MONGOLIA ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 276)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board of directors (the "**Board**") of Mongolia Energy Corporation Limited (the "**Company**") announces the condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 September 2023 (the "**Financial Period**") together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2023

		Six months ended 30 September	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,557,257**	1,866,241
Cost of sales		**(978,525)**	(1,073,965)
Gross profit		**578,732**	792,276
Other income	*4*	**9,981**	9,848
Other gains and losses	*5*	**(16,676)**	(16,748)
Administrative expenses		**(166,869)**	(88,803)
Changes in fair value on derivative component of convertible notes	*13(a)*	**326,267**	(418,619)
Impairment losses on property, plant and equipment		**(604,642)**	(493,691)
Impairment losses on right-of-use assets		**(517)**	(496)
Impairment losses on intangible assets		**(55,784)**	(54,410)
Impairment losses on financial assets		**(2,201)**	(542)
Finance costs	*6*	**(339,164)**	(293,491)

	Notes	Six months ended 30 September **2023** *HK$'000* **(unaudited)**	2022 *HK$'000* (unaudited)
Loss before taxation	*7*	**(270,873)**	(564,676)
Income tax expense	*8*	**(275,965)**	(181,273)
Loss for the period attributable to owners of the Company		**(546,838)**	(745,949)
Loss per share attributable to ordinary equity holders of the Company	*9*		
– basic and diluted loss per share (HK$)		**(2.91)**	(3.97)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Six months ended 30 September **2023** *HK$'000* **(unaudited)**	2022 *HK$'000* (unaudited)
Loss for the period	**(546,838)**	(745,949)
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of group companies	**(33,069)**	(31,302)
– Fair value changes on debt instruments at fair value through other comprehensive income ("**FVTOCI**")	**1,790**	790
Other comprehensive expense for the period	**(31,279)**	(30,512)
Total comprehensive expense for the period attributable to owners of the Company	**(578,117)**	(776,461)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	30 September 2023 HK$'000 (unaudited)	31 March 2023 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*10*	**426,757**	1,018,279
Right-of-use assets	*10*	**11,307**	8,613
Intangible assets	*10*	**35,080**	93,087
Exploration and evaluation assets		**1,689**	1,689
Interest in an associate		**–**	–
Deferred tax assets		**24,266**	40,166
		499,099	1,161,834
Current assets			
Trade and bills receivables	*11*	**1,594,814**	953,484
Inventories		**329,605**	303,382
Other receivables, prepayments and deposits		**292,542**	254,767
Prepaid taxation		**80**	15,498
Financial asset at fair value through profit or loss ("**FVTPL**")		**46,522**	51,598
Amount due from an associate		**–**	–
Cash and cash equivalents		**75,638**	60,264
		2,339,201	1,638,993
Current liabilities			
Trade payables	*12*	**337,017**	252,590
Other payables and accruals		**1,297,140**	782,010
Contract liabilities		**10,522**	67,967
Tax liabilities		**207,922**	14,712
Advances from a Director		**1,227,149**	1,302,017
Lease liabilities		**5,875**	3,056
Deferred income		**1,498**	1,591
		3,087,123	2,423,943
Net current liabilities		**(747,922)**	(784,950)
Total assets less current liabilities		**(248,823)**	376,884

	Notes	30 September 2023 HK$'000 (unaudited)	31 March 2023 HK$'000 (audited)
Non-current liabilities			
Convertible notes	*13(a)*	**4,071,420**	4,186,443
Loan note	*13(b)*	**524,652**	474,140
Deferred income		**1,222**	2,093
Deferred tax liabilities		**17,831**	18,931
Lease liabilities		**5,189**	4,751
Provision for rehabilitation		**45,826**	27,372
		4,666,140	4,713,730
Net liabilities		**(4,914,963)**	(4,336,846)
Financed by:			
Capital and reserves			
Share capital		**3,763**	3,763
Reserves		**(4,918,726)**	(4,340,609)
Capital deficiencies attributable to owners of the Company		**(4,914,963)**	(4,336,846)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In preparing the condensed consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity of the Group. The Directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of 12 months from 30 September 2023. The cash flow projections have been determined using estimation of future cash flows to be generated from the Group's operating activities and its working capital needs. Also, Mr. Lo Lin Shing, Simon ("**Mr. Lo**"), a substantial shareholder who has significant influence over the Group and being the Chairman and Director of the Company, has provided facilities amounting to HK$1,900.0 million by way of advances to the Group. As at 30 September 2023, advances from a Director of HK$1,227.1 million comprised principal amount and accrued interest of HK$968.4 million and HK$258.7 million respectively. Excluding the accrued interest of HK$258.7 million, the balance of the unutilised facilities of HK$931.6 million remains valid until 31 March 2025 and Mr. Lo has undertaken not to demand for repayment of the principal amount of the loan and the accrued interest until the Group has sufficient cash to make repayment and the repayment will not affect the Group's liquidity position.

