



SIBERIAN MINING GROUP COMPANY LIMITED

西伯利亞礦業集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code :1142)



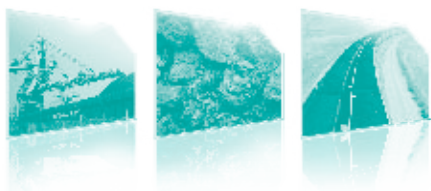
2013

ANNUAL REPORT

*For identification purpose only

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Corporate Information

DIRECTORS

Executive Directors

Lim Ho Sok (*Chairman*) (resigned on 18 February 2014)
 Choi Jun Ho (appointed on 1 September 2012
 and resigned on 18 February 2014)
 Shin Min Chul (resigned on 1 August 2012)
 Jang Sam Ki (*Chairman*)
 (appointed as Executive Director
 and Chairman on 5 February 2014
 and 18 February 2014, respectively)
 Hong Sang Joon (appointed on 5 February 2014)
 Su Run Fa (appointed on 5 February 2014)

Non-executive Director

Pang Ngoi Wah Edward (resigned on 18 February 2014)

Independent Non-executive Directors

Cho Min Je (resigned on 24 April 2013)
 Liew Swee Yean (resigned on 18 February 2014)
 Tam Tak Wah (resigned on 18 February 2014)
 Young Yue Wing Alvin (resigned on 18 February 2014)
 Kwok Kim Hung Eddie (appointed on 14 February 2014)
 Lai Han Zhen (appointed on 14 February 2014)
 Park Kun Ju (appointed on 14 February 2014)

COMPANY SECRETARY

Lo Suet Fan (resigned on 1 August 2012)
 Wong Wing Cheong (appointed on 1 August 2012)

AUTHORISED REPRESENTATIVES

Choi Jun Ho (appointed on 1 August 2012 and
 resigned on 18 February 2014)
 Lim Ho Sok (resigned on 18 February 2014)
 Lo Suet Fan (resigned on 1 August 2012)
 Hong Sang Joon (appointed on 18 February 2014)
 Wong Wing Cheong (appointed on 18 February 2014)

AUDIT COMMITTEE

Tam Tak Wah (*Chairman*) (resigned on 18 February 2014)
 Liew Swee Yean (resigned on 18 February 2014)
 Young Yue Wing Alvin (resigned on 18 February 2014)
 Kwok Kim Hung Eddie (*Chairman*)
 (appointed on 18 February 2014)
 Lai Han Zhen (appointed on 18 February 2014)
 Park Kun Ju (appointed on 18 February 2014)

REMUNERATION COMMITTEE

Liew Swee Yean (*Chairman*) (resigned on 18 February 2014)
 Lim Ho Sok (resigned on 18 February 2014)
 Tam Tak Wah (resigned on 18 February 2014)
 Lai Han Zhen (*Chairman*) (appointed on 18 February 2014)
 Kwok Kim Hung Eddie (appointed on 18 February 2014)
 Park Kun Ju (appointed on 18 February 2014)

NOMINATION COMMITTEE

Lim Ho Sok (*Chairman*) (resigned on 18 February 2014)
 Cho Min Je (resigned on 24 April 2013)
 Liew Swee Yean (resigned on 18 February 2014)
 Young Yue Wing Alvin (appointed on 24 April 2013 and
 resigned on 18 February 2014)
 Jang Sam Ki (*Chairman*) (appointed on 18 February 2014)
 Kwok Kim Hung Eddie (appointed on 18 February 2014)
 Lai Han Zhen (appointed on 18 February 2014)

AUDITOR

JH CPA Alliance Limited

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
 Bank of Communications Co., Ltd

REGISTERED OFFICE

Cricket Square
 Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2402, 24/F, Tower 2
 Admiralty Centre
 No. 18 Harcourt Road
 Admiralty, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
 Cricket Square
 Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
 Level 22, Hopewell Centre
 183 Queen's Road East
 Hong Kong

HKEX STOCK CODE

1142

WEBSITE

<http://siberian.todayir.com>

Chairman's Statement

On behalf of the board of directors (the "**Board**") of Siberian Mining Group Company Limited (the "**Company**"), I would like to present to the shareholders the annual report with the annual results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 March 2013.

First of all, on behalf of the Board, I would like to take this opportunity to express our sincere and utmost appreciation to all the shareholders of the Company, potential investors, business partners and other stakeholders for their patience and continued support to the Company despite the suspension of trading in the shares (the "**Shares**") of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 22 April 2013. Trading in the Shares was resumed on 24 April 2015, upon fulfillment of all the resumption conditions imposed by the Stock Exchange, details of which have been set out in the Company's announcement dated 22 April 2015.

PERFORMANCE AND OPERATIONS

Business rationalization since the previous year, resulting in disposals of digital television technology services business and vertical farming business, allowed the Group to focus on mineral resources and commodities trading. For the year under review, apart from conducting scrapped iron trading, the Group entered into coal trading and aluminium trading to diversify its turnover.

For the year under review, the Group recorded a substantial increase in loss before tax to HK\$2,099.5 million (2012: HK\$467.0 million), which was primarily due to the net effects of (i) increases in impairment losses on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) and evaluation and exploration assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) mainly because of decrease in international coal prices; and (ii) recognition of gain arising from change in fair value of the Third Convertible Note. Such impairment losses were just non-cash items resulted from purely accounting treatments of year end professional valuation exercises, and the Group's cashflow position would not be adversely affected.

For the year under review, as an on-going exercise, cost control measures yielded reductions in administrative and other expenses. As a matter of fact, the relocation of the Hong Kong head office of the Group in January 2013 achieved marked reductions in Hong Kong office rental expenses.

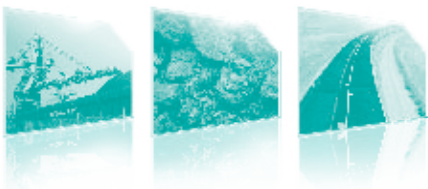
It would be delighted to witness the earlier completion of the first phase of exploration drilling in Lot 2 of the Group's Russian coal mines in late August 2012. An aggregated length of approximately 3,270 metres for a total of 6 boreholes was drilled, with all three coal seams discovered, namely, Kemerovsky coal seam, Volkovsky coal seam and Vladimirovsky coal seam.

PROSPECTS

Looking ahead, the uncertainties in recovery of global economy will keep making mineral resources and commodities trading more challenging, and also impacting the international coal prices. However, the Group will strive to focus on its core businesses, i.e. (i) mineral resources and commodities trading; and (ii) coal mining.

The Group will continue to adopt a prudent approach in mineral resources and commodities trading business so as to mitigate unnecessary financial risks, and in parallel will keep looking for long-term strategic business partners to build long-term business relationships. It is expected that scrapped iron trading would be the main contributor to the Group's turnover in the foreseeable future.

The Group will continue to move ahead in developing Lot 2 of the Russian coal mines, and will make further progress in accordance with the requirements of the New Mining License by completing the second phase of exploration drilling up to a total length of 6,000 metres by October 2013.



Chairman's Statement

As advised by the Russian coal mine design consulting firm engaged by the Group, coal reserves in certain suitable zones within Lot 2 of the Russian coal mines could be extracted by means of open pit mining instead of underground mining. Open pit mining is characterized by shorter timeframes for mine infrastructure construction, lower capital expenditure requirements and relatively simple coal ore extraction process. Application for the approval of such open pit mining development prior to commissioning of underground mining within Lot 2 has been made to the GKZ (which means the State Committee of Reserves under the Russian Federation Ministry of Natural Resources). This will accelerate the development of the Group's Russian coal mines.

Given the various necessary steps and procedures that the Group has to go through before the coal mines under the New Mining License could actually yield coal production, it is expected that the Lot 1, Lot 1 Extension and Lot 2 coal mines will not contribute revenue to the Group in the foreseeable future, but the Board believes that the Russian coal mines will be able to deliver long term economic benefits to the shareholders in the years to come.

APPRECIATION

Last but not least, I would like to express my heartfelt gratitude to our Board members, shareholders, business partners and our staff members for their dedication, continued support and valuable contributions to the Group.

Jang Sam Ki
Chairman

Hong Kong, 22 April 2015

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2013, the Group recorded a total turnover of HK\$9.5 million (2012: HK\$11.4 million), representing a decrease of approximately 16.7% as compared to last year. The reduction is mainly caused by the discontinuance of digital television technology services business and vertical farming business since last year end, and hence no turnover was contributed from digital television technology services business (2012: HK\$2.1 million) and vertical farming business (2012: HK\$11,000) for the year ended 31 March 2013.

During the year under review, the Group recorded a turnover of (i) HK\$4.2 million (2012: nil) from coal trading; (ii) HK\$3.8 million from aluminium trading (2012: nil); and (iii) HK\$1.5 million from scrapped iron trading (2012: HK\$9.2 million).

Other Gains and Losses

During the year under review, (i) a huge gain of HK\$1,270.3 million (2012: nil) was recognized due to change in fair value of the Third Convertible Note; (ii) the impairment loss on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) increased from HK\$253.0 million to HK\$513.8 million mainly due to decrease in international coal prices; and (iii) the impairment loss on evaluation and exploration assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) of HK\$2,723.8 million (2012: nil) was recorded mainly due to decrease in international coal prices.

Administrative and Other Expenses

During the year under review, amortization of mining rights dropped from HK\$121.5 million to HK\$80.3 million. Due to cost control measures adopted by the management together with the effects from the discontinuance of digital television technology services business and vertical farming business, staff costs (excluding directors' remuneration) decreased from HK\$12.9 million to HK\$9.0 million, consultancy fees decreased from HK\$5.7 million to HK\$2.2 million, and legal and professional fees decreased from HK\$7.2 million to HK\$3.0 million.

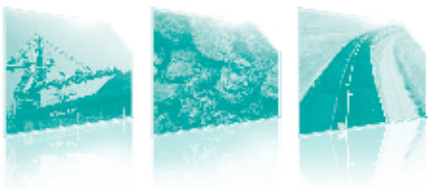
Finance Costs

During the year under review, the decrease in total finance costs from HK\$23.1 million to HK\$9.7 million is mainly resulted from a significant decrease in imputed interest on promissory notes from HK\$20.6 million to HK\$6.4 million as the outstanding amount of promissory notes dropped.

Loss Before Income Tax

For the year ended 31 March 2013, the loss before income tax of the Group was HK\$2,099.5 million (2012: HK\$467.0 million), representing an increase of 349.6% as compared to the corresponding period in last year. The substantial increase in loss is mainly attributable to the combined effects of the above-mentioned factors.

The Company would like to highlight that both the substantial impairment loss of HK\$513.8 million (2012: HK\$253.0 million) on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) and the substantial impairment loss on evaluation and exploration assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) of HK\$2,723.8 million (2012: nil) were just non-cash items arising from year end valuation exercises for accounting purposes, which would not affect the cashflow position of the Group.



Management Discussion and Analysis

OPERATION REVIEW

Mineral Resources and Commodities Trading

The Group took a prudent approach in scrapped iron trading since soft demand in scrapped iron had continuously caused extremely keen price competition, thus a relatively small turnover was recorded in scrapped iron trading business. Hence, the Group diversified into coal trading and aluminium trading during the year under review.

Coal Mining

Since the commencement of the first phase of exploration drilling in Lot 2 of the Group's Russian coal mines in late April 2012, the progress had been rather smooth. The first phase drilling was completed by late August 2012 which was one month earlier than originally targeted, with a total drilled length of approximately 3,270 metres for a total of six boreholes. Analysis of fieldwork data and laboratory studies of coal samples obtained from drilling had been commenced.

Geographical

In the year under review, the Republic of Korea ("Korea") is the Group's sole market segment which accounted for 100% (2012: 81.5%) of the total revenue.

PROSPECTS

Looking forward, the year ahead will remain extremely challenging for the Group. The Company will keep focusing on its core businesses, i.e. (i) mineral resources and commodities trading; and (ii) coal mining.

Mineral Resources and Commodities Trading

The Group will maintain its prudent approach in mineral resources and commodities trading business, and will continue to look for long-term strategic business partners. Comparatively speaking, although the price competition in scrapped iron trading is still very keen, its patterns of price fluctuations would seem more manageable than that of coal and aluminium. Hence, scrapped iron trading would be more preferable as the prime contributor to the Group's turnover in the foreseeable future.

Coal Mining

The Group plans to commence the second phase of drilling with a total length of 6,000 metres in Lot 2 in first half of 2013 when the climate there is less harsh. This second phase of drilling is targeted to complete by October 2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the Group had net current liabilities of HK\$58.6 million (2012: HK\$41.9 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 4.2% (2012: 14.9%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 3.38% (2012: 2.95%).

The Group generally finances its operations with internally generated cash flows, loans from directors and their associates, and independent third parties, and facilities provided by Cordia Global Limited ("Cordia"), a related party of the Company and through the capital market available to listed companies in Hong Kong.

