ended 31 March 2021

	Notes	Share capital HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Statutory surplus reserve HK$'000	Capital contribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2020 (originally stated)		3,763	29,105	(24,969)	21,904	334,220	(2,717,985)	(2,353,962)
Prior year adjustments	*(a) & (d)*	–	–	–	–	–	(1,867,396)	(1,867,396)
At 1 April 2020 (restated)		3,763	29,105	(24,969)	21,904	334,220	(4,585,381)	(4,221,358)
Loss for the year		–	–	–	–	–	(286,905)	(286,905)
Prior year adjustments	*(a), (c) & (d)*	–	–	–	–	–	2,081,996	2,081,996
Other comprehensive expenses								
Exchange differences arising on translation		–	–	20,130	–	–	–	20,130
Total comprehensive income for the year (restated)		–	–	20,130	–	–	1,795,091	1,815,221
Recognition of equity-settled share-based payments		–	12,300	–	–	–	–	12,300
Share option lapsed		–	(7,664)	–	–	–	7,664	–
At 31 March 2021 (restated)		3,763	33,741	(4,839)	21,904	334,220	(2,782,626)	(2,393,837)

Consolidated statement of cash flows for the year ended 31 March 2021

	Note	**2021 (as previously reported)** *HK$'000*	**Prior year adjustments** *HK$'000*	**2021 (as restated)** *HK$'000*
Operating activities				
(Loss) profit before taxation	*(a) & (d)*	(236,242)	2,056,909	1,820,667
Interest income		(202)	–	(202)
Exchange loss		5,234	–	5,234
Finance costs	*(a)*	525,129	(33,903)	491,226
Gain on disposal of property, plant and equipment		(29)	–	(29)
An extinguishment of balance payment relating to acquisition iron ore exploration right		(39,000)	–	(39,000)
Amortisation of intangible assets		7,142	–	7,142
Depreciation of right-of-use assets		6,928	–	6,928
Amortisation of deferred income		(1,546)	–	(1,546)
Depreciation of property, plant and equipment		33,780	–	33,780
Changes in fair value on financial assets at FVTPL		845	–	845
Changes in fair value on derivative component of convertible notes	*(a)*	1,070,118	(2,025,810)	(955,692)
Reversal of impairment losses on property, plant and equipment	*(d)*	(990,509)	2,804	(987,705)
Reversal of impairment losses on intangible assets		(132,185)	–	(132,185)
Reversal of impairment losses on right-of-use assets		(1,119)	–	(1,119)
Reversal of impairment losses on financial assets		(230)	–	(230)
Share-based payment expenses		12,300	–	12,300
Operating cash flows before movements in working capital		260,414	–	260,414
Decrease in inventories		33,008	–	33,008
Increase in trade and bills receivables	*(b)*	(143,007)	(31,243)	(174,250)
Increase in other receivables, prepayments and deposits		(32,869)	–	(32,869)
(Decrease) increase in trade payables	*(b)*	(3,681)	37,073	33,392
Decrease in other payables and accruals	*(b)*	(1,743)	(5,830)	(7,573)
Decrease in contract liabilities		(2,530)	–	(2,530)
Net cash from operations		109,592	–	109,592
Tax paid		(11,055)	–	(11,055)
Net cash from operating activities		98,537	–	98,537

	2021 (as previously reported) *HK$'000*	Prior year adjustment *HK$'000*	2021 (as restated) *HK$'000*
Investing activities			
Purchases of property, plant and equipment	(57,731)	–	(57,731)
Proceeds on disposal of property, plant and equipment	930	–	930
Additions to intangible assets	(382)	–	(382)
Exploration and evaluation asset addition	(764)	–	(764)
Advance to an associate	(9)	–	(9)
Bank interest received	202	–	202
Government grants received	573	–	573
Net cash used in investing activities	(57,181)	–	(57,181)
Financing activities			
Advance from a Director	7,750	–	7,750
Interest paid	–	–	–
Repayment to a Director	(46,628)	–	(46,628)
New bank loans	–	–	–
Repayment of lease liabilities	(7,194)	–	(7,194)
Cash used in financing activities	(46,072)	–	(46,072)
Net decrease in cash and cash equivalents	(4,716)	–	(4,716)
Cash and cash equivalents at beginning of the year	61,782	–	61,782
Effect of exchange rate changes on the balance of cash held in foreign currencies	511	–	511
Cash and cash equivalents at end of the year	57,577	–	57,577

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

Amendments to 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

As the Group does not have financial instruments based on interbank offered rates, the application of the amendments in the current year had no impact on the consolidated financial statements.

(b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately proceeding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 and shall be applied retrospectively. Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period.

As the Group did not receive COVID-19-related rent concessions during the year, the application of the amendments in the current year had no impact on the consolidated financial statements.

3. RECOVERABLE AMOUNT ASSESSMENT ON KHUSHUUT RELATED ASSETS

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

For the purposes of impairment testing, the Khushuut Related Assets are treated as a cash-generating unit, 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 2022, of which the recoverable amount determined by the Independent Valuer was lower than their carrying values, and an impairment loss amounting to HK$416.8 million (2021: reversal of impairment of HK$1,121.0 million) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2022.

Certain key assumptions adopted in the value-in-use calculation have been changed in determining the recoverable amount as at 31 March 2022 from 31 March 2021, including a significant reduction in the forecasted annual production and sales, by excluding the assumption that the Group will sell a significant quantity of raw coal and the sales of additional washed coal through an assumed washing plant that was expected to be constructed by the Group in the future. These assumptions were included in the value-in-use calculation as at 31 March 2021 but have been excluded in the value-in-use calculation as at 31 March 2022 according to the Group's business plan. In the opinion of the Directors, the change in these key assumptions were because of the revised business risk assessment and change in business strategy.

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 in China market and long-term views of global supply and demand in a changing environment, particularly with respect to climate risks, building on past experience of the mining industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and types of coals.

Discount rate

In calculating the value-in-use, a pre-tax discount rate of 27.61% (2021: 28.08%) 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 cash generating unit ("**CGU**") and to determine the pre-tax rate.

An impairment loss (2021: 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 2022:

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

Carrying values of the Khushuut Related Assets as at 31 March 2021:

	Carrying values before reversal of impairment loss (Restated) *HK$'000*	Reversal of impairment loss (Restated) *HK$'000*	Carrying values after reversal of impairment loss *HK$'000*
Property, plant and equipment	1,396,424	987,705	2,384,129
Intangible assets	146,360	132,185	278,545
Right-of-use assets	1,675	1,119	2,794
Total	1,544,459	1,121,009	2,665,468

The reason for such an impairment loss being recognised in profit or loss for the year ended 31 March 2022 was mainly due to the changes in discount rate, production volume of coking coal and estimated coking coal price for the forthcoming four-year period (2021: a change in estimated coking coal price for the forthcoming four-year period). The above changes have had a significant impact on the value-in-use assessment performed by the Directors in both years with the cash flows expected to be received.

4. REVENUE AND SEGMENT INFORMATION

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

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

Segment revenue and results

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

For the year ended 31 March 2022

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

For the year ended 31 March 2021

	Coal mining	Total
		(Restated)
	HK$'000	*HK$'000*
Segment revenue	858,417	858,417
Segment profit	1,373,298	1,373,298
Unallocated expenses *(Note (b))*		(56,786)
Other income		40,825
Other gains and losses		(1,250)
Changes in fair value on derivative component of convertible notes		955,692
Impairment loss on financial asset		(9)
Finance costs		(491,103)
Profit before taxation		1,820,667

Notes:

(a) As at 31 March 2022, 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.

Contract liabilities as at 1 April 2021 of HK$2,823,000 have been recognised as revenue from performance obligation satisfied during the year. For contract liabilities as at 31 March 2022 of HK$30,605,000, as the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

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

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

Segment assets and liabilities

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

As at 31 March 2022

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

As at 31 March 2021

	(Restated) *HK$'000*
ASSETS	
Segment assets – coal mining	3,455,491
Financial asset at FVTPL	50,752
Cash and cash equivalents	10,677
Other unallocated assets *(Note (a))*	21,023
Consolidated total assets	3,537,943
LIABILITIES	
Segment liabilities – coal mining	439,057
Convertible notes	3,352,843
Loan note	316,613
Advances from a Director	1,811,276
Other unallocated liabilities *(Note (b))*	11,991
Consolidated total liabilities	5,931,780

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 coal mining business.