While recognising that the Group had net liabilities of approximately HK$4,915.0 million and had net current liabilities of approximately HK$747.9 million as at 30 September 2023 and incurred a loss of approximately HK$546.8 million for the period 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 condensed 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 condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2023.

Application of amendments to HKFRSs

The Group has adopted the following new and amendments to HKFRSs for the first time for the current period's condensed consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	Income taxes: International tax reform – Pillar Two model rules

The application of the above new and amendments to HKFRSs have no material impact on the Group's condensed consolidated financial statements.

3. 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. Revenue from coal washing service provided to external customers located in the PRC is recognised over time when the obligation of coal washing service is completed.

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

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

For the six months ended 30 September 2023

	Coal mining *HK$'000*	Total *HK$'000*
Segment revenue	**1,557,257**	**1,557,257**
Segment loss	**(257,923)**	**(257,923)**
Unallocated expenses *(Note)*		**(23,030)**
Other income		**6,187**
Other gains and losses		**(5,072)**
Changes in fair value on derivative component of convertible notes		**326,267**
Finance costs		**(317,302)**
Loss before taxation		**(270,873)**
Timing of revenue recognition		
Goods transferred at a point in time		**1,557,257**
Services transferred over time		**–**
		1,557,257

For the six months ended 30 September 2022

	Coal mining *HK$'000*	Total *HK$'000*
Segment revenue	1,866,241	1,866,241
Segment profit	191,296	191,296
Unallocated expenses *(Note)*		(23,231)
Other gains and losses		(22,940)
Changes in fair value on derivative component of convertible notes		(418,619)
Finance costs		(291,182)
Loss before taxation		(564,676)
Timing of revenue recognition		
Goods transferred at a point in time		1,861,936
Services transferred over time		4,305
		1,866,241

Note:

Unallocated expenses mainly included staff costs for corporate office, office rental and legal and professional fees for both periods.

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

	30 September 2023 ***HK$'000***	31 March 2023 *HK$'000*
Coal mining	**2,735,508**	2,710,055

4. OTHER INCOME

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Interest income	**365**	766
Government grants	**803**	944
Dividend income	**6,178**	–
Sundry income	**2,635**	8,138
	9,981	9,848

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Changes in fair value on financial asset at FVTPL	**(5,076)**	(10,996)
Gain on disposal of property, plant and equipment	**69**	–
Loss on write off of property, plant and equipment	**(114)**	–
Net exchange loss	**(11,555)**	(5,752)
	(16,676)	(16,748)

6. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Interest on advances from a Director	**55,332**	64,887
Interest on lease liabilities	**455**	211
Interest on bank borrowing	**–**	1,076
Effective interest expense on convertible notes *(Note 13(a))*	**211,244**	184,890
Effective interest expense on loan note	**50,512**	41,277
Effective interest expense on provision for rehabilitation	**21,621**	1,150
	339,164	293,491

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Employee benefit expenses, including Directors' emoluments (net of reimbursement from a related party)	**66,897**	72,703
Less: employee benefit expenses capitalised in inventories	**(30,074)**	(34,545)
	36,823	38,158
Depreciation of property, plant and equipment	**26,809**	37,282
Depreciation of right-of-use assets	**2,925**	3,212
Amortisation of intangible assets	**2,563**	6,007

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Current tax:		
Withholding tax	**1,236**	–
PRC Enterprise Income Tax ("**EIT**")	**44,039**	38,316
Mongolian corporate income tax	**49,740**	113,375
	95,015	151,691
Under (over) provision in prior periods:		
PRC EIT	**(2,043)**	(1,364)
Mongolian corporate income tax *(Note)*	**167,511**	–
Deferred taxation	**15,482**	30,946
	275,965	181,273

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

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

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

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

Note:

The significant increase in income tax expenses was mainly due to the partial provision of income tax under the Tax Audit. For details, please refer to the Company's announcements dated 21 August 2023 and 7 November 2023.