During the year under review, the Group recorded a net cash inflow of HK\$6.7 million (2012: net cash outflow of HK\$9.4 million), while the total cash and cash equivalents reduced to HK\$0.8 million (2012: HK\$1.5 million) as at the end of reporting period.

Management Discussion and Analysis

The management will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities of the Group as at 31 March 2013. Cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The management will continue to closely review the Group's financial resources in a cautious manner and explore opportunities in potential financial institutions financing and equity funding. As a matter of fact, the Company had successfully completed the allotments of 278,072,110 new shares to generate net proceeds of approximately HK\$109.2 million during year ended 31 March 2013, out of which approximately HK\$102.5 million was applied to direct set off of liabilities of the Company, as disclosed in the announcements of the Company dated 21 May 2012, 17 December 2012 and 14 March 2013.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's turnover, expenses, assets and liabilities are denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), Russia rubles ("RUB") and Korean won ("KRW"). The exchange rates of USD against HKD remained relatively stable during the year under review. Certain expenses of the Group are dominated in RUB and KRW which fluctuated in a relatively greater spread during the year. Therefore, shareholders should be aware that the exchange rate volatility of RUB and KRW against HKD may have favourable or adverse effects on the operating results of the Group.

Taking into consideration of the amount of revenue and expenses involved, the Group at present has no intention to hedge its exposure from foreign currency exchange rate risk involving RUB and KRW. However, the Group will constantly review exchange rate volatility and will consider using financial instruments for hedging when necessary.

THE THIRD CONVERTIBLE NOTE

As of 31 March 2012, the Group had a contingent consideration payable for the acquisition of Lot 2 of LLC "Shakhta Lapichevskaya" ("Lapi") to be settled by the issuance of another convertible note with the principal amount to be determined by an agreed formula which, inter alia, takes into account the proven reserves and probable reserves of Lot 2 of the Coal Mine to be confirmed in a technical report to be issued by a technical expert. It is expected that the principal amount of this convertible note will range from the minimum amount of US\$255,150,000 (equivalent to approximately HK\$1,990,170,000) to the maximum amount of US\$550,800,000 (equivalent to approximately HK\$4,296,240,000).

On 27 March 2013, the Technical Report of Lot 2 of the Coal Mine was issued. According to the conditions of the acquisition agreement, the Company had issued the convertible note of principal amount of US\$443,070,000 on the third business day (i.e. 3 April 2013) after all the conditions has fulfilled. Details are disclosed in the announcement of the Company dated 3 April 2013.

LITIGATIONS

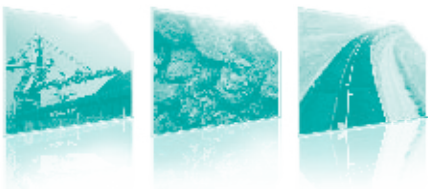
During the year and up to the date of this report, the Group has been involved in a number of legal proceedings. Details of the litigations are set out in Note 34 to the financial statements.

CAPITAL COMMITMENTS

Details of capital commitments of the Group as at 31 March 2013 are disclosed in Note 31 to the financial statements.

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 31 March 2013 or 31 March 2012.



Management Discussion and Analysis

SHARE OPTION SCHEMES

The Group has adopted share option scheme whereby directors, employees and consultants of the Group may be granted options to subscribe for the new shares of the Company. Details of the share option scheme are set out in Note 28 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2013, the Group had approximately 28 (2012: 30) staff in Hong Kong, Russia and Korea. Remuneration policy is reviewed by the management periodically and is determined by reference to industry practice, company performance, and individual qualifications and performance. Remuneration packages comprised salary, commissions and bonuses based on individual performance. Share options may also be granted to eligible employees of the Group.

Report of the Directors

The Board of directors (the “**Board**”) of Siberian Mining Group Company Limited (the “**Company**”) presents their report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are holding mining and exploration rights of coal mines located in Russian Federation (“**Russia**”) and conducting the business of mineral resources and commodities trading.

The analysis of the principal activities of the subsidiaries are set out in Note 18 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2013 and the state of affairs of the Group and the Company as at 31 March 2013 are set out on pages 30 to 115.

The Board does not recommend the payment of any dividend for the year ended 31 March 2013 (2012: Nil).

SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by principal activities and geographical segments of operations for the year ended 31 March 2013 is set out in Note 6 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 116.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 27 to the financial statements and consolidated statement of changes in equity, respectively.

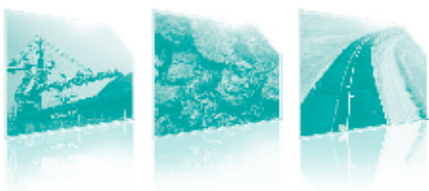
As at 31 March 2013, the Company did not have any reserves for distribution (2012: reserves for distribution of HK\$888,236,000). Under the laws of the Cayman Islands, a company may make distributions to its members out of the contributed surplus account under certain circumstances. In addition, the Company’s share premium account amounted to HK\$1,722,403,000 (2012: HK\$1,689,092,000) may be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Details of the movements in the Company’s share capital, share options and convertible notes are set out in Notes 26, 28 and 23 respectively to the financial statements.



Report of the Directors

DONATION

The Group did not make any charitable donation during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2013.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's three customers accounted for 100% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 44.3% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for approximately 99.6% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 44.0% of the Group's total purchases for the year.

None of the directors of the Company, their associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) or any shareholder (which to the best knowledge of the directors of the Company own more than 5% of the Company's issued share capital) had any beneficial interests in any of the Group's customers or suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Lim Ho Sok (<i>Chairman</i>)	(resigned on 18 February 2014)
Mr. Choi Jun Ho	(appointed on 1 September 2012 and resigned on 18 February 2014)
Mr. Shin Min Chul	(resigned on 1 August 2012)
Mr. Jang Sam Ki (<i>Chairman</i>)	(appointed as Executive Director and Chairman on 5 February 2014 and 18 February 2014, respectively)
Mr. Hong Sang Joon	(appointed on 5 February 2014)
Mr. Su Run Fa	(appointed on 5 February 2014)

Non-executive Director

Mr. Pang Ngoi Wah Edward	(resigned on 18 February 2014)
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Report of the Directors

Independent Non-executive Directors

Mr. Cho Min Je	(resigned on 24 April 2013)
Mr. Liew Swee Yean	(resigned on 18 February 2014)
Mr. Tam Tak Wah	(resigned on 18 February 2014)
Mr. Young Yue Wing Alvin	(resigned on 18 February 2014)
Mr. Kwok Kim Hung Eddie	(appointed on 14 February 2014)
Mr. Lai Han Zhen	(appointed on 14 February 2014)
Mr. Park Kun Ju	(appointed on 14 February 2014)

In accordance with the Company's articles of association, all the newly appointed directors will hold office until the forthcoming annual general meeting and each of them is then eligible for re-election.

DISCLOSURES ON CHANGES OF DIRECTOR'S INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Lim Ho Sok resigned as an executive director, the chairman of the Board, the chairman of the nomination committee and a member of the remuneration committee of the Company with effect from 18 February 2014.

Mr. Shin Min Chul resigned as an executive director of the Company with effect from 1 August 2012.

Mr. Choi Jun Ho resigned as an executive director of the Company with effect from 18 February 2014.

Mr. Jang Sam Ki was appointed as the chairman of the Board and the chairman of the nomination committee of the Company on 18 February 2014.

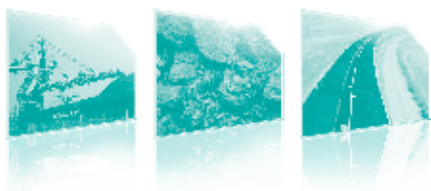
Pursuant to a letter of appointment dated 6 February 2014, Mr. Hong Sang Joon has been appointed as an executive vice president of the Company commencing from 1 February 2014.

Mr. Pang Ngoi Wah Edward resigned as a non-executive director of the Company with effect from 18 February 2014.

Mr. Cho Min Je resigned as an independent non-executive director and a member of the nomination committee of the Company with effect from 24 April 2013.

Mr. Liew Swee Yean was appointed as a member of the special committee of the Company on 18 September 2013. He resigned as an independent non-executive director, the chairman of the remuneration committee, a member of the audit committee, the nomination committee and the special committee of the Company with effect from 18 February 2014.

Mr. Tam Tak Wah was appointed as the chairman of the special committee of the Company on 18 September 2013. He resigned as an independent non-executive director, the chairman of the audit committee and the special committee, and a member of the remuneration committee of the Company with effect from 18 February 2014.



Report of the Directors

Mr. Young Yue Wing Alvin was appointed as a member of the nomination committee and the special committee of the Company on 24 April 2013 and 18 September 2013, respectively. He resigned as an independent non-executive director, a member of the audit committee, the nomination committee and the special committee of the Company with effect from 18 February 2014.

Mr. Kwok Kim Hung Eddie was appointed as the chairman of the audit committee and the special committee (with the special committee dissolved by 28 February 2014), a member of the nomination committee and the remuneration committee of the Company on 18 February 2014. He is currently the senior manager of a sole proprietor in Hong Kong from May 2014. He was previously appointed as financial controller, company secretary and authorised representative of Forebase International Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Lai Han Zhen was appointed as the chairman of the remuneration committee, a member of the audit committee, the nomination committee and the special committee (with the special committee dissolved by 28 February 2014) of the Company on 18 February 2014.

Mr. Park Kun Ju was appointed as a member of the audit committee, the remuneration committee, and the special committee (with the special committee dissolved by 28 February 2014) of the Company on 18 February 2014.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company has a service contract with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Lim Ho Sok ("Mr. Lim"), aged 49, was appointed as an executive director and chairman of the Company on 12 September 2008 and 16 June 2009, respectively. He has also been the chairman of the nomination committee and a member of the remuneration committee of the Company, and a director of certain subsidiaries of the Group. Prior to his joining of the Company, he has extensive experience in the business of banking, securities trading, property investment, financial advisory and related services. He holds a master degree and a bachelor degree in Economics from Brown University, USA and Indiana University, USA, respectively. Mr. Lim resigned as an executive director, the chairman of the board, the chairman of nomination committee and a member of remuneration committee of the Company with effect from 18 February 2014.

Mr. Choi Jun Ho ("Mr. Choi"), aged 38, was appointed as an executive director of the Company with effect from 1 September 2012. Prior to joining a direct wholly-owned subsidiary of the Company as a general manager in 2009, he held managerial positions in Korea commercial banks. He was also appointed as a director of an indirect wholly-owned subsidiary of the Company on 1 February 2010. He graduated in 2002 from Seoul National University with a Bachelor Degree in Liberal Arts, majoring in Philosophy. He has extensive experience in corporate finance, mergers and acquisitions, banking and securities. Mr. Choi resigned as an executive director of the Company with effect from 18 February 2014.

Report of the Directors

Mr. Shin Min Chul (“**Mr. Shin**”), aged 42, was appointed as an executive director of the Company with effect from 15 October 2009. He was also a director of a subsidiary of the Group. He started his career as a civil and environmental engineer since 1999. He worked for various companies in Korea and overseas, and co-founded an environmental engineering company. After pursuing his Master of Business Administration degree in 2005, he focused on private equity practice including major merger and acquisition projects in the Asia region and services for various global private equity funds. He holds a Bachelor of Science degree in urban engineering and a Master of Science degree in environmental engineering from Seoul National University, Korea. He also holds a Master of Business Administration degree from Kellogg School of Management, United States. Mr. Shin resigned as an executive director of the Company with effect from 1 August 2012.

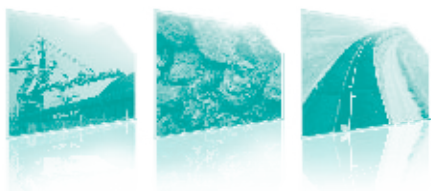
Mr. Jang Sam Ki (“**Mr. Jang**”), aged 44, was appointed as an executive director and the chairman of the Board of the Company on 5 February 2014 and 18 February 2014, respectively. He is currently also the chairman of the nomination committee of the Company. He holds a Bachelor Degree in Business Administration from Dankook University, Korea. Mr. Jang is a finance director of EHWA Partners from January 2010, which provides financing for gas stations in the Republic of Korea. He also worked for KIA Motor Technology, Samsung Fire & Marine Insurance and J Financial Consulting before joining EHWA Partners.

Mr. Hong Sang Joon (“**Mr. Hong**”), aged 46, was appointed as an executive director of the Company on 5 February 2014. Mr. Hong is currently also the executive vice president of the Company. He obtained his bachelor degree in Chinese language and Chinese literature, minoring in business administration from Yonsei University in Korea, and a master degree in business administration from The University of Hong Kong. He is a CFA Charterholder, a Certified FRM, and a U.S. CPA for public practice licensed by Washington State Board of Accountancy in U.S.A., and he is a regular member of CFA Institute, The Hong Kong Society of Financial Analysts, Global Association of Risk Professionals, and American Institute of CPAs. He has been appointed as an executive director of Forebase International Holdings Limited (“**Forebase**”) (stock code: 2310) since 20 January 2012, which is listed on the Main Board of the Stock Exchange. He also holds positions as director of certain subsidiaries of Forebase, and is responsible for management of the Forebase Group’s electronic business. Mr. Hong has over 20 years of experience in investment, restructuring, strategic planning, corporate finance, and financial management and control.