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

Other segment information

For the year ended 31 March

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

Coal mining

	2022 ***HK$'000***	2021 (Restated) *HK$'000*
Capital additions	**102,264**	62,571
Amortisation of intangible assets	**14,667**	7,142
Depreciation of right-of-use assets	**2,445**	2,489
Interest income	**(409)**	(200)
Depreciation of property, plant and equipment	**59,237**	33,060
Impairment losses (reversal of impairment losses) on property, plant and equipment	**377,171**	(987,705)
Impairment losses (reversal of impairment losses) on intangible assets	**39,208**	(132,185)
Impairment losses (reversal of impairment losses) on right-of-use assets	**460**	(1,119)

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	
	2022	2021
	HK$'000	*HK$'000*
Mongolia	**13,985**	2,511
The PRC	**1,548,733**	855,906
	1,562,718	858,417

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

	Non-current assets	
	2022	2021
	HK$'000	*HK$'000*
Hong Kong	**7,548**	4,910
Mongolia	**2,237,388**	2,596,189
The PRC	**81,029**	83,103
	2,325,965	2,684,202

Note:

Non-current assets exclude deferred tax assets.

Information about a major customer

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

	2022	2021
	HK$'000	*HK$'000*
Customer A	**829,132**	528,915

5. OTHER INCOME

	2022	2021
	HK$'000	*HK$'000*
Interest income	**409**	202
Government grants	**3,779**	6,395
Sundry income *(Note)*	**7,470**	75,301
	11,658	81,898

Notes:

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

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

6. OTHER GAINS AND LOSSES

	2022	2021
	HK$'000	*HK$'000*
Changes in fair value on financial asset at FVTPL	**–**	(845)
Gain on disposal of property, plant and equipment	**1**	29
Net exchange gain	**6,133**	2,531
	6,134	1,715

7. FINANCE COSTS

	2022	2021
		(Restated)
	HK$'000	*HK$'000*
Interest on advances from a Director	**135,985**	140,782
Interest on lease liabilities	**584**	346
Interest on bank borrowing	**2,106**	–
Effective interest expense on convertible notes *(Note 15 (a))*	**333,854**	292,210
Effective interest expense on a loan note *(Note 15 (b))*	**70,838**	57,888
	543,367	491,226

8. (LOSS) PROFIT BEFORE TAXATION

	2022 *HK$'000*	2021 *HK$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**25,524**	21,670
Other staff costs:		
Salaries and other benefits (net of reimbursement from a related party	**103,753**	89,999
Retirement benefits scheme contributions (excluding contributions for Directors and net of reimbursement from a related party	**11,949**	9,593
Total staff costs	**141,226**	121,262
Less: Staff costs capitalised in inventories	**(54,771)**	(31,960)
	86,455	89,302
Impairment losses (reversal of impairment losses) on:		
Trade and bills receivables	**1,227**	(239)
Amount due from an associate	**14**	9
	1,241	(230)
Depreciation of property, plant and equipment	**59,917**	33,780
Depreciation of right-of-use assets	**6,354**	6,928
Amortisation of intangible assets	**14,667**	7,142
Auditor's remuneration	**4,300**	3,750

9. INCOME TAX EXPENSE

	2022 *HK$'000*	2021 (Restated) *HK$'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**52,317**	–
Mongolian corporate income tax	**28,204**	28,201
	80,521	28,201
Underprovision in prior years:		
PRC EIT	**2,034**	641
Deferred taxation	**(40,573)**	(3,266)
	41,982	25,576

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

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

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

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

10. DIVIDENDS

No dividend was paid or proposed by the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

11. (LOSS) EARNINGS PER SHARE

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

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

	2022	2021
		(Restated)
	HK$'000	*HK$'000*
Earnings		
(Loss) earnings attributable to ordinary equity holders of the Company, as used in the calculation of basic (loss) earnings per share	**(349,052)**	1,795,091
Adjusted by:		
Changes in fair value on derivative component of convertible notes	**–**	(955,692)
Interest on convertible notes	**–**	292,210
(Loss) earnings attributable to ordinary equity holders of the Company, as used in the calculation of diluted (loss) earnings per share	**(349,052)**	1,131,609

	2022	2021
		(Restated)
	'000	*'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 (a) and (b))*:		
Convertible notes	**N/A**	2,870,936
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**188,126**	3,059,062

Notes:

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

(b) The computation of diluted earnings per share for the year ended 31 March 2021 did not assume the exercise of share options since assuming the adjusted exercise price was greater than the average market price of the Company's shares during the outstanding period in 2021.

12. TRADE AND BILLS RECEIVABLES

	31 March 2022	31 March 2021
		(Restated)
	HK$'000	*HK$'000*
Trade receivables and accrued income *(Note)*	**335,219**	110,767
Bills receivables	**332,396**	263,782
	667,615	374,549
Less: Allowance for credit losses	**(644)**	(466)
	666,971	374,083

Note:

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

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

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

	2022	2021
		(Restated)
	HK$'000	*HK$'000*
1 to 30 days	**366,638**	226,011
31 to 60 days	**225,720**	39,612
61 to 90 days	**28,441**	2,861
Over 90 days	**46,172**	105,599
	666,971	374,083

13. TRADE PAYABLES

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

	31 March	31 March
	2022	2021
		(Restated)
	HK$'000	*HK$'000*
0 to 30 days	**158,836**	173,232
31 to 60 days	**26,407**	22,893
61 to 90 days	**20,349**	4,877
Over 90 days	**74,753**	60,930
	280,345	261,932

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

14. BORROWINGS

	2022	2021 (Restated)
	HK$'000	*HK$'000*
At amortised cost		
Advances from a Director – unsecured *(Note (a))*	**1,707,679**	1,811,276
Interest-bearing bank borrowing – secured *(Note (b))*	**66,630**	–
Convertible notes – unsecured *(Note 15 (a))*	**2,673,167**	2,339,313
Loan note – unsecured *(Note 15 (b))*	**387,451**	316,613
	4,834,927	4,467,202
Analysed for reporting purposes as:		
Current liabilities	**1,774,309**	1,811,276
Non-current liabilities	**3,060,618**	2,655,926
	4,834,927	4,467,202

Notes:

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

(b) The secured loan from a Mongolian bank is repayable within six months commencing from 21 December 2021 and carries interest at 13.2% per annum. An equivalent carrying value of coal inventory at Khovd aimag, Darvi Soum, Murun bag was pledged as collateral for an outstanding bank loan amount.

15. CONVERTIBLE NOTES AND LOAN NOTE

(a) Convertible notes

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

	Debt component *HK$'000*	Derivative component *HK$'000*	Total *HK$'000*
At 1 April 2020 (restated)	2,047,103	1,969,222	4,016,325
Interest charge	292,210	–	292,210
Changes in fair value of derivative component	–	(955,692)	(955,692)
At 31 March 2021 (restated)	**2,339,313**	**1,013,530**	**3,352,843**
Interest charge	**333,854**	**–**	**333,854**
Changes in fair value of derivative component	**–**	**(185,015)**	**(185,015)**
At 31 March 2022	**2,673,167**	**828,515**	**3,501,682**

2020 Convertible Notes with maturity date 6 March 2025

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

CTF and Golden Infinity Convertible Notes

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

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

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

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

	6 March 2020	1 April 2020 (Restated)	31 March 2021 (Restated)	**31 March 2022**
Stock price	HK$0.63	HK$0.44	HK$1.12	**HK$0.91**
Exercise price	HK$1.2	HK$1.2	HK$1.2	**HK$1.2**
Volatility *(Note (i))*	71.98%	74.21%	97.93%	**114.03%**
Dividend yield	0%	0%	0%	**0%**
Option life *(Note (ii))*	5 years	4.93 years	3.93 years	**2.93 years**
Risk free rate	0.67%	0.57%	0.55%	**1.89%**

Notes:

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

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

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

No conversion was made during both years.