9. LOSS PER SHARE

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

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Losses		
Loss attributable to ordinary equity holders of the Company, as used in the calculation of basic loss per share	**(546,838)**	(745,949)
Adjusted by:		
Changes in fair value on derivative component of convertible notes	**–**	–
Interest on convertible notes	**–**	–
Loss attributable to ordinary equity holders of the Company, as used in the calculation of diluted loss per share	**(546,838)**	(745,949)

	Six months ended 30 September	
	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basis loss per share	**188,126**	188,126
Effect of dilutive potential ordinary shares *(Note)*:		
Convertible notes	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**188,126**	188,126

Note:

The computation of diluted loss per share for the period ended 30 September 2023 and 2022 did not assume the exercise of share options and the conversion of the Company's outstanding convertible notes since assuming the exercise of the share options or the conversion of the convertible notes would result in a decrease in loss per share.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

Property, Plant and Equipment

The following is an analysis of the Group's addition to property, plant and equipment

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Mining structures	**35,757**	62,634
Construction in progress	**792**	20,047
Computer equipment	**513**	392
Furniture, fixtures and office equipment	**309**	104
Plant, machinery and other equipment	**5,177**	3,684
Motor vehicles	**1,190**	2,395
	43,738	89,256

Intangible Assets

The intangible assets consist of software, exclusive right of use of a paved road and club membership.

There were no significant capital expenditures spent on intangible assets for either periods.

Recoverable Amount Assessment on the 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, right-of-use assets and intangible assets related to the Khushuut mine operations (collectively referred to as the "**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 30 September 2023, of which the recoverable amount determined by the Independent Valuer was lower than their carrying values, and an impairment loss amounting to HK$660,943,000 (2022: HK$548,597,000) was recognised in the condensed consolidated statement of profit or loss for the period ended 30 September 2023.

Carrying values of the Khushuut Related Assets as at 30 September 2023:

	Carrying values before impairment loss *HK$'000*	**Impairment loss** *HK$'000*	**Carrying values after impairment loss** *HK$'000*
Property, plant and equipment	**1,014,175**	**(604,642)**	**409,533**
Right-of-use-assets	**825**	**(517)**	**308**
Intangible assets	**88,981**	**(55,784)**	**33,197**
	1,103,981	**(660,943)**	**443,038**

Carrying values of the Khushuut Related Assets as at 30 September 2022:

	Carrying values before impairment loss *HK$'000*	Impairment loss *HK$'000*	Carrying values after impairment loss *HK$'000*
Property, plant and equipment	2,122,075	(493,691)	1,628,384
Right-of-use-assets	2,062	(496)	1,566
Intangible assets	226,260	(54,410)	171,850
	2,350,397	(548,597)	1,801,800

The reason for such an impairment loss being recognised in profit or loss for the period ended 30 September 2023 was mainly due to the changes in pre-tax discount rate and the average current coking coal price per tonne (2022: the changes in pre-tax discount rate, production and sales volume of coking coal and estimated coking coal price for the forthcoming four-year period). The above changes have had a significant impact on the value in use assessment performed by the Directors in both periods with the cash flows expected to be received.

11. TRADE AND BILLS RECEIVABLES

	30 September 2023 *HK$'000*	31 March 2023 *HK$'000*
Trade receivables	**304,092**	212,891
Bills receivables	**1,291,148**	740,819
	1,595,240	953,710
Less: allowance for credit losses	**(426)**	(226)
	1,594,814	953,484

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 bills receivables net of allowance for credit losses based on the date of revenue recognition:

	30 September 2023 *HK$'000*	31 March 2023 *HK$'000*
1 to 30 days	**146,213**	336,131
31 to 60 days	**154,231**	195,295
61 to 90 days	**153,675**	76,400
Over 90 days	**1,140,695**	345,658
	1,594,814	953,484

12. TRADE PAYABLES

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

	30 September 2023 *HK$'000*	31 March 2023 *HK$'000*
0 to 30 days	**288,325**	201,344
31 to 60 days	**5,770**	5,509
61 to 90 days	**9,756**	5,222
Over 90 days	**33,166**	40,515
	337,017	252,590

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

13. CONVERTIBLE NOTES AND LOAN NOTE

(a) Convertible notes

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

	Debt component *HK$'000*	Derivative component *HK$'000*	Total *HK$'000*
At 1 April 2022	2,673,167	828,515	3,501,682
Interest charge	381,438	–	381,438
Changes in fair value of derivative component	–	303,323	303,323
At 31 March 2023	**3,054,605**	**1,131,838**	**4,186,443**
Interest charge	**211,244**	**–**	**211,244**
Changes in fair value of derivative component	**–**	**(326,267)**	**(326,267)**
At 30 September 2023	**3,265,849**	**805,571**	**4,071,420**