Mr. Su Run Fa (“**Mr. Su**”), aged 47, was appointed as an executive director of the Company on 5 February 2014. He graduated from Xi’an Jiaotong University, China with a Bachelor Administration Degree in 2000 and received his Master of Business Administration Degree from University of International Business and Economics, China in 2009. He was a Representative of the 14th People’s Congress of Dongguan City. Mr. Su has over 21 years’ experience in managing factories in Dongguan, China.

Non-executive director

Mr. Pang Ngoi Wah Edward (“**Mr. Pang**”), aged 54, was appointed as a non-executive director of the Company on 3 January 2011. He has over 22 years of experience in interbank foreign exchange and money market field in which he holds senior management positions. He has been working in Hong Kong, Singapore and the Republic of Korea. Mr. Pang resigned as a non-executive director of the Company with effect from 18 February 2014.



Report of the Directors

Independent non-executive directors

Mr. Cho Min Je (“**Mr. Cho**”), aged 47, was appointed as an independent non-executive director of the Company on 22 February 2012. He has been a member of the nomination committee of the Company. He graduated from Seoul National University with a Bachelor Degree in Business Administration in 1993. He was admitted to the Korean Bar Association in 1997. He has extensive experience in practices in mergers and acquisitions, corporate restructuring, finance and securities, civil and criminal litigation, and in general corporate areas. He practises as a solicitor at Sigong Law P.C., of which he holds a partner position. He is a member of Securities Law Forum and also a member of Korea Securities Law Association. He has been an independent director of Tongyang Value Ocean Special Purpose Acquisition Company, the securities of which was listed on KOSPI (Korea Composite Stock Price Index) of Korea Stock Exchange. Mr. Cho resigned as an independent non-executive director and a member of the nomination committee of the Company with effect from 24 April 2013.

Mr. Liew Swee Yeap (“**Mr. Liew**”), aged 51, was appointed as an independent non-executive director of the Company on 3 December 2008. He has also been the chairman of the remuneration committee, a member of the audit committee, the nomination committee and the special committee of the Company. He has over 22 years of experience in financing and general management. He holds a Master of Business Administration (Executive) Degree from City University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, respectively. He has been an independent non-executive director of Kaisun Energy Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Liew resigned as an independent non-executive director, the chairman of the remuneration committee, a member of the audit committee, the nomination committee and the special committee of the Company with effect from 18 February 2014.

Mr. Tam Tak Wah (“**Mr. Tam**”), aged 49, was appointed as an independent non-executive director of the Company on 11 June 2007. He has also been a chairman of the audit committee and special committee, and a member of the remuneration committee of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. He has over 22 years of experience in accounting, corporate finance and corporate development. He has been an executive director of New Smart Energy Group Limited and an independent non-executive director of Tech Pro Technology Development Limited and China Packaging Group Company Limited, all of these companies are listed on the Main Board of the Stock Exchange, and Goldenway, Inc, a company the common stock of which are traded in the OTCQB of the U.S.A. He was an independent non-executive director of National Arts Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange during the period from 8 November 2004 to 23 June 2009. Mr. Tam resigned as an independent non-executive director, the chairman of the audit committee and the special committee, and a member of the remuneration committee of the Company with effect from 18 February 2014.

Mr. Young Yue Wing Alvin (“**Mr. Young**”), aged 54, was appointed as an independent non-executive director of the Company on 9 August 2010. He has also been a member of the audit committee, the nomination committee and the special committee of the Company. He holds a Bachelor degree of Arts in Mathematics from York University, Canada. He has over 22 years of experience in foreign exchange field and has been working in Hong Kong, Singapore and the Republic of Korea. Mr. Young resigned as an independent non-executive director, a member of the audit committee, the nomination committee and the special committee of the Company with effect from 18 February 2014.

Report of the Directors

Mr. Kwok Kim Hung Eddie (“**Mr. Kwok**”), aged 43, was appointed as an independent non-executive director of the Company on 14 February 2014. He was also appointed as the chairman of the special committee of the Company on 18 February 2014 (with the special committee dissolved by 28 February 2014). He is currently also the chairman of the audit committee, a member of the nomination committee and the remuneration committee of the Company. Mr. Kwok is currently the senior manager of a sole proprietor in Hong Kong from May 2014. He has also been appointed as an independent non-executive director of Ningbo WanHao Holdings Company Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), since June 2012. He was previously appointed as financial controller, company secretary and authorised representative of Forebase International Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants. He is also an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. He holds a Master of Professional Accounting Degree from the Hong Kong Polytechnic University, a Master of Corporate Governance Degree from the Open University of Hong Kong and a Honours Diploma in Accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University).

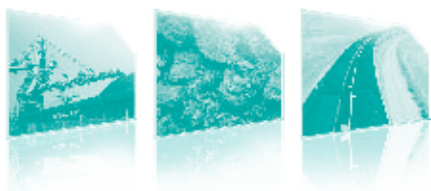
Mr. Lai Han Zhen (“**Mr. Lai**”), aged 52, was appointed as an independent non-executive director of the Company on 14 February 2014. He was also appointed as a member of the special committee of the Company on 18 February 2014 (with the special committee dissolved by 28 February 2014). He is currently also the chairman of the remuneration committee, a member of the audit committee and the nomination committee of the Company. He graduated from Shenzhen University, China with a Bachelor’s of Business Administration degree in 1991. He then received his Master of Laws from both Chinese University of Political Science and Law, China, and Macau University of Science and Technology, Macau in 2004 and 2007, respectively, and also received his Doctorate of Laws in 2012 from Macau University of Science and Technology, Macau. Mr. Lai is currently a director for three different mining companies in Fujian Province, China.

Mr. Park Kun Ju (“**Mr. Park**”), aged 41, was appointed as an independent non-executive director of the Company on 14 February 2014. He was also appointed as a member of the special committee of the Company on 18 February 2014 (with the special committee dissolved by 28 February 2014). He is currently also a member of the audit committee and remuneration committee of the Company. He holds a Bachelor Degree of Physical Education from Korea University, Korea. He is currently the Chief Operation Officer/ Partner of VIADELLA Korea from June 2007, which is specializing in US Government contracts in relation to fiber optic cable and sensors, and fiber optic mesh security system. He is in charge of the developing and managing of annual business plan, the developing of new business partners in Korea and US, and staffing and compensation review. Before joining VIADELLA Korea, Mr. Park was the Business Development Director of Kiheung Motors Ltd. in Korea from February 2001 to May 2007.

Senior management

Mr. Wong Wing Cheong (“**Mr. Wong**”), aged 51, joined the Company as the chief financial officer in May 2011. He was also appointed as the company secretary of the Company on 1 August 2012. He graduated from the University of Hong Kong with a Bachelor of Social Sciences degree in Management and Economics, and received his Master of Business Administration degree in Investment and Finance from the University of Hull, United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators, and the Hong Kong Institute of Company Secretaries. Mr. Wong has extensive experience in accounting, corporate finance, and mergers and acquisition projects of local listed companies.

Ms. Lo Suet Fan (“**Ms. Lo**”), aged 49, joined the Company as financial controller in August 2009. She was also appointed as the company secretary of the Company on 1 August 2009. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. She has extensive experience in accounting and financial management. Ms. Lo resigned as the financial controller and the company secretary of the Company with effect from 1 August 2012.



Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

At 31 March 2013, the interests of the directors, chief executives and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(i) Long position in shares of HK\$0.20 each in the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the company
Executive director			
Lim Ho Sok ("Mr. Lim") (Note 1)	Interests in controlled corporation	11,400,000	2.24%
Non-executive director			
Pang Ngoi Wah Edward	Beneficial owner	175,000	0.03%

Note 1: These 11,400,000 shares are beneficially owned by Goldwyn Management Limited ("Goldwyn"). The entire issued share capital of Goldwyn is legally and beneficially owned by Mr. Lim.

(ii) Long position in underlying shares of HK\$0.20 each in the Company — share options

Name	Date of grant	Number of underlying shares comprised in the options	Exercise price per share HK\$	Exercisable period
Executive director				
Lim Ho Sok	30 January 2012	2,000,000	0.355	30 January 2012 to 29 January 2022
Non-executive director				
Pang Ngoi Wah Edward	30 January 2012	2,000,000	0.355	30 January 2012 to 29 January 2022

Save as disclosed above, as at 31 March 2013, none of the directors or any of their associates or chief executives of the Company (as defined in the Listing Rules) had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to the SFO (including interests which they are taken or deemed to have under SFO) or which are, pursuant to Section 352 of the SFO, entered in the register referred to therein or, pursuant to the Model Code as otherwise notified to the Company and the Stock Exchange.

Report of the Directors

CONTINUING CONNECTED TRANSACTION

The Company did not have any outstanding continuing connected transaction for the year ended 31 March 2013.

None of the related party transactions set out in Note 33 to the financial statements constitutes continuing connected transactions under Chapter 14A of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in Note 28 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such right in any other body corporate.

SHARE OPTION SCHEME

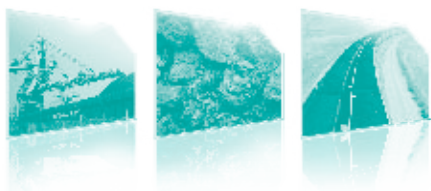
Pursuant to the share option scheme approved and adopted by the Company on 19 October 2002 (the "Old Scheme"), share options were granted to subscribe for shares in the Company in accordance with the terms of the Old Scheme. At the annual general meeting of the Company held on 31 August 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") and termination of the Old Scheme. The New Scheme is in line with the prevailing requirements of Chapter 17 of the Listing Rules in relation to the share option schemes. Upon termination of the Old Scheme, no further options may be granted but in all other respects the provisions of the Old Scheme shall remain in full force and effect. The outstanding options granted under the Old Scheme shall continue to be valid and exercisable in accordance with the terms of the Old Scheme. Further details of the Old Scheme and the New Scheme are set out in Note 28 to the financial statements.

During the year, no option has been granted under the Old Scheme. No option has been granted under the New Scheme since the adoption date to the date of this report.

During the year, details of the movements in the Company's share options under the Old Scheme and outstanding were:

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$
	As at 1 April 2012	Granted during the year	Exercised during the year	As at 31 March 2013			
Executive director							
Lim Ho Sok	2,000,000	—	—	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Non-executive director							
Pang Ngoi Wah Edward	2,000,000	—	—	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	4,000,000	—	—	4,000,000			
Employees and consultants other than directors							
In aggregate	2,880,000	—	(2,300,000)	580,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Total	6,880,000	—	(2,300,000)	4,580,000			

* The number of issuable shares and the exercise price of the share options are subject to adjustment in the case of capitalization issue, rights issue, sub-division or consolidation of the Company's shares or reduction of capital of the Company.



Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2013, the register of interests in shares and short positions required to be kept by the Company under Section 336 of the SFO showed that the following persons (other than the directors or chief executives of the Company) had disclosed to the Company an interest of 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company:

(i) Long position in shares of HK\$0.20 each in the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
ACME Perfect Limited (Note 1)	Beneficial owner	70,000,000	13.77%
Pang Sum Fung (Note 1)	Interest in controlled corporation	70,000,000	13.77%
Keystone Global Co., Ltd.	Beneficial owner	53,000,000	10.42%
Kim Chul (Note 2)	Beneficial owner	28,200,000	5.55%
Wonang Industries Co., Ltd (Note 2)	Beneficial owner	13,800,000	2.71%
Master Impact Inc.	Beneficial owner	62,036,055	12.20%
Skyline Merit Limited	Beneficial owner	41,357,370	8.13%

(ii) Long position in underlying shares of HK\$0.20 each in the Company

Name of shareholders	Capacity	Number of underlying Shares held	Percentage of the shareholding
Cordia Global Limited ("Cordia") (Note 4)	Beneficial owner	35,805,750,000	7,042.24%
Choi Sungmin (Note 4)	Interest in controlled corporation	35,805,750,000	7,042.24%
Jung Mi Na (Notes 3 & 4)	Deemed interest	35,807,750,000	7,042.63%

Report of the Directors

Note 1: 77.27% of the issued share capital of ACME Perfect Limited is beneficially owned by Pang Sum Fung. By virtue of the SFO, Pang Sum Fung is deemed to be interested in these 70,000,000 shares which ACME Perfect Limited has beneficial interest in.

Note 2: These shares are registered in the name of Wonang Industries Co., Ltd, which is wholly-owned by Kim Chul, who is deemed to be interested in all the shares in which Wonang Industries Co., Ltd is interested in by virtue of the SFO.

Note 3: By virtue of the SFO, Ms. Jung Mi Na, being the wife of Mr. Choi Sungmin ("Mr. Choi"), is deemed to be interested in all 2,000,000 issued ordinary shares and 35,805,750,000 underlying shares which Mr. Choi has beneficial interest in.