(b) Loan note

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

16. DEFERRED TAXATION

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

Deferred tax liabilities

	Undistributed profits of a subsidiary *HK$'000*	Depreciation and amortisation *HK$'000*	Total *HK$'000*
At 1 April 2020	(3,882)	(24,099)	(27,981)
Credited to profit or loss	–	1,467	1,467
Exchange adjustments	(318)	616	298
At 31 March 2021	(4,200)	(22,016)	(26,216)
(Charged) credited to profit or loss	**(14,740)**	**21,246**	**6,506**
Exchange adjustments	**(443)**	**770**	**327**
At 31 March 2022	**(19,383)**	**–**	**(19,383)**

Deferred tax assets

	Unrealised exchange difference on long-term borrowings *HK$'000*	Tax losses *HK$'000*	Depreciation and amortisation *HK$'000*	Total *HK$'000*
At 1 April 2020	–	3,499	–	3,499
Credited to profit or loss	–	1,799	–	1,799
Exchange adjustments	–	349	–	349
At 31 March 2021	–	5,647	–	5,647
(Charged) credited to profit or loss	**27,145**	**(5,783)**	**12,705**	**34,067**
Exchange adjustments	**–**	**136**	**(3)**	**133**
At 31 March 2022	**27,145**	**–**	**12,702**	**39,847**

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 (2021: HK$46,972,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$Nil (2021: HK$37,646,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax asset in respect of tax losses of HK$37,646,000 has been recognised for the year ended 31 March 2021. No deferred tax assets has been recognised in respect of the remaining HK$46,972,000 (2021: HK$46,972,000) as it is not probable there will be sufficient future taxable profits to utilise these tax losses.

As at 31 March 2022, deferred tax assets of HK$130,835,000 and HK$373,970,000 (2021: HK$128,521,000 and HK$426,319,000) have not been recognised in respect of deductible temporary differences of HK$545,157,000 (2021: HK$547,507,000) arising from depreciation and amortisation and HK$1,495,880,000 (2021: HK$1,705,276,000) arising from unrealised exchange losses respectively, as it is not probably there will be sufficient future taxable profits to utilise these deductible temporary differences.

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

17. CONTINGENT LIABILITIES

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

The former mining contractor issued two writs of summons on 14 February 2013 and 30 May 2013 claiming for a total sum of approximately HK$93.7 million. In May 2015, the former mining contractor applied to the Court to amend its statements of claim under the two writs by amending, among others, (i) the currency of the claims from Mongolian Tugrik to United States dollars; and (ii) the amount of the claims to include the alleged contractor's fees up to October 2014. According to amended statement of claims, the total claims under the two writs were revised to approximately HK$198.9 million in May 2015. The two actions were subsequently consolidated and the amount claimed has been reduced to approximately HK$105.6 million and approximately HK$50.0 million was provided for as trade payables in the consolidated financial statements as at 31 March 2022 (2021: HK$50.0 million). Based on the opinion provided by legal counsel of the Company, the Directors consider that the payment of the remaining balance of HK$55.6 million (2021: HK$55.6 million) is not probable.

Subsequent to the financial year ended 31 March 2022, on 16 September 2022, the Company entered into a settlement agreement with the former mining contractor in which both parties agreed a final settlement amount of US$5,750,000 (equivalent to approximately HK$44.9 million) in full and final settlement of the disputes between the parties, and the payment had been made by the Group before 30 September 2022 in accordance with the settlement agreement. In the opinion of the Directors, the difference between the full settlement amount and the trade payable provided as at 31 March 2022 is insignificant.

18. EVENTS AFTER THE REPORTING PERIOD

(a) On 16 June 2022 and 25 July 2022, the Company made voluntary repayments to a Director amounting to HK$114,230,000 and HK$200,000,000 respectively.

(b) On 16 September 2022, the Group entered into a settlement agreement with a former mining contractor in which both parties agreed a final settlement amount of US$5,750,000 (equivalent to approximately HK$44.9 million) in full and final settlement of the disputes between the parties, and the payment had been made by the Group before 30 September 2022.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2022 as set out in this announcement have been agreed by the Company's auditor, EY, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 31 October 2022. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on this announcement.

AUDIT OPINION

The below sections set out an extract of the report by EY regarding the Group's consolidated financial statements for the year ended 31 March 2022:

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

Unqualified opinion on the Group's consolidated financial position

In our opinion, the consolidated financial statements give a true and fair view of the Group's consolidated financial position as at 31 March 2022, in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Disclaimer of opinion on the Group's consolidated financial performance and consolidated cash flows

We do not express an opinion on the Group's consolidated financial performance and consolidated cash flows for the year ended 31 March 2022. Because of the significance of the matters described in the following paragraphs, we were unable to obtain sufficient appropriate audit evidence to ascertain whether any of the impairment losses and deferred tax recognised by the Group during the year ended 31 March 2022 referred to in the following paragraphs should have been recorded in the consolidated statement of profit or loss of previous years, and to provide a basis for an audit opinion on the Group's consolidated financial performance and consolidated cash flows.

Basis for unqualified opinion on the Group's consolidated financial position and basis for disclaimer of opinion on the Group's consolidated financial performance and consolidated cash flows

The principal mining project of the Group is the Khushuut coking coal project in Western Mongolia and the Group is principally engaged in mining, processing and sale of its coal. The Group performed an impairment test of the Group's property, plant and equipment, intangible assets and right-of-use assets related to the Khushuut mine operations (collectively referred to as "**Khushuut Related Assets**") as at 31 March 2022, and recognised an impairment loss of HK$417 million in its consolidated statement of profit or loss for the year ended 31 March 2022. As further disclosed in note 3 to the consolidated financial statements, management has made changes to certain key assumptions used in its impairment testing as at 31 March 2022. However, management has not performed any reassessment of their impairment testing of the Khushuut Related Assets as at 31 March 2021 and was unable to provide us with sufficient appropriate audit evidence to evaluate the appropriateness for certain key assumptions related to its forecasted annual production and sales used in its impairment test of the Khushuut Related Assets as at 31 March 2021. Therefore, we were unable to obtain sufficient appropriate audit evidence and were unable to carry out alternative audit procedures to satisfy ourselves about whether any of the associated impairment loss of HK$417 million recognised by the Group during the year ended 31 March 2022 should have been recorded in the consolidated statement of profit or loss of previous years.

As further disclosed in Note 32* to the consolidated financial statements, as at 31 March 2021, the Group had unrecognised deferred tax assets of HK$555 million arising from depreciation and amortisation and unrealised foreign exchange losses and had recognised deferred tax liabilities of HK$22 million arising from depreciation and amortisation in the consolidated statement of financial position as at 31 March 2021. The management has assessed the Group's deferred tax assets and liabilities as at 31 March 2022 and has recognised deferred tax assets of HK$39.8 million arising from depreciation and amortisation and unrealised foreign exchange losses and as a result HK$61 million was credited to income tax expense in the consolidated statement of profit or loss. However, management has not performed a reassessment of the Group's deferred tax assets and liabilities as at 31 March 2021 and was unable to provide us with sufficient appropriate audit evidence to assess whether any deferred tax assets should have been recognised for the temporary differences as at 31 March 2021 and to substantiate the amount of deferred tax liabilities of HK$22 million recognised as at 31 March 2021. Therefore, we were unable to obtain sufficient appropriate audit evidence and were unable to carry out alternative audit procedures to satisfy ourselves about whether any of the associated deferred tax credit of HK$61 million recognised by the Group during the year ended 31 March 2022 should have been recorded in the consolidated statement of profit or loss of previous years.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Our responsibilities under these standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. As described above, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Group's consolidated financial performance and consolidated cash flows. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Group's consolidated financial position as at 31 March 2022.