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 treated 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:

	30 September 2023	31 March 2023
Stock price	**HK$0.47**	HK$1.05
Exercise price	**HK$1.2**	HK$1.2
Volatility *(Note (i))*	**79.8%**	77.91%
Dividend yield	**0%**	0%
Option life *(Note (ii))*	**1.43 years**	1.93 years
Risk free rate	**4.47%**	3.31%

Notes:

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

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

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

No conversion was made during both periods.

(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. The loan note contains no conversion or redemption option.

INTERIM DIVIDEND

The Directors do not recommend payment of an interim dividend for the Financial Period (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS ANALYSIS

Revenue

During the Financial Period, the operation of the Group was running smoothly but the Group's revenue slid 16.6% to HK$1,557.3 million (2022: HK$1,866.2 million) due to the fall in the average coal selling price of our products. During the Financial Period, the Group sold approximately 906,700 tonnes (2022: 826,000 tonnes) of clean coking coal and approximately 141,800 tonnes (2022: 111,900 tonnes) of thermal coal and approximately 98 tonnes (2022: 30,900 tonnes) of raw coal. The average selling prices of clean coking coal, thermal coal and raw coal net of sales tax were approximately HK$1,714.2 (2022: HK$2,224.3), HK$19.3 (2022: HK$64.7) and HK$690.1 (2022: HK$546.8) 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 Period was HK$978.5 million (2022: HK$1,074.0 million). It was divided into cash costs of HK$947.0 million (2022: HK$1,032.2 million) and non-cash costs of HK$31.5 million (2022: HK$41.8 million).

Gross Profit

Gross profit ratio for the Financial Period was approximately 37.2% (2022: 42.5%). It was lower than the last corresponding period because of the decrease in the average selling price of clean coking coal.

Administrative expenses

The significant increase in administrative expenses was mainly due to the partial provision of tax and penalty. During the Financial Period, MoEnCo LLC ("**MoEnCo**"), an indirect wholly-owned subsidiary, received a notice of tax finding from the Mongolia General Tax Office ("**GTO**"). Under the said notice, the GTO decided to impose additional tax and penalty after a routine periodic tax audit (the "**Tax Audit**") on MoEnCo covering the tax period between 2017 and 2020. For details, please refer to the Company's announcements dated 21 August 2023 and 7 November 2023.

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$326.3 million was recognized in the Financial Period (2022: loss of HK$418.6 million). The major inputs into the binomial valuation model to work out the valuation of the conversion option derivative for the Financial Period were stated in Note 13(a) to the condensed consolidated financial statements in this announcement.

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

At the end of the Financial Period, an independent qualified professional valuer was engaged by the Group to determine the recoverable amount of the Mine Assets. The independent valuer had considered three generally accepted valuation approaches, namely the market, cost and income approaches. In order to select the most appropriate approach, the independent valuer considered the purpose of valuation and the resulting basis of value as well as availability of information and reliability of information related to the Mine Asset to perform this analysis. Hong Kong Accounting Standard 36 defines value in use as the present value of the future cash flows expected to be derived from an asset or cash-generating unit. As such, the value in use of the Mine Assets could only be developed through the application of an income approach technique known as the discounted cash flow model. This approach is adopted consistently and there was no change of approach in the Financial Period. 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 30 September 2023 and 31 March 2023 are set out below:

	Note	**30 September 2023**	31 March 2023
Discount rate (post-tax)	*(a)*	**21.31%**	21.33%
Average current coking coal price per tonne	*(b)*	**US$183**	US$244
Inflation rate	*(c)*	**1.31% to 2.2%**	2.00%
Predicted average annual growth rate of the coking coal price for the forthcoming four-year period since period/year ended	*(d)*	**-6.63%**	-6.97%

Notes:

(a) The discount rate is a post-tax discount rate and is derived from the Group's WACC with appropriate adjustments made to reflect the risks specific to the Khushuut Coal Mine. The computation of WACC takes into account both cost of debt and equity, and weighted based on the Group's and comparable peer companies' average capital structure. The cost of equity is derived from the expected return on investment by the Group's investors and based on publicly available market data of comparable peer companies. The cost of debt is based on the borrowing cost of interest-bearing borrowings of comparable peer companies. The change of discount rate from the last period 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 30 September 2023. The risk premium factors are to reflect the business risks of the Khushuut Coal Mine;

(b) The average current coking coal price was updated based on latest sales contracts signed by around 30 September 2023 to reflect current market condition;

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

(d) The average annual growth rate was updated based on the latest publicly available market data as at 30 September 2023. For the remaining period of the discounted cash flow model, the growth rate is the same as the inflation rate.