Note 4: The entire issued share capital of Cordia is beneficially owned by Mr. Choi. By virtue of the SFO, Mr. Choi and Ms. Jung Mi Na, being the wife of Mr. Choi, are deemed to be interested in 35,805,750,000 underlying shares which Cordia has beneficial interest in.

Save as disclosed above, no other party was recorded in the register of interests in shares and short positions kept pursuant to section 336 of SFO as having an interest in 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company.

CORPORATE GOVERNANCE

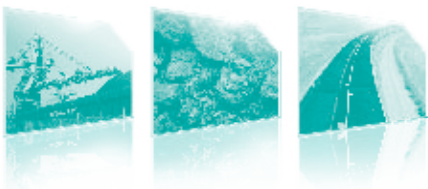
The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 21 to 27 to the annual report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 38 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.



Report of the Directors

AUDITOR

The financial statements for the years ended 31 March 2011 and 31 March 2012 were audited by BDO Limited. On 29 April 2013, BDO Limited resigned as auditor of the Group and Crowe Horwath (HK) CPA Limited was appointed to fill the casual vacancy on 28 May 2013.

On 11 April 2014, Crowe Horwath (HK) CPA Limited resigned as the auditor of the Group. Following the resignation of Crowe Horwath (HK) CPA Limited, on 8 May 2014, JH CPA Alliance Limited was appointed as the new auditor of the Group to hold office until the conclusion of the next annual general meeting of the Company and the financial statements for the year ended 31 March 2013 was audited by JH CPA Alliance Limited.

A resolution for re-appointment of JH CPA Alliance Limited as auditor of the Group will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Jang Sam Ki
Chairman

Hong Kong, 22 April 2015

Corporate Governance Report

INTRODUCTION

Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's main goals. The corporate governance principles of the Company emphasize a quality board, sound internal control, transparency and accountability to all shareholders. This report describes its corporate governance practices, explains the applications of the principles of the Corporate Governance Code effective from 1 April 2012 (the "CG Code") as set out in Appendix 14 of the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company has complied with the Code except for the deviations as described below:

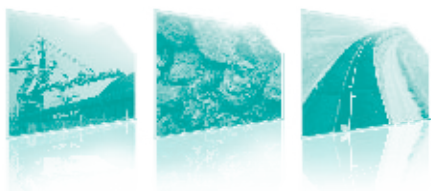
- (i) Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be segregated and should not be performed by the same individual. Mr. Lim Ho Sok assumed the roles of both the chairman and CEO of the Company, which constitutes a deviation from the code provision A.2.1 during the year. Whilst the Company is looking for suitable replacement for the post of CEO, the Board believes that the vesting of the roles of chairman and CEO in the same person provides the Group with strong and consistent leadership during this transitional period.

On 18 February 2014, Mr. Lim Ho Sok resigned as the chairman and executive director ("ED") of the Company. Mr. Jang Sam Ki was appointed as the chairman of the Company. Thereafter, the Company has complied with the CG Code.

- (ii) Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, three of the independent non-executive directors ("INEDs"), namely Mr. Tam Tak Wah, Mr. Liew Swee Yean and Mr. Young Yue Wing Alvin, have not been appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's articles of association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those in the CG Code.

On 18 February 2014, the above three INEDs, Mr. Tam Tak Wah, Mr. Liew Swee Yean and Mr. Young Yue Wing Alvin, resigned as INEDs. Thereafter, the Company has complied with the CG Code.

- (iii) Under code provision A.6.7 of the CG Code, INEDs and other non-executive director ("NED") should attend the general meetings and develop a balanced understanding of the views of shareholders. Mr. Cho Min Je and Mr. Young Yue Wing Alvin, INEDs of the Company, and Mr. Pang Ngoi Wah Edward, NED of the Company, were unable to attend the extraordinary general meeting of the Company held on 14 May 2012 due to other overseas commitments or other prior business engagements. Mr. Young Yue Wing Alvin, INED of the Company, and Mr. Pang Ngoi Wah Edward, NED of the Company, were unable to attend the annual general meeting of the Company held on 31 August 2012 due to other prior business engagements. Mr. Cho Min Je, INED of the Company, and Mr. Pang Ngoi Edward, NED of the Company, were unable to attend the extraordinary general meeting of the Company held on 19 October 2012 due to other overseas commitments or other prior business engagements. Mr. Cho Min Je and Mr. Young Yue Wing Alvin, INEDs of the Company, and Mr. Pang Ngoi Wah Edward, NED of the Company, were unable to attend the extraordinary general meeting of the Company held on 28 February 2013 due to other overseas commitments or other prior business engagements.



Corporate Governance Report

NON-COMPLIANCE WITH FINANCIAL REPORTING PROVISIONS OF THE LISTING RULES

On 29 April 2013, BDO Limited (“**BDO**”) resigned as the auditor of the Group and Crowe Horwath (HK) CPA Limited (“**Crowe Horwath**”) was appointed as the new auditor on 28 May 2013. Since additional time was required to provide for Crowe Horwath to perform and complete their audit procedures in respect of the Company’s annual results for the year ended 31 March 2013, the Company could not timely publish its annual results and annual report as required under the Listing Rules.

Further on 11 April 2014, Crowe Horwath resigned as the auditor of the Group as it could not reach a consensus on the audit fee with the Board for the year ended 31 March 2013 after carefully considering the fee level of the engagement commensurate with the amount of time required at various levels of responsibility.

Following the resignation of Crowe Horwath, JH CPA Alliance Limited (“**JH CPA**”) was appointed as the new auditor of the Group on 8 May 2014. In view of various legal actions and allegations, not limited to various alleged issues associated with the Group’s Russian coal mines, more time was required by the Company and JH CPA to finalize and to complete related audit procedures in relation to the results of the Group.

As such, the Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (i) announcing the annual results for the financial years ended 31 March 2013 and 2014 and interim results for the six-month periods ended 30 September 2013 and 2014; and (ii) publishing the related annual reports and interim reports for the above-mentioned years and periods.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all the directors, all directors confirmed that they have complied with the required standards as set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the year under review.

BOARD OF DIRECTORS

As at 31 March 2013, the Board comprises seven directors, of whom two are executive directors, one is NED and four are INEDs. On 24 April 2013, one INED has resigned and no replacement was made. The Board believes that as the number of NED and INEDs exceeds the number of executive directors, the composition of the Board is adequate to provide checks and balances that safeguard the interests of shareholders and the Group.

The INEDs provide the Group with different expertise, skills and experience. Their participation in Board meetings could bring independent judgement on issues relating to the Group’s strategy, internal control and performance to ensure the interests of the shareholders are taken into account.

The Company has received from each of the INEDs an annual confirmation of their independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The Company has set out the respective functions and responsibilities reserved to the Board and those delegated to management. The Board delegated day-to-day operations of the Group to executive directors and senior management while reserving certain key matters for its approval. The board is responsible for approving and monitoring the Company’s overall strategies and policies, overseeing the financial position of the Group, approving business plans, evaluating the performance of the Company and supervising the performance of the management.

Corporate Governance Report

Decisions of the Board are communicated to the management through executive directors who have attended Board meetings.

The members of the Board during the year under review were:

Executive Directors:

Lim Ho Sok (*Chairman*)

Choi Jun Ho (appointed on 1 September 2012)

Shin Min Chul (resigned on 1 August 2012)

Non-Executive Director:

Pang Ngoi Wah Edward

Independent Non-Executive Directors:

Cho Min Je (resigned on 24 April 2013)

Liew Swee Yean

Tam Tak Wah

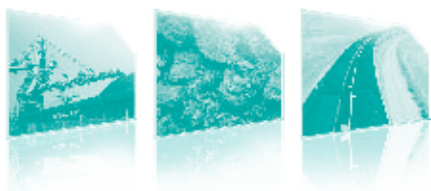
Young Yue Wing Alvin

Brief biographical details of the directors are set out in the "Biographical Details of Directors and Senior Management" section in the Report of the Directors on pages 12 to 15 of this annual report. To the best knowledge of the Company, there are no relationships (including financial, business, family or other material relationships) among the directors.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results.

During the year under review, the Company held regular meetings, various additional meetings on a needed basis, and one annual general meeting. Details of directors attendance records are as follows:

Directors	Attendance	
	Board meeting	Annual General Meeting
Executive Directors		
Lim Ho Sok (<i>Chairman</i>)	31/31	1/1
Choi Jun Ho (appointed on 1 September 2012)	22/23	N/A
Shin Min Chul (resigned on 1 August 2012)	2/2	N/A
Non-executive Director		
Pang Ngoi Wah Edward	15/19	0/1
Independent Non-executive Directors		
Cho Min Je (resigned on 24 April 2013)	6/9	1/1
Liew Swee Yean	9/9	1/1
Tam Tak Wah	9/9	1/1
Young Yue Wing Alvin	8/9	0/1



Corporate Governance Report

Under the code provision A.4.1 of the CG Code, non-executive director should be appointed for a specific term and subject to re-election. However, three of the INEDs, namely Mr. Liew Swee Yean, Mr Tam Tak Wah and Mr. Young Yue Wing Alvin, have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company (the "Articles"). As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those in the CG Code.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

All directors are committed to participating in continuous professional development under code provision A.6.5 of the CG Code. Directors are provided with timely updates on changes in laws and compliance issues relevant to the Group. The Company has also provided funding to encourage its directors to participate in professional development courses and seminars to develop and refresh their knowledge and skills.

During the year ended 31 March 2013, the directors' participation in various continuous professional program is summarised as below:

Name of directors	Attending training course/ seminar	Reading materials
Executive Directors		
Lim Ho Sok	✓	✓
Choi Jun Ho (appointed on 1 September 2012)	✓	✓
Shin Min Chul (resigned on 1 August 2012)	✓	✓
Non-executive Director		
Pang Ngoi Wah Edward	✓	✓
Independent Non-executive Directors		
Cho Min Je (resigned on 24 April 2013)	✓	✓
Liew Swee Yean	✓	✓
Tam Tak Wah	✓	✓
Young Yue Wing Alvin	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of chairman and CEO should be segregated and should not be performed by the same individual.

Mr. Lim Ho Sok assumed the roles of both the chairman and CEO of the Company during the year under review, which constitutes a deviation from the code provision A.2.1.

Whilst the Company is looking for suitable replacement for the post of CEO, the Board believes that the vesting of the roles of chairman and CEO in the same person provides the Group with strong and consistent leadership during this transitional period.

Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for the appointment of any potential new directors and the nomination of directors for re-election by shareholders at the annual general meeting of the Company. In accordance with the Articles, the directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board, whom is subject to retirement and re-election at the first annual general meeting after his appointment and shall then be eligible for re-election. Furthermore, every director shall retire from office no later than the third annual general meeting after he was last elected or re-elected.

REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005. The chairman of the committee is Mr. Liew Swee Yean (an INED) and other members included Mr. Lim Ho Sok (an executive director) and Mr. Tam Tak Wah (an INED).

The Remuneration Committee is responsible for formulating and recommending the Board in relation to the remuneration policy, determining the remuneration of directors and members of the senior management of the Company, and reviewing and making recommendations on the Company's share option scheme, other compensation-related issues and performance based remuneration.

Individual attendance of each remuneration committee member during the year under review is as follows:

Members	Attendance
Liew Swee Yean (<i>Chairman</i>)	2/2
Lim Ho Sok	2/2
Tam Tak Wah	2/2

The Remuneration Committee is provided with resources enabling it to discharge its duties including access to relevant and timely information, support of independent professional advice if and when necessary. Regular meetings of the Remuneration Committee will be held to discuss remuneration and compensation related issues.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely Mr. Tam Tak Wah (the chairman of the Audit Committee), Mr. Liew Swee Yean and Mr. Young Yue Wing Alvin. The Committee is responsible for recommending the appointment and re-appointment of external auditor, reviewing the Group's financial information and overseeing the Group's financial reporting system and internal control procedures. It is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. The management of the Company provides the Audit Committee with all relevant information the Committee needs for it to discharge its responsibilities.

The Audit Committee meets regularly to review financial reporting and internal control matters and has unrestricted access to the support of both the Company's management and auditors.

The Audit Committee held three meetings during the year under review, in which the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters so as to ensure that an effective control environment is maintained.



Corporate Governance Report

Individual attendance of each Audit Committee member during the year under review is as follows:

Members	Attendance
Tam Tak Wah (<i>Chairman</i>)	3/3
Liew Swee Yean	3/3
Young Yue Wing Alvin	3/3

Pursuant to the Rule 3.21 of the Listing Rules, the Audit Committee currently comprises three members who are INEDs and two of them possess appropriate professional qualifications or accounting or related financial management expertise.

NOMINATION COMMITTEE

The Nomination Committee was established in March 2012. The chairman of the committee is Mr. Lim Ho Sok and other members included two INEDs, namely Mr. Liew Swee Yean and Mr. Cho Min Je who was resigned on 24 April 2013. On the same day, Mr. Young Yue Wing Alvin was appointed to replace Mr. Cho Min Je.