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 these requirements and the Code.

Material uncertainty related to going concern

We draw attention to Note 1# to the consolidated financial statements which indicates that as at 31 March 2022, the Group had net liabilities of approximately HK$2,712.4 million and net current liabilities of approximately HK$1,140.4 million and incurred a net loss of approximately HK$349.1 million for the year then ended. The Group's ability to continue as a going concern is dependent on the ongoing availability of finance to the Group, including from a substantial shareholder who is also the Chairman and a director of the Company. If the finance and the internally generated funds were not available, the Group would be unable to meet its financial obligations as and when they fall due. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion on the Group's consolidated financial position as at 31 March 2022 is not modified in respect of this matter. Our disclaimer of opinion on the Group's consolidated financial performance and consolidated cash flows for the year ended 31 March 2022 is not further modified in respect of this matter.

* *Being Note 16 in this announcement.*

\# *Being Note 1 in this announcement.*

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

The fundamental reason for the disclaimer of audit opinion on the Group's consolidated financial performance and consolidated cash flows (the "**Disclaimer**") made by the independent auditor is due to the limitation of audit scope on (i) the recoverable amount of the Khushuut mine and related assets as at 31 March 2021 and the related profit and loss impact for the Financial Year and on (ii) the deferred tax recognised by the Group during the Financial Year.

The audit committee of the Company (the "**Audit Committee**") has reviewed the Disclaimer for the Financial Year and has well noted the basis thereof. The management of the Company (the "**Management**") has reviewed the impact of the Disclaimer on the Group and considers that it does not have any significant impact on the Group's daily business operations and cashflow position. Besides, the Disclaimer is non-recurring in nature since it has no effect on the Company's consolidated statement of financial position as at 31 March 2022 because the independent auditor issued an unqualified opinion on the Group's consolidated financial position as at 31 March 2022. Therefore, the Management expects the Disclaimer will be removed in the financial year ending 31 March 2023 except for the relevant comparative figures and information disclosed for the corresponding period for the year ended 31 March 2022 will be qualified as it is not comparable to that of the coming year due to the limitation of scope. Furthermore, we have obtained a written advice from EY to confirm our understanding that the Disclaimer in the Financial Year will not be carried forward to next financial year.

There was no disagreement between the views of the Audit Committee and the Management in respect of (i) the Disclaimer and (ii) no action plan is needed to address the Disclaimer.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the Financial Year (2021: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**AGM**") of the Company will be held on Monday, 12 December 2022. The notice of the AGM will be published and despatched to the shareholders of the Company (the "**Shareholders**") in the manner as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM, the Register of Members of the Company (the "**Register of Members**") will be closed from Wednesday, 7 December 2022 to Monday, 12 December 2022, both dates inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS ANALYSIS

Revenue

In the Financial Year, the Group's revenue was a record high of HK$1,562.7 million (2021: HK$858.4 million). The significant increase of revenue was principally due to our comparatively weak performance in prior corresponding year. Since the outbreak of the COVID-19 in both Mongolia and China, border closures of both countries took place frequently which impacted our coal export efficiency. Although the Group was also suffering from the temporary suspension of coal export to China under the COVID-19 pandemic from end of October to early December 2021, we still managed to boost our coal export volume from Mongolia to China in the Financial Year. Macro factors including but not limited to, (i) supply chain issues constricted the supply of coking coal in the PRC; (ii) safety challenges and flooding affected domestic mines in China; (iii) border closures between Mongolia and China, as well as the ongoing diplomatic tensions between China and Australia compounded the situation also had positive impacts towards the growth in revenue of the Group in the Financial Year as the confluence of these events created tightness in the market and contributed to surging prices for coking coal. During the Financial Year, the Group sold approximately 802,300 tonnes (2021: 675,800 tonnes) of clean coking coal and approximately 175,100 tonnes (2021: 77,700 tonnes) of thermal coal and approximately 24,400 tonnes (2021: 91 tonnes) of raw coal. The average selling prices of clean coking coal, thermal coal and raw coal net of sales tax were approximately HK$1,918.4 (2021: HK$1,264.7), HK$52.3 (2021: HK$47.0) and HK$454.6 (2021: HK$655.3) 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$948.0 million (2021: HK$549.6 million). The overall increase was mainly due to the increase in production volume during the Financial Year. It was divided into cash costs of HK$904.2 million (2021: HK$526.6 million) and non-cash costs of HK$43.8 million (2021: HK$23.0 million).

Gross Profit

Gross profit ratio for the Financial Year was approximately 39.3% (2021: 36.0%). The gross profit ratio was benefited from the increase in average selling prices during the Financial Year. However, this positive factor was offset by a new order issued by the Government of Mongolia on the royalty calculation. From 1 July 2021 onwards, the royalty payable is to be calculated based on the reference price as determined by the Government of Mongolia, and the reference to the contract sales price was no longer adopted. The reference price adopted by the Government of Mongolia on our coal product did not reflect the unwashed nature of our coal thus the royalty charged was higher than previous years.

Other Income

The significant drop in other income during the Financial Year was due to one-off gains from a settlement agreement with a former exploration contractor in respect of legal claims on prepaid contract deposit of approximately HK$34.2 million and an extinguishment of a balance payment of HK$39.0 million for acquisition of an iron ore exploration right were recognized in prior corresponding year.

Changes in Fair Value on Derivative Component of Convertible Notes

The convertible notes issued by the Company in 2020 (the "**2020 Convertible Notes**") contain both debt and derivative components. The conversion option derivative of the 2020 Convertible Notes requires remeasurement at the end of each reporting period and a resulting gain in fair value change amounting to HK$185.0 million was recognized in the Financial Year (2021: (restated) HK$955.7 million). The major inputs into the binomial valuation model to work out the valuation of the conversion option derivative for the Financial Year have been reassessed and amended thereby leading to a prior year adjustment. Please refer to the Note 1.1 to the consolidated financial statement for details.

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

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

Key changes in assumptions used in the discounted cash flow model as at 31 March 2022 and 31 March 2021 are set out below:

	Notes	**2022**	2021
Discount rate	*(a)*	**27.61%**	28.08%
Average current coking coal price per tonne	*(b)*	**US$318**	US$137
Inflation rate	*(c)*	**2.00%**	1.99%
Predicted average annual growth rate of the coking coal price for the forthcoming four-year period since year ended	*(d)*	**(13.6%)**	3.93%

Other non-quantitative major assumption changes:

(1) A coal washing plant at the Khushuut mine site planned to be built in 2023 and completed in 2025 is no longer planned. A memorandum of understanding (the "**MOU**") was signed after the Financial Year with an independent third party who is building a washing plant in Xinjiang. Under the MOU, the Group plans to supply raw coal to this new washing plant for processing.

(2) A plan to sell both raw and clean coal to the PRC customers since 2025 has been changed to sell clean coal only. The related change will lead to the extension of the mine life.

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 2022. 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 31 March 2022;

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

(d) The average annual growth rate was updated based on the latest publicly available market data as at 31 March 2022. For the remaining year of the discounted cash flow model, the growth rate was the same as the inflation rate.

In pursuant to the recoverable amount assessment, an impairment amounted to HK$416.8 million was made in the Financial Year (2021: reversal of impairment loss of HK$1,121.0 million).

As disclosed in the "Extract from the Independent Auditor's Report", an unqualified opinion on the Group's consolidated financial position and the Disclaimer were made by EY. One of the fundamental reasons for the Disclaimer is due to the limitation of audit scope on the recoverable amount of the Khushuut Related Assets as at 31 March 2021 and the related profit and loss impact for the Financial Year.

As the Company under relevant accounting standards requires to determine the recoverable amount of the Khushuut Related Assets at each financial year end. As at 31 March 2021, the key assumptions for the valuation of the Khushuut Related Assets included, among others, selling of raw coal and additional washed coal through a washing plant to be built in Khushuut in its business plan. Building a washing plant in 2023 and to be completed in 2025 had been the Group's strategy to increase the production output and sales of clean coal. The preliminary budget for building a washing plant was in the region of US$30 million with a processing capacity of around 2 million tonnes. This infrastructure could enhance our coal production and sales of clean coal in the coming years. In respect of raw coal, we had planned selling as the commodity prices were high which would maximize our revenue. The Group was of the view that the business plan for the forthcoming years was reasonable and achievable at the material time as at 31 March 2021.