Pursuant to the recoverable amount assessment, an impairment loss amounted to HK$660.9 million was made in the Financial Period (2022: HK$548.6 million). The key contributors to the decrease in recoverable amount on Mine Assets were mainly due to approximately 25% drop in average current coking coal price.

Impairment Losses on Financial Assets

According to the Group's accounting policies, the Group recognizes a loss allowance for expected credit losses on trade and bills receivable. The increase in trade and bills receivables at the end of the Financial Period accounted for the significant increase in the impairment losses.

Finance Costs

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

Income Tax Expenses

The significant increase in income tax expenses was mainly due to the partial provision of income tax under the Tax Audit. For details, please refer to the Company's announcements dated 21 August 2023 and 7 November 2023.

MARKET REVIEW

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

The global economy proved resilient in the first half of 2023, hitting 2.8% growth after the recovery from COVID-19. Growth in Asia was particularly strong during this period, averaging at 5.2% above regional potential. China attained robust recovery in the first six months of 2023 since the lifting of most COVID-19 restrictions, with a gross domestic product ("**GDP**") growth of 5.5%, which exceeded the annual target set. The robust household consumption, high growth of infrastructure investment, and surge in export were the keys to economic recovery in the first quarter while significant recovery in areas, such as services and consumption contributed to the continued growth of GDP in China in the second quarter of 2023.

The global crude steel production was 1,406 million tonnes for the first nine months this year, up 0.1% slightly year-on-year according to the recent data of the World Steel Association. However, global demand was weak and the price was unstable due to slowdown of global economic growth, particularly in manufacturing and construction sectors. China remained the biggest crude steel producing country in the world during this period, with 795 million tonnes of steel output. As the steel price plummeted in the first half of 2023, most steel producers in China reported losses.

In respect of coal, global coal demand reached an all-time high to 8.3 billion tonnes last year, according to the coal market update from the International Energy Agency ("**IEA**"). China, India and Southeast Asian countries are the leading coal consumers in the world. The IEA also expects global coal production to grow further this year, driven by an expected strong ramp-up of production in China, India and Indonesia in the first six months of 2023. According to the data from the National Bureau of Statistics of China ("**NBS**"), China produced 3.4 billion tonnes of raw coal from January to September of 2023, a year-on-year increase of 3%. Supplementing domestic coal production, China imported 350 million tonnes of coal during the same period, a year-on-year increase of 73.1%.

The combined profit of China's enterprises in coal mining and washing industry in the first nine months of 2023 were RMB578.3 billion, falling 26.5% year-on-year. The results were mainly affected by the surge in electricity costs, policy control and fall in market demand.

According to the data of General Administration of Customs of China ("**GAC**"), coking coal import increased generally in the first nine months this year, up to 73.15 million tonnes and 61% increase year-on-year. The increase in coking coal import was mainly contributed by the influx of Mongolian coal and the Russian coal, and also the competitive import coking coal price. Mongolia accounted for 52% of the total coking coal imports to China. Mongolia has become China's largest coking coal supplier, followed by Russia, Canada, the United States and India. Up to September of 2023, China had imported 38 million tonnes of coking coal from Mongolia.

According to the National Statistics Office of Mongolia, Mongolia produced 55.4 million tonnes of coal in the first nine months of 2023, and 46.8 million tonnes had been exported. Based on the current trend, it is estimated that over 50 million tonnes of coal would be exported by the end of 2023.

BUSINESS REVIEW

Coal Sales

We recorded a revenue of HK$1,557.3 million from the sales of coking coal, thermal coal and raw coal to our customers in China and Mongolia in the Financial Period, a fall of 16.6% compared with the previous financial period.

Coal Production

During the Financial Period, approximately 8,927,100 bank cubic meters ("**BCM**") of overburden were removed for the purpose of exposing the coal seams for the subsequent coal mining works (2022: 8,814,200 BCM). Production of ROM coking coal and thermal coal were approximately 1,582,200 tonnes and 1,098,400 tonnes respectively (ROM coking coal and thermal coal in 2022: 1,429,000 tonnes and 465,300 tonnes respectively).