The Nomination Committee is responsible for reviewing and recommending the structure, size and composition of the Board to complement the Company's corporate strategy, identifying suitably qualified individuals to become board members and assessing the independence of INEDs. It is also responsible for recommending the appointment, re-appointment and removal of directors and succession planning of directors; and ensuring at least one INED who sit in the Audit Committee posses professional qualifications in accounting and financial management.

Individual attendance of each Nomination Committee member during the year under review is as follows:

Members	Attendance
Lim Ho Sok (<i>Chairman</i>)	3/3
Cho Min Je (resigned on 24 April 2013)	2/3
Liew Swee Yean	3/3
Young Yue Wing Alvin (appointed on 24 April 2013)	N/A

AUDITOR'S REMUNERATION

During the year under review, total auditor's remuneration charged in relation to audit and non-audit services of the Group were as follows:

Nature of services	BDO Crowe Horwath		JH CPA	Total
	HK\$	HK\$	HK\$	HK\$
Review fee for interim results	150,000	—	—	150,000
Audit fee for final results				
— current year	—	630,000	900,000	1,530,000
— underprovision for prior year	505,000	—	—	505,000
Taxation consultancy services fee	10,000	—	—	10,000
Others	74,000	5,000	—	79,000
Total audit and non-audit services	739,000	635,000	900,000	2,274,000

Corporate Governance Report

ACCOUNTABILITY AND INTERNAL CONTROL

The Board acknowledges that they are responsible for (i) preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group, and (ii) presenting a clear, balanced and understandable assessment of the Group's performance and prospects in the Company's annual and interim report, inside information announcements and other financial disclosures required under the Listing Rules and such other matters as the regulators may request. The Board is not aware of any material uncertainties relating to the events or condition that might cast doubt upon the Company's ability to continue as a going concern. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

The Board has overall responsibility for monitoring the internal control of the Group and reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of the shareholders and the Group's assets. The Board has delegated to the management the implementation of the internal control system within an established framework. During the year ended 31 March 2013, the Board reviewed and ensured that the internal control process has been properly carried out and experience of staff of the Group's accounting and financial reporting were maintained properly. The Board satisfies that, given the size and activities of the Company, adequate internal control systems have been established and considers continuing reviews of internal controls will be undertaken to ensure its adequacy and effectiveness.

SHAREHOLDER RIGHTS

According to Article 58 of the Company's articles of association, any one or more members of the Company may request for an extraordinary general meeting to be convened upon depositing a written requisition to the Board or the Secretary of the Company specifying the objects of the meeting and signed by the requisitionist(s), provided that as at the date of deposit of the requisition, such requisitionist(s) hold not less than one-tenth of the paid-up capital of the Company which carries the right of voting at a general meeting of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene an extraordinary general meeting, the requisitionist(s) themselves may convene an extraordinary general meeting in the same manner, as nearly as possible, as that in which meeting may be convened by the Board provided that any meeting so convened shall not be held after the expiration of two months from the date of deposit of the requisition.

The same procedure also applies to any proposal to be tabled at general meetings for adoption.

The shareholders and investors are also welcome to share their views and suggestions by contacting the Company through the following methods:

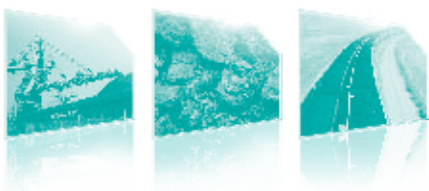
By telephone: (852) 2511 8999
By fax: (852) 2511 8711
By email: investor@smg.com.hk

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the financial year under review.

INVESTOR RELATIONS

To foster effective communications, the Company provided all necessary information to its shareholders in its annual report, interim report and announcements. The Board hosts general meetings to meet the shareholders so as to ensure that the shareholders' view is communicated to the Board. The Board will make efforts to attend the annual general meetings so that they could communicate with the shareholders and answer their questions.



Independent Auditor's Report



JH CPA Alliance Limited

晉華會計師事務所有限公司

Certified Public Accountants

TO THE SHAREHOLDERS OF SIBERIAN MINING GROUP COMPANY LIMITED

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Siberian Mining Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 115, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other persons for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3(b) to the consolidated financial statements which indicates that the Group incurred a net loss for the year from continuing operations of HK\$2,099,913,000 for the year ended 31 March 2013 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$58,579,000. These conditions, along with other matters as set forth in Note 3(b) indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Also, we draw attention to Note 34 to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuit filed against the Group. Our opinion is not qualified in respect of this matter.

JH CPA Alliance Limited
Certified Public Accountants
Hong Kong, 22 April 2015

Fung Kwok Leung
Practising Certificate Number P2357

Consolidated Statement of Profit or Loss

For the year ended 31 March 2013

	Notes	Continuing operations		Discontinued operations		Total	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Turnover	7	9,498	9,291	—	2,111	9,498	11,402
Cost of sales		(9,342)	(9,258)	—	(338)	(9,342)	(9,596)
Gross profit		156	33	—	1,773	156	1,806
Other income	7	19	48	—	527	19	575
Other gains and losses	7	(1,976,989)	(258,295)	—	(8,330)	(1,976,989)	(266,625)
Selling and distribution costs		(390)	(464)	—	(1,605)	(390)	(2,069)
Administrative and other expenses		(112,654)	(167,164)	—	(10,388)	(112,654)	(177,552)
Finance costs	8	(9,655)	(22,954)	—	(219)	(9,655)	(23,173)
Loss before income tax	9	(2,099,513)	(448,796)	—	(18,242)	(2,099,513)	(467,038)
Gain on disposal of subsidiaries		—	—	—	15,409	—	15,409
Income tax	11	(400)	(3)	—	48	(400)	45
Loss for the year		(2,099,913)	(448,799)	—	(2,785)	(2,099,913)	(451,584)
Attributable to:							
Owners of the Company	12	(2,037,510)	(409,397)	—	13,398	(2,037,510)	(395,999)
Non-controlling interests		(62,403)	(39,402)	—	(16,183)	(62,403)	(55,585)
		(2,099,913)	(448,799)	—	(2,785)	(2,099,913)	(451,584)
Loss per share							
From continuing and discontinued operations							
Basic (Hong Kong cents)	14					566	226
Diluted (Hong Kong cents)	14					766	226
From continuing operations							
Basic (Hong Kong cents)	14					566	234
Diluted (Hong Kong cents)	14					766	234

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2013

	Continuing operations		Discontinued operations		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Loss for the year	(2,099,913)	(448,799)	—	(2,785)	(2,099,913)	(451,584)
Other comprehensive income for the year, net of tax:						
Items that may be reclassified subsequently to profit or loss:						
— Reclassification adjustments of translation reserve upon disposal of interests in subsidiaries	—	—	—	(6,022)	—	(6,022)
— Exchange differences on translation of financial statements of foreign operations	(52,906)	(48,774)	—	610	(52,906)	(48,164)
Total comprehensive expenses for the year, net of tax	(2,152,819)	(497,573)	—	(8,197)	(2,152,819)	(505,770)
Attributable to:						
Owners of the Company	(2,085,125)	(453,317)	—	7,778	(2,085,125)	(445,539)
Non-controlling interests	(67,694)	(44,256)	—	(15,975)	(67,694)	(60,231)
	(2,152,819)	(497,573)	—	(8,197)	(2,152,819)	(505,770)



Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	8,252	20,668
Prepayments for acquisition of property, plant and equipment		1,557	169
Other intangible assets	16	338,595	986,722
Exploration and evaluation assets	17	988,355	249,600
		1,336,759	1,257,159
Current assets			
Other receivables, deposits and prepayments		1,763	5,840
Cash and cash equivalents	19	833	1,524
		2,596	7,364
Current liabilities			
Other payables, accrued expenses and trade deposit received		11,454	11,199
Coal trading deposit received	20	24,180	27,300
Interest-bearing borrowings	21	14,500	—
Amount due to a director	22	901	—
Purchase consideration payable for additional acquisition	29	10,140	10,800
		61,175	49,299
Net current liabilities		(58,579)	(41,935)
Total assets less current liabilities		1,278,180	1,215,224

Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Non-current liabilities			
Amount due to a related party/shareholder	33(i)	49,552	53,095
Convertible note payables	23	2,185,693	—
Promissory notes payables	24	58,174	104,051
Provision for close down, restoration and environmental costs	32	2,065	1,971
Deferred tax liabilities	25	488	93
		2,295,972	159,210
NET (LIABILITIES)/ASSETS		(1,017,792)	1,056,014
CAPITAL AND RESERVES			
Share capital	26	101,689	45,614
Reserves		(1,130,620)	930,553
Equity attributable to owners of the Company		(1,028,931)	976,167
Non-controlling interests		11,139	79,847
(CAPITAL DEFICIENCIES)/TOTAL EQUITY		(1,017,792)	1,056,014

These financial statements were approved and authorised for issue by the board of directors on 22 April 2015.

Jang Sam Ki
Director

Hong Sang Joon
Director



Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	18	679	1,100,978
Current assets			
Other receivables, deposits and prepayments		605	428
Cash and cash equivalents	19	236	952
		841	1,380
Current liabilities			
Other payables and accrued expenses		5,521	4,011
Coal trading deposit received	20	24,180	27,300
Interest-bearing borrowings	21	14,500	—
Amount due to a director	22	901	—
		45,102	31,311
Net current liabilities		(44,261)	(29,931)
Total assets less current liabilities		(43,582)	1,071,047
Non-current liabilities			
Amount due to a related party/shareholder	33(i)	26,885	33,146
Convertible note payables	23	2,185,693	—
Promissory notes payables	24	58,174	104,051
		2,270,752	137,197
NET (LIABILITIES)/ASSETS		(2,314,334)	933,850
CAPITAL AND RESERVES			
Share capital	26	101,689	45,614
Reserves	27	(2,416,023)	888,236
(CAPITAL DEFICIENCIES)/TOTAL EQUITY		(2,314,334)	933,850

These financial statements were approved and authorised for issue by the board of directors on 22 April 2015.

Jang Sam Ki
Director

Hong Sang Joon
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Share capital	Share premium	Translation reserve	Other reserve	Equity-settled share option reserve	Capital reserve	Statutory reserve fund	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011	27,124	1,661,540	133,151	331,505	4,566	7,522	909	(807,634)	1,358,683	139,650	1,498,333
Loss for the year	—	—	—	—	—	—	—	(395,999)	(395,999)	(55,585)	(451,584)
Other comprehensive expenses for the year	—	—	(49,540)	—	—	—	—	—	(49,540)	(4,646)	(54,186)
Total comprehensive expenses for the year	—	—	(49,540)	—	—	—	—	(395,999)	(445,539)	(60,231)	(505,770)
Placement of new shares (Note 26(i)&(iii))	18,450	27,500	—	—	—	10,649	—	—	56,599	—	56,599
Lapse of share options	—	—	—	—	(4,566)	—	—	4,566	—	—	—
Discount received on the early settlement of the Modified PN (Note 24(i))	—	—	—	—	—	4,192	—	—	4,192	—	4,192
Transfer upon disposal of subsidiaries	—	—	—	—	—	—	(909)	909	—	—	—
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	428	428
Issue of share options (Note 28)	—	—	—	—	1,028	—	—	—	1,028	—	1,028
Issue of shares on exercise of share options (Note 26(v))	40	52	—	—	(21)	—	—	—	71	—	71
Waiver of interest on early settlement of amount due to a shareholder (Note 33(i))	—	—	—	—	—	1,133	—	—	1,133	—	1,133
At 31 March 2012	45,614	1,689,092	83,611	331,505	1,007	23,496	—	(1,198,158)	976,167	79,847	1,056,014