In early 2022, we understood from a customer of the Group, an independent third party, was going to build its own washing plant in Xinjiang. The Group believes it is an opportunity to outsource our coal washing requirement instead of building an additional washing plant of our own. That would increase our clean coal selling capacity without hefty capital commitment. As mentioned in above, the Company entered into the MOU on 22 April 2022 with this customer whose washing plant in Xinjiang would be completed before 2024. Under the MOU, the Group would supply raw coal to this new washing plant for processing. Instead of building an additional washing plant of our own, this would achieve sooner increase in sales of clean coal (after washing) while having less risks. In addition, the margin for selling clean coal is better than raw coal which would create more revenue and enhance the mine life of the coal mine. Such change of business plan could also save the Group from substantial capital commitment on building an additional infrastructure and the risks associated, in particular, under the unpredictable change of economic conditions globally including China. It could also release the Group's internal resources for other business opportunities. Furthermore, the Group needs not spend energy and resources to recruit, train and manage skillful labour in running a self-owned washing plant in Mongolia. Hence, this key assumption used as at 31 March 2021 was changed in the impairment assessment conducted as at 31 March 2022 due to the Company's change in business plan. The Group has yet to enter into any committed supply of coal contract with the said independent third party for coal processing since its washing plant is only in the construction stage. The plan to sell raw coal will not be constrained by the in-house washing plant capacity and therefore more coal could be sold when the commodity price is high. However, by selling clean coal only, will lead to reduction in coal production and sales volume each year for the business model purpose; therefore, the mine life will be extended theoretically because of the slower rate of consumption of the coal reserve at Khushuut mine.

The Company had provided all available evidence in relation to the original self-owned washing plant project including but not limited to the feasibility study report, water resources survey studies, washing plant site selection study and washing plant construction design prepared by various professional experts, civil engineering and architectural design companies to both the former independent auditors and EY for their review and used its best endeavour to answer queries on the impairment assessment model adopted in prior financial years. The self-owned washing plant project reached the ready to build status pending application to the Mongolia authority for commencement of construction. The Company believes that it is not commercially sensible to enter into committed contracts when the approval has not been obtained yet. However, EY considered the information provided is not sufficient to satisfy the accounting requirement for inclusion of such assumptions in the future cash flows under accounting standard.

Pursuant to the EY, the original plan to build a washing plant in Mongolia was considered appropriate to be included in the model only when the governmental approval had been obtained and construction contracts had been entered into to indicate committed facilities and solid planning. The change of the plan for not building a washing plant led to the decrease of approximately HK$131.6 million in the recoverable amount assessment of the Khushuut Related Assets.

In addition, EY was not satisfied with our 2021 business plan of selling more raw coal as there was no historical sales trend to support this future sales strategy. Nevertheless, the Group had sold 24,400 tonnes of raw coal during the Financial Year as an established proof of a raw coal market existed in Xinjiang, China. As such, despite the previous acceptance by the former independent auditor, the two major assumptions, namely, building of a washing plant and the sales of raw coal which were used for the 2021 valuation of the Khushuut Related Assets, were not adopted in the valuation model of the Financial Year. There is no relationship between the change of plan for the washing plant and the plan to sell clean coal only.

EY could not satisfy itself on the opening balance in the Financial Year due to the reason of Khushuut Related Assets valuation as at 31 March 2021 as explained. Therefore, EY was unable to agree if the impairment loss of HK$417 million in the Financial Year because it was the difference between the opening and closing balances of Khushuut Related Assets for the Financial Year. It did not form an opinion on the recoverable amount of the Khushuut Related Assets as at 31 March 2021 and the related profit and loss impact for the Financial Year.

The key changes in the Khushuut Related Assets valuation involve the change of business models as mentioned for the Financial Year. The Company and the former independent auditor had reviewed the model/workings prepared by the then valuer at the material time and no disagreement was noted in previous financial years. The management of the Company ("**Management**") considers that these are different in view of commercial judgements. As the business model adopted as at 31 March 2021 was reasonable and appropriate at the given point of time and by the former independent auditor; therefore, the Company is of the view that it would not be appropriate, sensible and practicable to conduct a reassessment of impairment testing for the financial year ended 31 March 2021.

Deferred taxation

In respect of the Disclaimer on the deferred tax issue made by EY, it mainly relates to deferred tax arising from the depreciation and amoritsation of the Khushuut Related Assets from the Group's Mongolia and PRC operating entities as at 31 March 2021 and unrealised foreign exchange losses from the Group's Mongolia operating entity as at 31 March 2021. As the reassessment for the deferred tax assets recognition would be based on similar assumptions used in the impairment assessment model for the Khushuut Related Assets adopted in prior year; accordingly, similar to the recoverable amount of the Khushunt Related Assets issue, the Company is of the view that it would not be appropriate, sensible and practicable to conduct a reassessment for the financial year ended 31 March 2021. Please refer to Note 16 to the consolidated financial statements for the movements of the deferred taxation.

Finance Costs

The major components in finance costs were the effective interest expenses on convertible notes, interest charge on advances from a Director and a loan note. The interest charge on the debt component of the convertible notes issued by the Company was calculated at an effective interest rate of 14.26% per annum (2021: restated from 21.82% to 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 (2021: 22.37%). The revision of the effective interest rate for the convertible notes led to a prior year adjustment. For details, please refer to Note 1.1 to the consolidated financial statement.

REASONS FOR PRIOR PERIOD ADJUSTMENTS

The reasons for the prior period adjustments made in the consolidated financial statements for the Financial Year are as follows:

(a) The Company issued the 3% convertible notes due 2025 in March 2020 (the "**2020 Convertible Notes**") to the relevant note holders for replacement of the then outstanding convertible notes issued in 2014. The 2020 Convertible Notes contained two components, a debt component and the derivative components with (i) a conversion option derivative to the note holders and (ii) a prepayment option derivative of the Company for early redemption of the convertible notes. The derivative components should be measured at fair value with changes in fair value recognised in profit or loss in pursuant to the Hong Kong accounting standards. When preparing the financial results of the Company for the year ended 31 March 2020 and 2021, an independent valuer was appointed by the Company to measure the debt and derivative components upon initial recognition of the 2020 Convertible Notes and their subsequent fair value changes at the end of each reporting period. The effective interest rate of the debt component of the 2020 Convertible Notes was determined by the independent valuer at 21.82% per annum. The Company considered that the effective interest rate appeared reasonable in view of the nature that the 2020 Convertibles Notes were purely for refinancing purpose and no real cash inflow was involved. The effective interest rate was also comparable to the Company's convertible notes issued in 2014 which was 19.96%.

During the Financial Year, a new independent valuer was appointed and it was of the view that the conversion option derivative of the note holders and the prepayment option derivative of the Company should be mutually exclusive under contract. However, they should be measured in a bundle instead of separately according to the requirement of the relevant Hong Kong accounting standards. Besides, the 2020 Convertible Notes should be treated as a standalone issuance, rather than a refinancing issue and the effective interest rate of the debt component by reference to convertible notes issued by comparable companies should be 14.26%.

(b) In the past, bills receivables were classified as amortised cost instead of fair value through other comprehensive income. However, as all the bills receivables of the Group were matured within 12 months and therefore, the accounting treatment is indifferent under both classifications. The practice of the Group is only to accept bills issued by reputable banks in the PRC. Hence, the Group did not reassess the risk and rewards of ownership of the bills receivables upon discounting them in the past. As a matter of fact, all the discounted bills receivables as at 31 March 2021 were cleared by the issuance banks upon their maturity dates without any default.