Coal Processing

During the Financial Period, approximately 950,100 tonnes of ROM coal (2022: 706,000 tonnes) were processed by the dry coal processing plant, producing approximately 784,400 tonnes of raw coking coal (2022: 597,400 tonnes). The average recovery rate was 82.6%. The raw coking coal would then stand for export to Xinjiang for further washing before delivery to our customers.

In Xinjiang, approximately 1,402,900 tonnes of raw coking coal (2022: 1,288,800 tonnes) were processed by the washing plant, producing approximately 987,700 tonnes of clean coking coal (2022: 900,100 tonnes). The average recovery rate was 70.4%.

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 Period, approximately 1,397,900 tonnes of raw coking coal were shipped from Mongolia to Xinjiang.

Customers and Sales

No master coal contracts were signed with our customers during the Financial Period. The actual sales including price and the quantity of coal to be delivered were negotiated and mutually agreed from time to time between us and the customers, monthly in general, during this period. Our sales contract clearing is based on the actual clean coking coal delivered after washing.

During the Financial Period, we sold approximately 506,200 tonnes of clean coking coal to our largest customer and it accounted for approximately 56.9% of our revenue in the Financial Period. 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 largest customer, we had eight other customers in Xinjiang and two customers in other areas of China for our coking coal during the Financial Period.

Licences

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

Legal and Political Aspects

In 2022, Mongolia witnessed a remarkable economic rebound, with a growth rate of 4.8%. The resurgence was attributed to the reopening of China's economy, proactive measures taken by the Mongolian government to boost exports, and increased financing inflows from private sector. Furthermore, headline inflation, which peaked in mid-2022, gradually declined to 10.6% in June 2023, was primarily due to falling global prices. Core inflation also began to stabilize. In light of the improving economic situation, a supplementary budget for 2023 introducing large and permanent increases in wages, benefits, and pensions was passed in June 2023. Strong mining sector activity and the fiscal expansion are expected to help sustain robust growth in 2023.

On 31 May 2023, the Mongolian Parliament passed a significant constitutional reform, increasing the number of members in the legislative body from 76 to 126. The primary objective of this constitutional reform is to enhance legislators' service to their constituencies by reducing the average number of voters represented by each lawmaker. The newly adopted reform introduces a mixed electoral system, where 78 members of the State Great Khural will be elected through a majority vote in dedicated constituencies, while the remaining 48 members will be elected through proportional representation.

Additionally, another constitutional amendment empowers Mongolia's Constitutional Court to make final decisions on citizen petitions alleging a breach of constitutional civil rights and freedoms.

The Mongolian government has officially declared 2023 as the "Year to Combat Corruption" and has initiated the implementation of the "Five W Operation", which constitute a multifaceted initiative to address corruption within the country. These operations emphasize the core principles of transparency, accountability, and active citizen engagement. Ongoing discussions are focusing on a set of draft laws related to the legal status of whistleblowers, regulation of public and private interests and the prevention of conflicts of interest in public service, in addition to the National Anti-Corruption Program.

To attract foreign investment, the Mongolian government is committed to enhancing the legal protection of foreign investors. A revision of the Law on Investment, proposed in June 2023, is designed to provide investors with essential information, simplify business registration processes, and to ensure efficient compliance resolution. The proposed amendments address critical issues such as removing investment-related prohibitions and restrictions, enhancing protection through international arbitration, and streamlining government procedures, all with the goal of creating a more attractive and investor-friendly climate while reducing bureaucratic obstacles.

The draft law also outlines the creation of a Council for the Protection of Investors' Rights under the Ministry of Economic Development, which will play a pivotal role in safeguarding the rights and interests of foreign investors operating in Mongolia. Its functions include ensuring legal protection, resolving investment disputes, advocating for investor-friendly policies, providing information and guidance, streamlining regulatory processes, monitoring policy implementation, and collaborating with relevant stakeholders.

Furthermore, the Minister of Justice and Internal Affairs has established a dedicated working group to receive and address complaints related to the implementation of the law, while the government will hold meetings quarterly to address investors' concerns and complaints.

The Law on Public-Private Partnership, along with its accompanying handbook, will replace the previous Law on Concession and is set to take effect by the end of this year. This new law clarifies the purpose, scope, principles, terms, and understanding of public-private partnerships and distinctly defines the legal framework for implementing major infrastructure, social, and economic goals of the country. It also outlines the plenary powers and functions of public institutions in public-private partnerships, with a focus on implementing public infrastructure and public service functions through private investment on mutually beneficial terms. The new law creates a legal environment for implementing financial and budget control by improving coordination between organizations involved in partnership projects.