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Equity-settled share option reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 April 2012	45,614	1,689,092	83,611	331,505	1,007	23,496	(1,198,158)	976,167	79,847	1,056,014
Loss for the year	—	—	—	—	—	—	(2,037,510)	(2,037,510)	(62,403)	(2,099,913)
Other comprehensive expenses for the year	—	—	(47,615)	—	—	—	—	(47,615)	(5,291)	(52,906)
Total comprehensive expenses for the year	—	—	(47,615)	—	—	—	(2,037,510)	(2,085,125)	(67,694)	(2,152,819)
Placement of new shares (Note 26(iii))	55,615	32,711	—	—	—	—	—	88,326	—	88,326
Adjustment to the consideration of acquisition of additional interests in a subsidiary from non-controlling interests completed in prior years (Note 29)	—	—	—	(9,126)	—	—	—	(9,126)	(1,014)	(10,140)
Issue of shares on exercise of share options (Note 26(iv))	460	600	—	—	(244)	—	—	816	—	816
Waiver of interest on early settlement of amount due to a shareholder (Note 33(i))	—	—	—	—	—	11	—	11	—	11
At 31 March 2013	101,689	1,722,403	35,996	322,379	763	23,507	(3,235,668)	(1,028,931)	11,139	(1,017,792)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK\$'000	2012 HK\$'000
Cash flow from operating activities		
Loss before income tax	(2,099,513)	(467,038)
Adjustments for:		
Interest income	—	(35)
Gain on partial settlement of the Modified PN in exchange for new shares	(2,464)	—
Gain on disposal of property, plant and equipment	—	(643)
Gain arising in change in fair value of convertible note	(1,270,253)	—
Loss on disposal of property, plant and equipment	—	145
Write off of direct costs on unsuccessful acquisition of subsidiaries	—	618
Equity-settled share option expense	—	1,028
Depreciation	78	440
Amortisation of other intangible assets	80,265	123,401
Finance costs	9,655	23,173
Provision for close down, restoration and environmental costs	201	185
Impairment loss on other intangible assets	513,790	261,012
Impairment loss on property, plant and equipment	12,154	5,283
Impairment loss on exploration and evaluation assets	2,723,762	—
Allowance for doubtful trade receivables	—	973
Operating loss before working capital changes	(32,325)	(51,458)
Increase in inventories	—	(151)
Decrease in trade receivables	—	14,232
Decrease in other receivables, deposits and prepayments	4,077	4,552
Decrease in trade payables	—	(556)
Increase in other payables, accrued expenses and trade deposits received	255	2,287
(Decrease)/Increase in coal trading deposits received	(3,120)	27,300
Increase in amounts due to related parties	—	794
Cash used in operating activities	(31,113)	(3,000)
Interest and bank charges paid	(69)	(114)
Net cash used in operating activities	(31,182)	(3,114)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Cash flow from investing activities			
Payment of purchase consideration for additional acquisition	29	(660)	(21,143)
Disposal of subsidiaries		—	(1,148)
Deposits (paid for)/refunded from acquisition of property, plant and equipment		(1,388)	2,181
Purchases of property, plant and equipment		(936)	(425)
Capitalized expenses of exploration and evaluation assets		(6,547)	—
Proceeds from disposal of property, plant and equipment		—	859
Interest received		—	35
Net cash used in investing activities		(9,531)	(19,641)
Cash flow from financing activities			
Loan received from a related party/shareholder of the Company		6,641	47,000
Loan received from an independent third party		—	1,350
Loan received from a director of the Company		901	—
Repayment of loan from a shareholder of the Company		(11,692)	(34,680)
Repayment of principal of promissory notes payables		(200)	(23,400)
Proceeds from issue of shares on exercise of share options, net		816	71
Proceeds from borrowings		14,500	—
Proceeds from placements of new shares, net		36,453	23,011
Net cash generated from financing activities		47,419	13,352
Net increase/(decrease) in cash and cash equivalents		6,706	(9,403)
Cash and cash equivalents at beginning of year		1,524	9,639
Effect of exchange rate changes on cash and cash equivalents		(7,397)	1,288
Cash and cash equivalents at end of year		833	1,524
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		833	1,524
The cash flows of the discontinued operations were as follows:			
Net cash used in operating activities		—	(2,757)
Net cash generated from investing activities		—	744
Net cash used in financing activities		—	—
Total net cash outflow		—	(2,013)

Notes to the Financial Statements

1. ORGANISATION AND OPERATIONS

Siberian Mining Group Company Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability, and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is at Room 2402, 24/F., Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The Company engages in investment holding. The principal activities of its principal subsidiaries are set out in Note 18.

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The accounting policies and methods of computation used in these financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year and which have a material effect on the amounts reported and/or the presentation and disclosures set out in these financial statements.

Amendments to HKAS 1 — Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”. Upon the adoption of the amendments to HKAS 1, the Group’s ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis—the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 1 Removal of Fixed Dates for First-time Adopters

The amendments regarding the removal of fixed dates provide relief to first-time adopters of HKFRSs from reconstructing transactions that occurred before their date of transition to HKFRSs. Two of the existing first-time adoption provisions in HKFRS 1 (derecognition of financial assets and liabilities and “day 1” gains and losses) included guidance designed to mirror the transitional provisions of HKAS 39 including the applicable effective dates. The amendments provide relief to first-time adopters of HKFRSs by replacing the date of prospective application from the fixed date of “1 January 2004” with “the date of transition to HKFRSs”.



Notes to the Financial Statements

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Amendments to HKFRS 7 Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions is undertaken around the end of a reporting period.

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principle set out in HKAS 12 Income Taxes that the measurement of deferred tax should reflect the manner in which an entity expects to recover the carrying amount of an investment property measured using the fair value model in HKAS 40 Investment Property will be recovered entirely through sale for the purposes of measuring deferred taxes. The amendments were issued in response to concerns that it is difficult and subjective to apply HKAS12’s general approach to measure deferred taxes for investment properties that are measured using the fair value model because it may be that the entity intends to hold the asset for an indefinite or indeterminate period of time, during which it anticipates both rental income and capital appreciation.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

Amendment to HKFRSs	<i>Annual Improvement 2009-2011 Cycle¹</i>
Amendment to HKFRS 1	<i>First-time Adoption of HKFRSs — Government loan¹</i>
Amendments to HKFRS 7	<i>Disclosures — Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Mandatory Effective Date of HKFRS 9 and Transition Disclosures³</i>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	<i>Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities; Transition Guidance¹</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	<i>Investment Entities²</i>
HKFRS 9	<i>Financial Instruments³</i>
HKFRS 10	<i>Consolidated Financial Statements¹</i>
HKFRS 11	<i>Joint Arrangements¹</i>
HKFRS 12	<i>Disclosure of Interest in Other Entities¹</i>
HKFRS 13	<i>Fair Value Measurement¹</i>
HKAS 19 (as revised in 2011)	<i>Employee Benefits¹</i>
HKAS 27 (as revised in 2011)	<i>Separate Financial Statements¹</i>
HKAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures¹</i>
Amendments to HKAS 1	<i>Presentation of Items of Other Comprehensive Income⁴</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities²</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets²</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting²</i>
HK(IFRIC) — Int 21	<i>Levies²</i>

¹ Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 July 2012, with earlier application permitted.

Notes to the Financial Statements

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)*

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognized in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognize the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognized in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group’s financial statements.



Notes to the Financial Statements

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

(b) Basis of measurement and going concern assumptions

The financial statements have been prepared under the historical cost convention, as modified for certain financial instruments, which are carried at fair value, as explained in the accounting policies set out below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimations are based on the best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

During the year, the Group incurred a net loss for the year from continuing operations of approximately HK\$2,099,913,000 (2012: HK\$448,799,000). The Group’s current liabilities exceeded its current assets by approximately HK\$58,579,000 (2012: HK\$41,935,000) and a capital deficiency of HK\$1,017,792,000 (2012: equity of HK\$1,056,014,000) as at 31 March 2013. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The directors are currently implementing the measures below to improve the operating and financial position of the Group:

- Continue to exercise stringent cost control to reduce administrative and other expenses by further streamlining the Group operation.

In addition, the Group has obtained funding and financial support from the follow parties:

- (i) Obtained a loan facilities agreement from a director and also the Chairman of the Board of the Company to provide continuous financial support to the Group. A loan facility of up to HK\$400,000,000 to the Group for the 18 months period commencing from 9 February 2015.
- (ii) As set out in Note 20, the New Coal Deposit Holder has agreed to extend the date of repayment of the coal trading deposit together with the related interests to 30 November 2016.
- (iii) As set out in Note 21, with regard to interest-bearing borrowings, the lender has agreed not to demand for repayment for the amount due before 19 August 2016.
- (iv) As set out in Note 22, with regard to amount due to a director, the director has agreed not to demand for repayment of the amount due before 31 August 2016.
- (v) As set out in Note 33(i), with regard to amount due to a related party, the related party has agreed not to demand for repayment of the amount due before 31 August 2016.

Notes to the Financial Statements

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumptions *(Continued)*

- (vi) As set out in Note 24, with regard to promissory notes, the promissory notes holders have agreed not to demand for repayment of the amount due before 25 August 2016.
- (vii) Obtained an agreement from certain shareholders that they agreed to subscribe the issued new shares after the trading in the shares on the Stock Exchange has resumed.

With the successful implementation of the measures and funding and financial support obtained as set out above, and subsequent to end of the reporting period as set out in Note 38, in the opinion of the directors, the Group will have sufficient funds to satisfy its future working capital and other financial commitments as and when they fall due. Accordingly, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business, the effect of which has not yet been reflected in the financial statements. Adjustments may have to be made to write down assets to their recoverable amounts. In addition, the Group may have to provide further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;



Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this result in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.



Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business Combination *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(c) Subsidiaries

Subsidiaries are entities over which the Company is able to exercise control. Control is achieved where the company, directly or indirectly, has the power to govern the financial and operating policies of entities so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less any impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Goodwill *(Continued)*

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e) Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and any accumulated impairment losses, except for freehold land which is stated at cost less any impairment losses and is not depreciated.

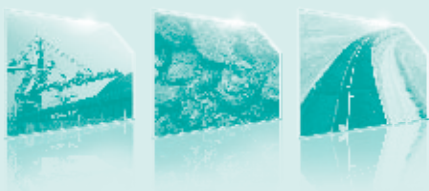
The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of assets can be measured reliably, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Plant and machinery	6.67%
Furniture and fixtures	20%
Equipment	10% to 20%
Motor vehicles	10% to 30%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.



Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Construction in progress

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for intended use.

(g) Intangible assets excluding goodwill

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the profit or loss.

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

Mining Rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised (i) on the units of production method utilising only proven and probable coal reserves in the depletion base; or (ii) straight line method over the remaining terms of the mining rights if no mining activity is carried out as appropriate.

(h) Impairment of tangible and intangible assets excluding goodwill and financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of tangible and intangible assets excluding goodwill and financial assets *(Continued)*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

(i) Exploration and evaluation assets

Exploration and evaluation assets include the cost of obtaining and maintaining mining and exploration rights and expenditure incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, they are stated at cost less any accumulated impairment losses and no amortisation charge is recognised. Cost expensed during the exploration and evaluation phase including expenditure incurred before obtaining the legal rights to explore specific area are included in profit or loss.

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

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



Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Exploration and evaluation assets *(Continued)*

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

The recoverable amount is the higher of the exploration and evaluation asset's fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped into each area of interest for which exploration activities are undertaken.

When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are transferred to "Property, plant and equipment" and "Mining licence", as appropriate. These assets are tested for impairment before their reclassification.

(j) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- a ranting concession to a debtor because of debtor's financial difficulty; or

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial Instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

- it becoming probable that the debtor will enter bankruptcy or other financial re-organisation.

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables, accrued expenses and trade deposit received, coal trading deposit received, short term borrowings, amount due to a director/a related party, purchase consideration payable for additional acquisition, promissory notes payables, convertible note payables and provision for close down, restoration and environmental costs are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.



Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial Instruments *(Continued)*

(iv) Convertible notes

Convertible notes issued by the Group that contain both liability and derivative components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an embedded derivative. At the date of issue, both the liability and derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

When the notes are converted, the carrying amount of the liability component together with the fair value of the derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the notes are redeemed, and difference between the redemption amount and the carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and derivative components in proportion to the allocation of the proceeds. Transaction costs relating to the derivative component is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using the effective interest method.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when, and only when, the obligation specified in the relevant contract is discharged, cancelled or expires.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Operating lease

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All others leases are classified as operating leases.

Rentals payable under operating leases is charged to the profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(m) Provision, contingent liabilities and contingent assets

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probable result in an outflow of economic benefits that can be reliably measured.

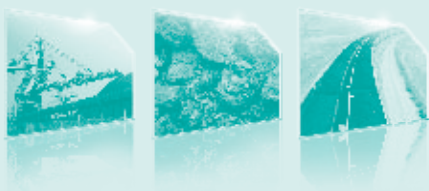
A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Provision for close down, restoration and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land at the mining sites. Depending on the circumstances, the Group may relocate inhabitants from the mining sites prior to conducting mining activities or the Group may compensate the inhabitants for losses or damage from close down and land subsidence after the sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the profit or loss on a prospective basis over the remaining life of the operation. Provision for close down and restoration costs does not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at the end of each reporting period to reflect changes in conditions.



Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Provision, contingent liabilities and contingent assets *(Continued)*

Provision for close down, restoration and environmental costs *(Continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Hong Kong dollar which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, on consolidation, they are recognised in other comprehensive income and accumulated in equity as translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as the Group's translation reserve. Such translation differences are reclassified to profit or loss in the period in which the foreign operation or underlying asset is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Taxation

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

(ii) Deferred tax

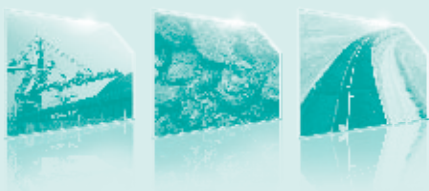
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, and are accounted for using the liability method. Deferred tax liabilities are generally recognised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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.



Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employees' benefits

(i) Short-term benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of reporting period.

(ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

The Group makes contributions to the pension fund for the benefit of the employees of the Group's Russian subsidiary in accordance with the relevant requirements of the pension scheme of the Russian Federation ("Russia"). The contributions are expensed as incurred.