(c) In the last financial year, it was misunderstood that the exchange differences arising in a Mongolian subsidiary might be liable to Mongolian tax and therefore a general tax provision was provided. Such provision is, however, considered over conservative as such should not be provided for.

(d) MoEnCo, a key operating subsidiary in Mongolia, is required to submit an annual environmental plan to the Mongolian authority. In the past, MoEnCo intended to use the short-term environmental plan to cover its obligation for mining rehabilitation under the Mongolia law. This practice was not challenged by the local auditor of MoEnCo after they reviewed the annual environmental plan, actual spending on environmental protection as well as a 5-year environmental protection plan of MoEnCo. Therefore, no separate provision was made for the mining rehabilitation previously.

MARKET REVIEW

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

Despite the raging COVID-19 pandemic across the globe, China's economy recorded an outstanding growth of 8.1% in gross domestic product ("**GDP**") in 2021, which was the fastest rate in a decade. According to the data of the National Bureau of Statistics of China ("**NBS**"), China's economy continued to recover from the pandemic for the first half of last year. It achieved 18.3% surge in GDP in the first quarter of 2021 but the growth slowed down to 4% in the final quarter. The main driver of the increase was the global demand for China's export products. According to the NBS, China's GDP per capita was around US$12,551, almost reaching the standard of a "high-income country" as defined by the World Bank, meeting a target of lifting its people out of poverty.

The global crude steel production was 1,950.5 million tonnes in 2021, a growth of 3.7% compared with the previous year, according to the recent data of the World Steel Association. China remained the biggest crude steel producing country in the world during this period, producing 1,032 million tonnes and accounting for 53% of the world's crude steel production, but a decline of 3% compared with the same period in 2020. Steel demand in China saw a major slowdown in 2021 due to the tough government measures on real estate developers. Steel products produced are mostly for domestic use including properties, infrastructures, and manufacturing, and the remaining is for exports, mostly to developing countries in Southeast Asia.

Coal industry of China also recorded a stellar performance last year. According to the data of the NBS, the income of the enterprises above the designated size from the coal mining and washing sectors reported a rise of 58.3% and a surge in profit of 212.7%, compared with the same period of the previous year.

China is the world's largest coal producer and consumer. As it was the state policy to encourage miners ramping up their fossil fuel output to safeguard the country's energy supplies and to meet the demand for electricity, China produced 4.07 billion tonnes of raw coal in 2021, a year-on-year increase of 4.7%, according to the data of the NBS. Apart from an internal increase of production, coal import also recorded a surge, notwithstanding the import restriction for Australian coal. According to the General Administration of Customs of China ("**GAC**"), China imported a total of 323.22 million tonnes of coal last year, which was a year-on-year increase of 6.6%. It was the result of increased purchase of coal from other countries. Indonesia, Russia, Mongolia, the Philippines and Canada were China's top coal suppliers. China's coal consumption in 2021 rose 4.6% year-on-year. The power sector consumption increased 10% and it accounted for 56.4% of the total. Usage of coal in building material and chemical industries rose 10.2% and 6.9% respectively, while steel sector recorded a drop of 8.2%. As China needs to stabilize economic growth, and coal power supply is critical, it is expected that the demand for coal would remain strong this year.

In respect of coking coal, according to the data from the GAC, the import volume for 2021 was 54.7 million tonnes, a slump of 24.6% year-on-year. The decline in coking coal import was mainly due to the Australian coal import restrictions, and the transportation disruption in Mongolia under the impact of COVID-19 which reduced the export of coking coal to China. The deficiency in coking coal import from Australia and Mongolia was partially made up by seaborne coking coal from the United States, Canada and Russia. The United States exported 10.24 million tonnes of coking coal into China in 2021 which was a ten-fold increase from the previous year. The coking coal import from Australia was approximately 11.3% while the Mongolian coking coal was 25.7% (approximately 14.04 million tonnes) of the total coking coal import into China in 2021.

In Mongolia, the mining sector makes up almost a quarter of the country's GDP and over 90% of its export. China is the key trade partners of Mongolia last year, the export value almost accounted for 82.7% of Mongolia's total export in 2021. However, export of Mongolian coal through main border crossings were very unstable since the outbreak of the COVID-19 pandemic. Mongolia's coal export plunged 45.1% year-on-year to 15.7 million tonnes in 2021, according to the data of Mongolian Customs General Administration.

BUSINESS REVIEW

Coal Sales

We recorded a revenue of HK$1,562.7 million from the sales of coking coal and thermal coal to our customers in China and Mongolia in the Financial Year, a rise of 82.0% compared with the previous financial year.

Coal Production

During the Financial Year, approximately 8,702,400 bank cubic meters ("**BCM**") of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works (2021: 5,018,000 BCM). Production of coking coal (before processing) and thermal coal were approximately 1,390,500 tonnes and 434,800 tonnes respectively (2021: 905,200 tonnes and 324,100 tonnes).

Coal Processing

During the Financial Year, approximately 1,296,100 tonnes of ROM coal (2021: 996,600 tonnes) were processed by the dry coal processing plant, producing approximately 1,036,200 tonnes of raw coking coal (2021: 782,300 tonnes). The average recovery rate was 79.9%. The raw coking coal would then stand for export to Xinjiang for further washing before delivery to our customers. In Xinjiang, approximately 1,231,700 tonnes of raw coking coal (2021: 905,300 tonnes) were processed by the washing plant, producing approximately 870,100 tonnes of clean coking coal (2021: 723,000 tonnes). The average recovery rate was 70.6%.

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 1,285,700 tonnes of raw coking coal were shipped from Mongolia to Xinjiang.

Customers and Sales

No master coal contract was signed during the Financial Year. The actual sales including price and the quantity of coal to be delivered were negotiated and mutually agreed from time to time between us and the customers, monthly in general, during this period. Clearing is based on the actual clean coking coal delivered after washing, and on this basis, we sold 435,800 tonnes of clean coking coal to our major customer during the Financial Year. It accounted for approximately 53.1% 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 for coking coal, we had 10 other customers in Xinjiang 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

Over the reporting period, the main objective of the Government of Mongolia was to mitigate the economic and social impact from the coronavirus pandemic and take approaches to create a sustainable and resilient economy as well as securing the society in readiness for the long-term consequences of the pandemic. Another priority for the Mongolian Government was to prevent the COVID-19 shock from undermining financial stability. Aiming to support the smooth recovery and development of the country's financial market, the Law on Cash Deposits, Transfer and Loan Operations of Banks and Legal Bodies had been renewed. This is an important piece of reform for the financial institutions. It aims not only to providing better protection of public and private deposits during the times of global economic downturn but also allowing diverse and prompt banking services to be in line with the fast-paced global trends.

Apart from the financial side, the Mongolian Government has also spared no effort in improving borders efficiency for its import and export activities. It paid special attention to easing the cross-border trade and making border supply management strategies more responsive to the circumstances. Border control, trade and disease prevention agencies and private transporting and logistics companies of Mongolia, Russia and China have collaborated for adequate solutions on all the spectrum of existing cross-border problems. The Cabinet of Mongolia approved a number of resolutions for optimization of cross-border trade through border controls and visa centers digitalization, establishing the Exclusive Border Ports Administration in July 2021, and improving the operations of border ports and crossing points. In addition, the Government puts its efforts to accelerate the work of increasing the export capacity of several border points including the Bulgan border point. This objective has been specified in the Government Action Plan for the period of 2021-2024.

In October 2021, the President of Mongolia Ukhnaa Khurelsukh initiated a comprehensive national program to combat climate change and desertification through creation of a legal environment. At least one percent of Mongolia's GDP would be spent annually on combating climate change and desertification, and on increasing environmentally friendly and green facilities through public and local investments. This new national movement is called "Billion Trees" and would be executed in three phases up to the year of 2030. The Government also sees this campaign from the angle of "from welfare to employment", providing job opportunities through tree planting, irrigation and introducing various advanced technologies. MoEnCo joined the campaign initiated by the President, and signed the Certificate of Commitment to plant one million trees with the Minister of Nature, Environment and Tourism in November 2021.