The Parliament has also approved the Law on Mining Products Exchange, which became effective on 1 July 2023. The law aims to organize open, transparent, and fair trading of mining products, establish real market prices, and increase the industry's contribution to the country's economic growth. Before the Law on Mining Products Exchange came into force, coal trading was being organized through the Mongolian Stock Exchange JSC.

On 7 July 2023, the Parliament of Mongolia passed the General Law on Social Insurance which will replace the existing Law on Social Insurance (1994) effective from 1 January 2024. The law aims to improve management and structure of the pension and social insurance system as well as to regulate late payments and resubmission of reports, etc. In addition, Mongolian Tax Authority (MTA) has implemented a new functionality in its electronic tax system which allows, starting June 2023, taxpayers to view their tax risk assessment and their tax scoring.

FINANCIAL REVIEW

Liquidity and Financial Resources

In preparing the condensed consolidated financial statements, the Directors have given careful consideration of the future liquidity of the Group. While recognising that the Group had net liabilities of HK$4,915.0 million and net current liabilities of approximately HK$747.9 million as at 30 September 2023, the Directors are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future given that: (1) Mr. Lo, a substantial shareholder and chairman of the Company who has significant influence over the Group, has provided facilities amounting to HK$1,900.0 million. The balance of the unutilised facilities of HK$931.6 million as at 30 September 2023 remains valid until 31 March 2025; and (2) Mr. Lo does not intend to demand immediate repayment of his advances to the Company. The borrowings of the Group as at 30 September 2023 were the convertible notes, loan note and advances from Mr. Lo in aggregate of HK$5,823.2 million (31 March 2023: HK$5,962.6 million). Advances from Mr. Lo are classified as current liabilities while the convertible notes and loan note are classified as non-current liabilities.

As at 30 September 2023, the cash and bank balances of the Group were HK$75.6 million (31 March 2023: HK$60.3 million) and the liquidity ratio was 0.76 (31 March 2023: 0.68).

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$604.6 million (2022: impairment loss of HK$493.7 million). During the Financial Period, the Group had incurred capital expenditures of approximately HK$43.7 million (2022: HK$89.3 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 30 September 2023, the majority of the trade receivables were within our credit period. For the bills receivables, they were non-interest bearing bank acceptance bills with settlement being guaranteed by the licensed banks in the PRC.

Other Receivables, Prepayments and Deposits

It mainly comprised prepaid value added tax of HK$236.3 million (31 March 2023: HK$197.3 million) to be refunded by the Government of Mongolia or offset against future taxes and royalties payable to the Government of Mongolia. The utilisation of the prepaid value added tax is subject to the approval of the Mongolian tax authority on our Mongolian subsidiary.

Financial Assets at Fair Value Through Profit or Loss

As at 30 September 2023, the fair value of the financial assets at fair value through profit or loss was HK$46.5 million (31 March 2023: HK$51.6 million), which was approximately 1.6% (31 March 2023: 1.8%) 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% (31 March 2023: 5.58%) of the total issued share capital of Jade Bird. During the Financial Period, the Group recorded a dividend income from Jade Bird amounted to approximately HK$6.2 million.

Other Payables and Accruals

The major components were being unsettled royalty tax in Mongolia, provision for additional tax in respect of tax dispute with Mongolia tax office and liabilities related to discounted bills receivables not yet matured.

Gearing

As at 30 September 2023, the gearing ratio of the Group was 2.1 (31 March 2023: 2.1) which was calculated based on the Group's total borrowings to total assets.

Foreign Exchange

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

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 September 2023 (31 March 2023: Nil).

OUTLOOK

In the second half of 2023, uncertainties such as the continuing Russia-Ukraine war, the Palestinian-Israeli conflict, US-China tensions, inflation and high interest rates are still weighing the global economy. The recovery of global economy after the Covid-19 pandemic is much slower than expected. With the weakening of the business and consumer sentiment, despite the growth of 2.8% in the first half of 2023, it is anticipated that the global economic growth will be slackened up to the end of the year.