(iii) Share-based payments

The Group issues equity-settled share-based payments to certain employees and others providing similar services. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant.

The fair value determined at the grant date of the equity-settled share-based payments is expected to be vested on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

When the share options are cancelled, forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in equity-settled share option reserve will be transferred to accumulated losses.

(q) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties

- (1) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Company's parent.

- (2) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealing with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.



Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances and excludes value added tax or other sales related taxes.

- (i) Revenue from the sale of products is recognised when the Group has delivered products to the customers, the customers have accepted the products; and
- (ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the effective interest rate applicable.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

Amortisation of mining right

The Group determines the development of its mines, comprising a mining right and an adjacent exploration and mining right as a single unit. In determining how the mining right should be amortised, the Group has exercised judgement that both the estimated reserves and pattern over which the economic benefits embodied in the mines as a whole to be consumed are uncertain and not yet reliably determined. Accordingly, the Group is of the view that it is currently not appropriate to apply the unit-of-production method, until both the estimated reserves and pattern over which the economic benefits embodied in the mines can be reliably determined. The Group further considers that the mining right is available for use once it was acquired and therefore has adopted the straight line method which is an acceptable method of amortisation. The mining right is amortised using straight line method over an estimated period of 13 years commencing from the financial year ended 31 March 2010.

Going concern basis

These financial statements have been prepared on a going concern basis and the details are explained in Note 3(b) to the financial statements.

Notes to the Financial Statements

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within next financial year, are as follows:

Equity-settled share option expense

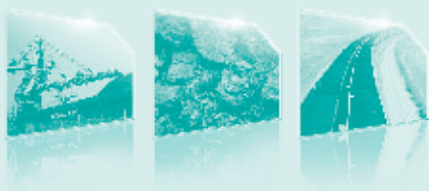
Equity-settled share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in profit or loss and equity-settled share option reserve.

Impairment of non-financial assets and goodwill

Goodwill is tested for impairment at least annually. Other assets including property, plant and equipment, exploration and evaluation assets, and mining licences are assessed annually to determine for any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as selling prices, discount rates, future capital requirements and operating costs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

Cash flows are discounted to their present value using a post or pre-tax discount rate, where appropriate that reflects current market assessments of the time value of money and the risks specific to the asset. However, actual sale volume, selling price, future capital requirements and operating costs may be different from assumptions which may require a material adjustment to carrying amount of the assets affected. Management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.



Notes to the Financial Statements

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limitation on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimates. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Reserve estimates

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

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

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

- (i) Asset carrying values may be affected due to changes in estimated future cash flows.
- (ii) Depreciation, depletion and amortisation charged to profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- (iii) Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- (iv) The carrying value of deferred tax may change as a result of changes in the asset carrying values as discussed above.

Provision for close down, restoration and environmental costs

The provision for close down, restoration and environmental costs is determined by management based on their past experience and best estimation of future expenditure, after taking into account the existing relevant regulations in Russia. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

Notes to the Financial Statements

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. In this connection, the management makes certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after exploration and evaluation expenditure is capitalised, information becomes available suggesting that the recovery of this expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

Income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on earnings.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Details of the operating segments are summarised as follows:

- (i) Mining segment comprises holding mining and exploration rights of coal mines in the Russia and will be engaged in the exploration and mining of coal.
- (ii) Mineral resources and commodities trading segment comprises the business of coal, aluminium and scrapped iron trading to the Republic of Korea ("**Korea**").

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



Notes to the Financial Statements

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments

The following table present revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the years ended 31 March 2013 and 2012.

For the year ended 31 March 2013

	Mining HK\$'000	Mineral resources and commodities trading HK\$'000	Consolidated total HK\$'000
Reportable segment revenue			
Revenue from external customers	—	9,498	9,498
Reportable segment loss	(3,350,563)	(701)	(3,351,264)
Impairment loss on other intangible assets	(513,790)	—	(513,790)
Impairment loss on property, plant and equipment	(12,154)	—	(12,154)
Impairment loss on exploration and evaluation assets	(2,723,762)	—	(2,723,762)
Depreciation	(72)	(3)	(75)
Amortisation of other intangible assets	(80,265)	—	(80,265)
Reportable segment assets	1,337,989	525	1,338,514
Additions to non-current assets	3,463,419	10	3,463,429
Reportable segment liabilities	(64,509)	(124)	(64,633)

Notes to the Financial Statements

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

For the year ended 31 March 2012

	Continuing operations			Discontinued operations			Consolidated total HK\$'000
	Mining HK\$'000	Mineral resources and commodities trading HK\$'000	Sub-total HK\$'000	Digital television technology services HK\$'000	Vertical farming HK\$'000	Sub-total HK\$'000	
Reportable segment revenue							
Revenue from external customers	—	9,291	9,291	2,100	11	2,111	11,402
Reportable segment loss	(413,513)	(452)	(413,965)	(4,839)	(13,184)	(18,023)	(431,988)
Interest income	9	21	30	3	1	4	34
Impairment loss on other intangible assets	(253,012)	—	(253,012)	—	(8,000)	(8,000)	(261,012)
Impairment loss on property, plant and equipment	(5,283)	—	(5,283)	—	—	—	(5,283)
Depreciation	(124)	(3)	(127)	(83)	(210)	(293)	(420)
Amortisation of other intangible assets	(121,526)	—	(121,526)	—	(1,875)	(1,875)	(123,401)
Allowance for doubtful trade receivables	—	—	—	(973)	—	(973)	(973)
Equity-settled share option expenses	(47)	—	(47)	—	—	—	(47)
Reportable segment assets	1,262,973	109	1,263,082	—	—	—	1,263,082
Additions to non-current assets	2,281	—	2,281	119	—	119	2,400
Reportable segment liabilities	(66,461)	(185)	(66,646)	—	—	—	(66,646)

Notes to the Financial Statements

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities:

	2013 HK\$'000	2012 HK\$'000
Revenue		
Reportable segment revenue and consolidated revenue from continuing and discontinued operations	9,498	11,402
	2013 HK\$'000	2012 HK\$'000
Loss before income tax from continuing and discontinued operations		
Reportable segment loss	(3,351,264)	(431,988)
Interest income	—	1
Other income	6	—
Other gains and losses	1,272,717	—
Unallocated corporate expenses	(11,317)	(11,878)
Finance costs	(9,655)	(23,173)
Consolidated loss before income tax from continuing and discontinued operations	(2,099,513)	(467,038)
	2013 HK\$'000	2012 HK\$'000
Assets		
Reportable segment assets	1,338,514	1,263,082
Unallocated corporate assets	841	1,441
Consolidated total assets	1,339,355	1,264,523
	2013 HK\$'000	2012 HK\$'000
Liabilities		
Reportable segment liabilities	(64,633)	(66,646)
Unallocated corporate liabilities	(2,292,514)	(141,863)
Consolidated total liabilities	(2,357,147)	(208,509)

Notes to the Financial Statements

6. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets, if any (the "Specific non-current assets"):

	Revenue from external customers		Specific non-current assets	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Continuing operations				
Russia	—	—	1,336,741	1,257,144
Korea	9,498	9,291	18	11
Others	—	—	—	4
	9,498	9,291	1,336,759	1,257,159
Discontinued operations				
PRC	—	2,111	—	—

(c) Information about major customers

For the year ended 31 March 2013, three customers of the mineral resources and commodities trading segment with revenue of HK\$4,212,000, HK\$3,756,000 and HK\$1,530,000 respectively, each contributed to more than 10% of the Group's revenue.

For the year ended 31 March 2012, one customer of the mineral resources and commodities trading segment with revenue of HK\$8,724,000 contributed to more than 10% of the Group's revenue.

Notes to the Financial Statements

7. TURNOVER, OTHER INCOME, AND OTHER GAINS AND LOSSES

Turnover, which is also the Group's revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the net invoiced value of services rendered during the year.

An analysis of the Group's turnover, other income and other gains and losses is as follows:

	Continuing operations		Discontinued operations		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Turnover						
Trading of mineral resources and commodities	9,498	9,291	—	—	9,498	9,291
Provision of digital television technology services	—	—	—	2,100	—	2,100
Sales of goods	—	—	—	11	—	11
	9,498	9,291	—	2,111	9,498	11,402
Other income						
Interest income	—	31	—	4	—	35
Sundry income	19	17	—	523	19	540
	19	48	—	527	19	575
Other gains and losses						
Allowance for doubtful trade receivables	—	—	—	(973)	—	(973)
Gain on partial settlement of the Modified PN (as defined in Note 24(i)) in exchange for new shares of the Company	2,464	—	—	—	2,464	—
Gain arising in change in fair value of convertible note (Note 23)	1,270,253	—	—	—	1,270,253	—
Impairment loss on other intangible assets (Note 16)	(513,790)	(253,012)	—	(8,000)	(513,790)	(261,012)
Impairment loss on property, plant and equipment (Notes 15 & 16(a))	(12,154)	(5,283)	—	—	(12,154)	(5,283)
Impairment loss on exploration and evaluation assets (Note 17)	(2,723,762)	—	—	—	(2,723,762)	—
Gain on disposal of property, plant and equipment	—	—	—	643	—	643
	(1,976,989)	(258,295)	—	(8,330)	(1,976,989)	(266,625)

Notes to the Financial Statements

8. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Interest expenses on						
Loan from a related party/ shareholder (Note 33(iii))	1,871	2,438	—	—	1,871	2,438
Loan from directors (Note 33(iii))	2	—	—	—	2	—
Loan from third parties	760	26	—	—	760	26
Loan from other shareholders (Note 33(iii))	537	—	—	—	537	—
Imputed interest on promissory notes	6,416	20,395	—	200	6,416	20,595
	9,586	22,859	—	200	9,586	23,059
Bank charges	69	95	—	19	69	114
	9,655	22,954	—	219	9,655	23,173

Notes to the Financial Statements

9. LOSS BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Loss before income tax is arrived at after charging:—						
Employees benefit expenses (excluding directors' remuneration) (Note 10(a)):—						
Wages and salaries	8,526	8,940	—	2,841	8,526	11,781
Pension fund contributions	491	481	—	308	491	789
Equity-settled share option expense (Note 28)	—	313	—	—	—	313
	9,017	9,734	—	3,149	9,017	12,883
Amortisation of other intangible assets (Note 16)						
— Mining right	80,265	121,526	—	—	80,265	121,526
— Technical know-how	—	—	—	1,875	—	1,875
Depreciation (Note 15)	78	147	—	293	78	440
Equity-settled share option expense to directors (Note 10(a) & 28)	—	700	—	—	—	700
Equity-settled share option expense to others (Note 28)	—	15	—	—	—	15
Write off of direct costs on unsuccessful acquisition of subsidiaries	—	618	—	—	—	618
Auditor's remuneration	2,732	1,809	—	12	2,732	1,821
Provision for close down, restoration and environmental costs (Note 32)	201	185	—	—	201	185
Minimum lease payments in respect of premises under operating leases	5,203	4,877	—	2,129	5,203	7,006
Loss on disposal of property, plant and equipment	—	—	—	145	—	145
Net exchange losses	2,617	1,272	—	140	2,617	1,412
Cost of inventories sold*	9,342	9,258	—	219	9,342	9,477

* In prior year, cost of sales disclosed on the face of the Consolidated Statement of Profit or Loss represented cost of inventories sold and other expenses of HK\$119,000.

Notes to the Financial Statements

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

Name of directors	Fees		Salaries and allowances		Pension fund contributions		Equity-settled share option expense		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Executive directors										
Lim Ho Sok	240	240	2,916	2,824	15	12	—	350	3,171	3,426
Shin Min Chul*	80	240	123	1,303	—	—	—	—	203	1,543
Choi Jun Ho#	140	—	172	—	—	—	—	—	312	—
	460	480	3,211	4,127	15	12	—	350	3,686	4,969
Non-executive director										
Pang Ngoi Wah, Edward	120	120	—	—	—	—	—	350	120	470
Independent non-executive directors										
Tam Tak Wah	180	180	—	—	—	—	—	—	180	180
Liew Swee Yean	156	156	—	—	—	—	—	—	156	156
Young Yue										
Wing, Alvin	120	120	—	—	—	—	—	—	120	120
Cho Min Je	240	26	—	—	—	—	—	—	240	26
	696	482	—	—	—	—	—	—	696	482
Total	1,276	1,082	3,211	4,127	15	12	—	700	4,502	5,921

* This director resigned as director of the Company during the year.

This director is appointed as director of the Company during the year.

In prior year, one executive director and one non-executive director were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 28. The fair value of such options which was expensed in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in profit or loss for the year were included in the above directors' remuneration disclosures. There was no share option granted to any director of the Company in the current year.