In early April 2022, Mongolia held its annual Economic Forum, which was canceled for the past two years due to the COVID-19. During this Forum, L. Oyun-Erdene, the Prime Minister of Mongolia, presented the current administration's "New Recovery Policy" following the country's long-term development plan called "Vision-2050". This policy, which was adopted together with the list of development projects to be implemented and an action plan for realizing the first phase, is expected to serve as a roadmap to ramping up Mongolia's industrialization, speeding up improvement to the economy, and increasing GDP and livelihood of its citizens. The New Recovery Policy also aims to strengthen Mongolia's economic independence, reduce the negative impact of the coronavirus pandemic on the economy, and promptly address the development barriers. The Policy identifies the six key current economic priorities: development of trade ports, energy sector, industrialization, urban and rural development, green development, and efficient governance and public productivity. The Parliament assigned the Cabinet and the Bank of Mongolia to arrange funds and financing required for the implementation of the projects and activities specified in the "New Recovery Policy" linking them with the state and local budgets and other funding sources and attracting participation of investors through public-private partnerships. One of the key features of the plan is the partial privatization of the state-owned enterprises to attract both domestic and foreign investment. In terms of implementation, the guidelines were approved recently for public offer of shares of the government owned enterprises on the Mongolian stock exchange in years of 2022 and 2023.

The presidential election was held in June 2021 which the former Prime Minister U.Khurelsukh of the Mongolian People's Party gained victory. The Minister of Foreign Affairs of Mongolia B.Battsetseg paid an official visit to China at the invitation of Wang Yi, Member of the State Council and Minister of Foreign Affairs of the PRC. During the talks, the Foreign Ministers exchanged views on bilateral cooperation between Mongolia and China, as well as a wide range of regional and international relations. In February 2022, the Prime Minister L.Oyun-Erdene paid a working visit to Beijing for the opening ceremony of the XXIV Olympic Winter Games. During this visit, the Prime Minister met with the President of China Xi Jinping and Premier Li Keqiang and exchanged views on a wide range of issues, including trade and cooperation during the pandemic. They exchanged views on strategic issues including large railway infrastructure projects, increasing coal exports and long-term coal purchase contracts, desertification combat and renewable energy opportunities, and issued a joint statement which followed by Notes of the Ministries of Foreign Affairs of the two countries.

Environmental policies, relevant laws and regulations affecting us

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

Our business operation is mainly carried out by MoEnCo in Mongolia. MoEnCo has a detailed environmental assessment of the Khushuut Mine covering five years environmental management and protection related matters in our mine operation. Based on such documentation, the Ministry of Environment and Tourism of Mongolia will approve an annual environmental plan while monitoring the implementation of the previous year's environmental plan through an implementation report submitted by MoEnCo.

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

The relevant laws and regulations having significant impact on our operation include the Minerals Law and various laws on the environmental protection such as General Environmental Protection Law, Land Law, Water Law, Law on Environmental Impact Assessment, the Mining Prohibition Law ("**MPL**"), etc. These laws and regulations impose requirements on our operations and our obligations on the environment generally. For example, under the Mineral laws, renewal of mineral licences must be made timely and subject to payment of annual licence fee. The law also states that the licence holders are obligated to meet a minimum exploration expenditure requirement under the exploration licences. Under the MLP, it prohibits minerals exploration and mining in areas such as headwaters of rivers and lakes, forest areas and areas adjacent to rivers and lakes. The Mongolian authorities may impose moratorium or restrictions on licences if the holders are in breach of any relevant laws in Mongolia.

MoEnCo has an environmental management team responsible for implementing its environmental duties and responsibilities under the directions of its mining director and deputy health, safety and environmental manager. The legal department of MoEnCo is responsible for recording compliance issues while monitoring timely execution and submission of the environmental reports and plans to the relevant Mongolian authorities on an annual basis. So far as the Board and management are aware, MoEnCo has generally complied with its environmental duties as required by the Mongolian laws and regulations during the Financial Year. More details are set out in the Environmental, Social and Governance Report.

Key stakeholders relationship

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

In general, we maintain a good relationship with them. There was no material and significant dispute between the Group and its customers, suppliers and other business partners regarding our operation in the Financial Year.

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

In respect of the claim of US$13.5 million lodged by Thiess since 2013, there were no substantial development during the Financial Year.

Subsequently after the Financial Year, on 16 September 2022, the Company entered into the settlement agreement with Thiess for US$5.75 million in full and final settlement of the disputes between the parties ("**Settlement Agreement**").

Under the Settlement Agreement, the Company agrees to pay Thiess the settlement amount on a without admission of liability basis on or before 30 September 2022. The Group made the payment in accordance with the Settlement Agreement before 30 September 2022. The case is now formally closed.

Connected Transaction

During the Financial Year, the Company entered into a logistics services framework agreement with 新疆遠見鴻業物流有限公司 ("**VVLJV**") on 3 December 2021 (as revised by the supplemental logistics services framework agreement dated 31 March 2022, collectively as the "**Logistics Services Framework Agreement**"). Pursuant to the Logistics Services Framework Agreement, VVLJV agrees to provide logistics services to the Group for a period until 31 March 2023 effective from the date of approval by the independent shareholders of the Company at the special general meeting.

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

The Group's principal business is coal mining and related processing. As the Group sells coking coal and thermal coal to customers in the PRC and Mongolia, the Group requires logistics services providers to provide logistics services for its coal and related products from time to time in the Xinjiang region of the PRC. Under the Logistics Services Framework Agreement, VVLJV shall provide the Group with logistics services for coal and related products transportation in the PRC including (i) raw coal drop and pull; (ii) gangue backfilling; and (iii) clean coal. The annual cap set the services under the term of the Logistics Services Agreement is not to exceed RMB131.6 million.

The services run for a period from 20 May 2022, the date that the transactions received the approval from independent shareholders in the special general meeting, to 31 March 2023. Shareholders may refer to the circular of the Company dated 26 April 2022 for detailed information.

FINANCIAL REVIEW

Liquidity and Financial Resources

In preparing the consolidated financial statements, the Directors have given careful consideration of the future liquidity of the Group. While recognising that the Group had net liabilities of HK$2,712.4 million and net current liabilities of approximately HK$1,140.4 million as at 31 March 2022, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future given that: (1) Mr. Lo, a substantial shareholder and chairman of the Company who has significant influence over the Group, has provided facilities amounting to HK$1,900.0 million. The balance of the unutilised facilities of HK$931.6 million as at 31 March 2022 remains valid until 29 March 2024; and (2) Mr. Lo does not intend to demand immediate repayment of his advances to the Company.

The borrowings of the Group as at 31 March 2022 were the convertible notes, loan note, secured bank borrowings and advances from Mr. Lo in aggregate of HK$5,663.4 million (2021: HK$5,480.7 million). Secured bank borrowings and advances from Mr. Lo which are unsecured, are classified as current liabilities while the convertible notes and loan note are classified as non-current liabilities.

As at 31 March 2022, the cash and bank balances of the Group were HK$63.9 million (2021: HK$57.6 million) and the liquidity ratio was 0.52 (2021: 0.38).

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$377.2 million (2021: reversal of impairment loss of HK$987.7 million). During the Financial Year, the Group had incurred capital expenditures of approximately HK$106.6 million (2021: HK$60.5 million).

Trade and Bills Receivables

The Group allows a credit period of 30 to 60 days for trade receivables and the maturity dates for bills receivables should be within 180 days or less. As at 31 March 2022, the majority of the trade receivables were within our credit period. For the bills receivables, they were non-interest bearing bank acceptance bills with settlement being guaranteed by the licensed banks in the PRC.

Other Receivables, Prepayments and Deposits

It mainly comprised prepaid value added tax of HK$169.0 million (2021: HK$129.8 million) to be refunded by the Government of Mongolia or offset against future taxes and royalties payable to the Government of Mongolia.