Growth in the first half of the year was strong in Asia, much of the lift was attributed to China's reopening and the end of its zero-COVID policy. However, the real property crisis and fall of export have plagued China's economy from advancing further in the second half of 2023. Major banks cut China's 2023 GDP estimate to 5.1% from their previous forecast of 5.5%. According to the latest released data from the NBS, China recorded a GDP growth of 5.2% in the first three quarters. China's economy expanded by 4.9% in the July to September period, and the figure was higher than the median forecasted 4.5%. The better-than-expected third quarter growth was attributed to increased consumer spending and industrial production. It also demonstrates China's economy sustained the momentum of recovery and improvement with solid progress.

In respect of the steel industry, the World Steel Association predicts the growth of global steel demand at 1.8% this year and 1.9% in 2024. Steel demand in China has been affected by its property market crisis. For a long time, the real estate industry has been a pillar of China's economic growth, followed by construction, and both account for a major part in the GDP. Fortunately, despite the weak internal steel market, steel exports from China up to August from the beginning of this year acted as a major driver for supporting steel production. This is due to the competitive Chinese steel prices, coupled with efforts to boost the "Belt and Road" projects. In addition, a decent demand push from the infrastructure and manufacturing sectors has also contributed to keeping China's steel production at elevated levels. In the first six months of 2023, crude steel production of China was increased by 1% year-on-year. Under the government's efforts to boost infrastructure and consumption, it is expected that the domestic steel demand of China is unlikely to have any significant drop this year.

In the first half of 2023, China coal prices retreated sharply from the 2022 levels. In respect of coking coal, its prices fell substantially due to the surge of coking coal import from other countries such as Mongolia and Australia, and the weak domestic demand of China. In the second half of 2023, we consider the supply of coking coal to China would be stable, but the price is unlikely to have an incentive of going upward unless there is a drastic improvement in its overall economy.

China is the major export market for Mongolian. Mongolia exports most of its coal to China, up to 99% of its coal exports. Mongolia exported 46.52 million tonnes of coal so far to China over January to September in 2023. Mongolia aims to achieve an export target of coal at 50 million tonnes this year. For 2024, Mongolia has set its goal of coal exports at 60 million tonnes.

As recently reported, MoEnCo, our major operating subsidiary in Mongolia, has been subject to tax audit for the tax period from 2017 to 2020. As a result of the tax audit, the General Tax Office of Mongolia has notified MoEnCo its findings that the total tax payables including additional taxes and penalties for this period are approximately US$52.1 million. The major issue involved is transfer pricing which accounted for the largest trunk of additional taxes and penalties. MoEnCo has filed a notice of appeal to the Mongolia Tax Council, and also engaged experienced professional teams for the conduct of this case. We will consider making our application to the Mongolian court if our appeal to the Mongolia Tax Council is unsuccessful. Based on the professional advice and our review and assessment, the Company has made a provision of approximately HK$249.6 million for the present tax dispute.

As the quantity of coal produced and processed have increased in folds since 2015, we have planned to build a new dry coal processing plant on the mine site, with a processing capacity of five million tonnes per annum to replace the existing set up of a maximum of two million tonnes. We have invited tender for the preliminary design of the new set up and would soon engage the contractor for the construction process.

Under the current unpredictable international economic and political backdrop, the road ahead is full of challenges. We will continue to adopt a prudent and proactive approach in our operation and production planning in response to the ever-changing internal and external conditions.

HUMAN RESOURCES

As at 30 September 2023, excluding site and construction workers directly employed by our contractors, the Group employed 812 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 scheme, year-end bonus and share options are awarded to the employees according to individual performance, industry practice and performance of the Group. Appropriate training programs are also offered for staff training and development.

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

Neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the Financial Period.

CORPORATE GOVERNANCE

The Board recognises the importance of maintaining a high standard of corporate governance practice to protect and enhance the benefits of the shareholders. The Board and the management 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 growth of a company under a healthy governance structure and strengthen the confidence of the shareholders and investors.

During the Financial Period, 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 Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), save for the following deviations:

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

   Due to another business engagement, the Chairman was unable to attend the 2023 AGM. The Managing Director of the Company took the chair of the 2023 AGM and answered questions raised by the shareholders. The AGM provides a channel for communication between the Board and the shareholders. Chairman of the Audit and Remuneration Committees of the Company was also present to answer shareholders' questions at the 2023 AGM. 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 TRANSACTION

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 the 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 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 during the Financial Period. Besides, no incident of non-compliance by the relevant employees was noted by the Company for the six months ended 30 September 2023.

AUDIT COMMITTEE

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

The Audit Committee had reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2023.

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

Hong Kong, 27 November 2023

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. Lo, James Cze Chung 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.