Financial Assets at Fair Value Through Profit or Loss

As at 31 March 2022, the fair value of the financial assets at fair value through profit or loss was HK$50.8 million (2021: HK$50.8 million), which was approximately 1.4% (2021: 1.4%) of the total assets of the Group. It represents the Group's interest in Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "**Jade Bird**"), a company listed in Hong Kong. The principal activities of Jade Bird and its subsidiaries are engaging in the technology research, development, marketing and sale of embedded system products and related products in security and fire alarm systems. The Group's investment is approximately 5.58% (2021: 5.58%) of the total issued share capital of Jade Bird. During the Financial Year, the Group did not receive any dividend from Jade Bird.

Other Payables and Accruals

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

Charge on Group's Assets

Secured bank borrowings with outstanding balances of HK$66.6 million at 31 March 2022 (2021: Nil) was secured by equivalent carrying amount of coal inventory located at Mongolia as collateral. There was no other charge on the Group's assets as at 31 March 2022 (2021: Nil). As at 31 March 2022, the gearing ratio of the Group was 1.5 (31 March 2021: 1.6) which was calculated based on the Group's total borrowings to total assets.

Foreign Exchange

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

Contingent Liabilities

As at 31 March 2022, there were no material changes to the nature of the Group's contingent liabilities and they were all related to the legal claims made by a former mining contractor in 2013.

Subsequent to the financial year ended 31 March 2022, on 16 September 2022, the Company entered into a settlement agreement with the former mining contractor in which both parties agreed a final settlement amount of US$5,750,000 (equivalent to approximately HK$44.9 million) in full and final settlement of the disputes between the parties, and the payment had been made by the Group before 30 September 2022.

OUTLOOK

The globe was on the road of recovery in 2021; however, the pace was slower than expected. Since the beginning of 2022, the Omicron variant sneaked in and has been raging across the world. Though the variant is not as lethal as its predecessors, it spreads quickly around the world, causing serious casualties on the elderly and the weak. It blocks the recovering economy. The geopolitical tension also intensifies in 2022 between the world's superpowers. The outbreak of war between Russia and Ukraine brings further uncertainties to the outlook.

Direct consequences of these events are the surge of energy and commodity prices, shortages of food supply, and further disruptions on the supply chains. As most western countries advocate for sanctions against Russia, these will have substantial impacts on the world economy and financial markets, with significant spillovers to other countries. According to the forecasts of the International Monetary Fund (IMF), global growth is expected to slow down to 3.2% in 2022. The estimation reflects the uncertainties caused by these factors. The World Bank even adjusted the global growth to 2.9% in 2022 as a result from the pandemic and the Ukraine war. It also warns that the economy could slip into a period of stagflation and many countries may face recession.

Under the uncertainties brought about by the ongoing conflicts between Russia and Ukraine, the World Steel Association revised down its 2022 global steel demand growth forecast to 0.4% year on year, following a 2.7% increase in the preceding year. In respect of China, crude steel production and demand have been weak from the beginning of this year. According to the data of the NBS, crude steel production of China for the first half of 2022 stood at 527 million tonnes, down 6.5% from the same period a year earlier. Many steel mills in China have implemented production cut. The industry expects the steel production control policy will continue. In long run, it will affect the demand of coking coal.

China's coal demand is based on development of four major energy sectors including power, steel, building materials and chemical sectors, which account for 80% of the total coal consumption. This is particularly so with the state policy to secure sufficient power supply for the country and to prioritise investment in infrastructure. As a result of trade conflicts between Australia and China, and the curb in domestic coal production, the coking coal demand surged and price elevated. Coking coal supply to China will continue to rely on Mongolia and other countries in 2022 though the price may adjust downward when Mongolia ramps up its coking coal export.

China had a shining growth in 2021; however, there are negative factors looming. These include the property downturn, shrinking demand, diminished support from exports and the COVID-19 impact. These impacts further weaken the steel market and China's economy as a result of the lockdowns. In order to stabilize its economic performance, China is determined to boost its economy, keeping major economic indicators within an appropriate range by adopting a package of measures. Thirty-three measures in six aspects which mainly include fiscal and related policies will be implemented to keep the operation of market entities and employment stable. Government approval procedures will be improved. A number of infrastructure projects including transportation facilities, renovation of old residential communities, and multipurpose utility tunnels will get off the ground. A new round of rural road construction and renovation will be launched. The implementation of these measures will boost the already weaken steel markets and economy.

Growth prospects of Mongolia in 2022-2023 will depend largely on whether the major trade portals with the PRC reopen in a constant manner and the control of impact from the COVID-19. Under the support of domestic demand, investment, and recovery in industry, agriculture, and services, the Asian Development Bank projects Mongolia's economic growth to expand by 2.3% in 2022 compared with the 1.4% growth in 2021 before climbing to 5.6% in 2023.

As both China and Mongolia are eager to increase the import and export of coal, the Chinese and Mongolian authorities made substantial efforts to mitigate impact of the epidemic and boost coal trades, including construction of coal railways through some of the major borders. The government officials participated in various meetings to discuss improvement of the truck crossing in a bid to increase the import and export volume of coal. The measures taken include seven-days opening of the borders and to simplify the control procedures.

We were benefitted from the improvement of the border crossing policies of China and Mongolia for our coal export and the elevated coking coal price during the Financial Year. However, the steel market currently remains weak. We hope the steel market will revitalise on the measures taken by the PRC government in boosting its economy. Since the beginning of the year, we have taken the present advantages to ramp up and boost our coking coal export quantity to China and to push our sales to the best of our effort. This approach is to countenance any unforeseeable downturns which may come up any time during the year. We will continue to adopt a prudent and flexible strategy in our operation and production planning in response to the ever-changing internal and external conditions.

HUMAN RESOURCES

As at 31 March 2022, excluding site and construction workers directly employed by our contractors, the Group employed 758 full-time employees in Hong Kong, Mongolia, and the PRC. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on a periodic basis. Apart from the retirement benefits scheme, year-end bonus, and share options are awarded to the employees according to performance of the Group, assessment of individual performance, and industry practice. Appropriate training programs are also offered for staff training and development.

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

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

CORPORATE GOVERNANCE

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

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

i. Code provisions B.3.1 of the CG Code require a nomination committee to be set up, chaired by the chairman of the board or an independent non-executive director to review the structure, size and composition of the board at least annually to complement the issuer's corporate strategy.

   The Company set up a nomination committee on 30 December 2021. Before that, the Board considers that it should be the responsibility of the full Board to collectively review, deliberate on and approve the structure, size and composition of the Board and appointment of the Directors. The Board has already set out the criteria for selection of a Director under its nomination policy for recruitment of Board members. In addition, according to the Bye-laws of the Company, any newly appointed Directors are required to offer themselves for re-election at the next general meeting. Furthermore, the Shareholders' right to nominate a director candidate and participation in the re-election of Director by way of poll voting at the AGM can further ensure a right candidate to be selected.

ii. Code provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the AGM.

   Due to another business engagement, the Chairman was unable to attend the 2021 AGM. Mr. Tsui Hing Chuen, William JP, the independent non-executive Director of the Company took the chair of the 2021 AGM and answered questions raised by the Shareholders. The AGM provides a channel for communication between the Board and the Shareholders. Other than the AGM, the Shareholders may communicate with the Company through the contact methods listed on the Company's website.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

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

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

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

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the consolidated financial statements for the Financial Year of the Group.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.mongolia-energy.com). The annual report of the Company for the Financial Year containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the above websites on or before 10 November 2022.

By Order of the Board
Mongolia Energy Corporation Limited
Tang Chi Kei
Company Secretary

Hong Kong, 31 October 2022

As at the date of this announcement, the Board comprises nine Directors, including Mr. Lo Lin Shing, Simon, Ms. Yvette Ong, Mr. Lo, Rex Cze Kei and Mr. Lo, Chris Cze Wai as executive Directors, Mr. To Hin Tsun, Gerald and Mr. Tang Chi Kei as non-executive Directors, and Mr. Tsui Hing Chuen, William$_{JP}$, Mr. Lau Wai Piu and Mr. Lee Kee Wai, Frank as independent non-executive Directors.