During the current and prior years, no remuneration was paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

Notes to the Financial Statements

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(Continued)

(b) Five highest paid individuals

The five highest paid individuals during the year included one director (2012: two directors), details of whose remuneration are set out in Note 10(a) above. Details of the remuneration of the remaining four (2012: three) non-directors, highest paid individuals for the year are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries and other benefits	5,965	4,795
Pension fund contributions	15	23
	5,980	4,818

The number of non-director, highest paid individuals whose remuneration fell within the following band is as follows:

	2013	2012
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	—	—
HK\$2,000,001 to HK\$2,500,000	—	—
HK\$2,500,001 to HK\$3,000,000	1	1
	4	3

Notes to the Financial Statements

11. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	Continuing operations		Discontinued operations		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Group:						
Current — Hong Kong Charge for the year	—	—	—	—	—	—
Current — Russia and other overseas Deferred taxation (Note 25)	400	3	—	—	400	3
Current — PRC Written back for the year	—	—	—	(48)	—	(48)
	400	3	—	(48)	400	(45)

No provision for Hong Kong profits tax was made for the current and prior years as the Hong Kong subsidiaries of the Group have no assessable profits for Hong Kong profits tax purposes in the current and prior years. Taxation for the Russian and other foreign operations are similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

Tax holidays were granted by the relevant authorities to a PRC subsidiary of the Group in prior years, where the PRC corporate income tax was exempted for the first two profitable years of the subsidiary and is chargeable at half of the applicable rate for the subsequent three years.



Notes to the Financial Statements

11. INCOME TAX *(Continued)*

(b) Taxation for the year can be reconciled to the accounting loss as follows:

For the year ended 31 March 2013

	Total HK\$'000
Loss before income tax expenses	(2,099,513)
Tax credit calculated at the weighted average statutory tax rate	(463,219)
Tax effect of expenses not deductible for taxation purposes	673,240
Tax effect of income not taxable for taxation purposes	(210,021)
Tax effect of tax losses not recognised	400
Income tax charge for the year	400

For the year ended 31 March 2012

	Total HK\$'000
Loss before income tax expenses	(467,038)
Tax credit calculated at the weighted average statutory tax rate	(91,594)
Tax effect of expenses not deductible for taxation purposes	88,954
Tax effect of income not taxable for taxation purposes	(8)
Tax effect of tax losses not recognised	2,603
Income tax credit for the year	(45)

12. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss from ordinary activities attributable to owners of the Company for the year ended 31 March 2013 includes a loss of HK\$3,337,337,000 (2012: loss of HK\$300,442,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The board of directors did not recommend the payment of any dividend for the year ended 31 March 2013 (2012: Nil).

Notes to the Financial Statements

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

The calculation of diluted loss per share is based on the loss for the year attributable to the owners of the Company, adjusted to reflect the change in fair value of convertible note. 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 loss 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.

As the Company's outstanding share options have an anti-dilutive effect to the basic loss per share calculation for the current and prior years, the conversion of the outstanding share options is therefore not assumed in the computation of diluted loss per share for the current and prior years. The dilutive effect of the outstanding convertible note to the basic loss per share calculation in the current year is shown below.

For continuing and discontinued operations

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

	2013 HK\$'000	2012 HK\$'000
Loss		
Loss attributable to the owners of the Company, used in the basic loss per share	2,037,510	395,999
Change in fair value of convertible note	1,270,253	—
Loss attributable to the owners of the Company, used in the diluted loss per share	3,307,763	395,999

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares for basic loss per share	359,935,077	175,327,210
Effect of dilutive potential ordinary shares: Convertible note	71,998,875	—
Weighted average number of ordinary shares for diluted loss per share	431,933,952	175,327,210



Notes to the Financial Statements

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(Continued)*

For continuing operations

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

	2013 HK\$'000	2012 HK\$'000
Loss		
Loss attributable to the owners of the Company from continuing operations, used in the basic loss per share	2,037,510	409,397
Change in fair value of convertible note	1,270,253	—
Loss attributable to the owners of the Company from continuing operations, used in the diluted loss per share	3,307,763	409,397

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

For discontinued operations

Basic earnings per share amount from discontinued operations is HK\$Nil (2012: loss per share of HK\$0.08 per share) and diluted earnings per share for the discontinued operations is HK\$Nil (2012: loss per share of HK\$0.08 per share), for the year ended 31 March 2013, based on the earnings for the current year from discontinued operations of HK\$Nil (2012: loss for the year from discontinued operations of HK\$13,398,000). The denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations.

Notes to the Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT

The Group	Construction in progress HK\$'000	Freehold land HK\$'000	Plant and equipment HK\$'000	Furniture and fixtures HK\$'000	Equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost							
At 1 April 2011	24,383	1,426	2,111	704	2,352	1,920	32,896
Additions	236	2,034	—	—	130	—	2,400
Transfer	(24)	—	—	24	—	—	—
Disposals	—	—	—	—	(522)	(379)	(901)
Disposal of subsidiaries	(1,698)	—	(2,169)	(543)	(1,830)	(1,171)	(7,411)
Exchange realignments	(734)	(42)	58	12	67	28	(611)
At 31 March 2012	22,163	3,418	—	197	197	398	26,373
Additions	893	17	—	10	16	—	936
Written off	—	—	—	—	(101)	—	(101)
Exchange realignments	(1,205)	(186)	—	(11)	—	(22)	(1,424)
At 31 March 2013	21,851	3,249	—	196	112	376	25,784
Accumulated depreciation and impairment losses							
At 1 April 2011	—	—	2	596	1,845	892	3,335
Charge for the year (Note 9)	—	—	110	67	145	118	440
Disposals	—	—	—	—	(450)	(90)	(540)
Disposal of subsidiaries	—	—	(113)	(511)	(1,465)	(818)	(2,907)
Impairment loss (Note 7)	4,585	698	—	—	—	—	5,283
Exchange realignments	—	—	1	14	55	24	94
At 31 March 2012	4,585	698	—	166	130	126	5,705
Charge for the year (Note 9)	—	—	—	18	23	37	78
Written back	—	—	—	—	(101)	—	(101)
Impairment loss (Note 7)	10,588	1,566	—	—	—	—	12,154
Exchange realignments	(249)	(38)	—	(10)	—	(7)	(304)
At 31 March 2013	14,924	2,226	—	174	52	156	17,532
Net carrying value							
At 31 March 2013	6,927	1,023	—	22	60	220	8,252
At 31 March 2012	17,578	2,720	—	31	67	272	20,668

As explained in Note 16(a), property, plant and equipment associated with the mining right had been partially impaired during the current year.



Notes to the Financial Statements

16. OTHER INTANGIBLE ASSETS

The Group	Mining right (Note a) HK\$'000	Customer base (Note b) HK\$'000	Technical know-how (Note c) HK\$'000	Total HK\$'000
Cost				
At 1 April 2011	3,451,893	43,966	22,638	3,518,497
Disposal of subsidiaries	—	(45,506)	(23,260)	(68,766)
Exchange realignments	(118,387)	1,540	622	(116,225)
At 31 March 2012 & 1 April 2012	3,333,506	—	—	3,333,506
Exchange realignments	(181,690)	—	—	(181,690)
At 31 March 2013	3,151,816	—	—	3,151,816
Accumulated amortisation and impairment losses				
At 1 April 2011	2,041,861	43,966	9,577	2,095,404
Charge for the year (Note 9)	121,526	—	1,875	123,401
Disposal of subsidiaries	—	(45,506)	(19,743)	(65,249)
Impairment loss (Note 7)	253,012	—	8,000	261,012
Exchange realignments	(69,615)	1,540	291	(67,784)
At 31 March 2012 & 1 April 2012	2,346,784	—	—	2,346,784
Charge for the year (Note 9)	80,265	—	—	80,265
Impairment loss (Note 7)	513,790	—	—	513,790
Exchange realignments	(127,618)	—	—	(127,618)
At 31 March 2013	2,813,221	—	—	2,813,221
Net carrying value				
At 31 March 2013	338,595	—	—	338,595
At 31 March 2012	986,722	—	—	986,722

Notes to the Financial Statements

16. OTHER INTANGIBLE ASSETS *(Continued)*

(a) Mining right

In prior years, the Company, Grandvest International Limited ("**Grandvest**"), a wholly-owned subsidiary of the Company, Cordia Global Limited ("**Cordia**") and the sole beneficial owner of Cordia entered into an acquisition agreement (the "**Acquisition Agreement**") to acquire a 90% equity interest in Langfeld Enterprises Limited ("**Langfeld**") and its subsidiaries (the "**Langfeld Group**") (collectively referred as the "**Acquisition**"). The mining right was acquired as part of the acquisition of the Langfeld Group completed in prior years and was initially recognised at its fair value of the consideration paid for the acquisition. At the end of each reporting period, the mining right is measured using the cost model subject to impairment.

In performing the impairment test for current year, the directors of the Company have engaged Access Partner Consultancy & Appraisals Limited ("**Access Partner**"), an independent firm of professional valuer in determining the recoverable amount of the mining right which is the higher of the asset's fair value less costs to sell and its value in use. Given the current development status of the mining right, the directors have determined the fair value less costs to sell to be its recoverable amount. The recoverable amount is derived by using a discounted cash flow ("**DCF**") analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating the mining right's fair value.

The key assumptions used in the DCF analysis in current year include:

- (i) Cash flow projection is determined for a period of 15 years up to 2027 (2012: a period of 13 years up to 2024) with the first year of production taken to be from year 2017 (2012: first year of production from year 2015) based on the senior management's current best estimated production plan.
- (ii) The post-tax discount rate applied to the cash flow projection is 21.61% (2012: post-tax discount rate of 20.72%).
- (iii) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show decreases of approximately 35% to 45% (depended on different type of coals) when compared to that of last year.
- (iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (2012: increment of 5% p.a. for the first four years and increment of 3% p.a. for the remaining years), which is in line with the comparable market information.
- (v) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 31 March 2013 is taken to be 1.00 US Dollar to 31.056 Rubles (31 March 2012: 1.00 US Dollar to 29.347 Rubles).
- (vi) The inflation rate on operating costs is 3% p.a. (2012: 3% p.a.)
- (vii) The Group is able to renew the relevant licence for the mining right upon its existing expiry date.



Notes to the Financial Statements

16. OTHER INTANGIBLE ASSETS *(Continued)*

(a) Mining right *(Continued)*

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (i) to (v) mentioned above, other major assumptions used in the DCF analysis in current year, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that of last year.

The directors of the Company are of the opinion that based on the valuation, the mining right was impaired by HK\$513,790,000 compared with its carrying value as at 31 March 2013. The impairment loss is mainly attributable to the decreases of approximately 35% to 45% (depended on different type of coals) in the market prices of coking coals and steam coals during the current year as compared to previous year, and the changes in parameters for the other major assumptions in the DCF analysis for items (i), (ii), (iv) and (v) mentioned above do not have material impacts on the resultant impairment loss when compared with that of coal prices decreases.

The directors of the Company are also of the opinion that based on the valuation above, property, plant and equipment associated with the mining right was partially impaired compared with their recoverable amounts as at 31 March 2013. Impairment loss of HK\$12,154,000 (Note 15) was recognised for property, plant and equipment associated with the mining right during the current year.

Details of the Group's mining right are as follows:—

Intangible assets	Locations	Expiry Date
Mining right		
Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russian Federation	31 December 2014 (subsequently extended to 1 November 2017 in August 2014)

(b) Customer base

Customer base relates to the cash generating unit of digital television technology services (the "DTV CGU") with a finite useful live, over which the assets are amortised. The amortised period for the customer base is 13 years. The customer base had been fully impaired as at 31 March 2011.

In prior year, customer base attributable to the DTV CGU was derecognised upon the disposal of the DNC Group. For more details, see Note 35 to the financial statements for the year ended 31 March 2012.

Notes to the Financial Statements

16. OTHER INTANGIBLE ASSETS *(Continued)*

(c) Technical know-how

Technical know-how on the cash generating unit of vertical farming (the “**Vertical Farming CGU**”) was acquired as part of the acquisition of the 70% equity interest in the SOFOCO Development Limited and its subsidiary (collectively referred to as the “**SOFOCO Group**”) in prior years, and has an estimated useful life of five years, over which the assets are amortised.

During the year ended 31 March 2012, the recoverable amount of the Vertical Farming CGU was re-assessed by the directors with reference to the professional valuation performed by Roma Appraisals Limited (“**Roma**”). The recoverable amount of the Vertical Farming CGU was determined by the professional valuers with reference to a value in use calculation using a cash flow projection and financial budgets covering a 4- year period approved by senior management. The discount rate and growth rate applied to the cash flow projection were 40.3% and 33.9%, respectively. The Vertical Farming CGU had sustained losses for a number of years and only insignificant cash inflow was generated from its vertical farming technique in prior year. Having regard to the professional valuation, the directors recognised an impairment loss of HK\$8,000,000 for the technical know-how associated with the Vertical Farming CGU during the year ended 31 March 2012, prior to the decision to dispose of this business.

The key assumptions on which management and valuers prepared its cash flow projection to undertake impairment testing of technical know-how were as follows:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins was the management’s expectation of market development.

Discount rate — The discount rate used was before tax and reflects specific risks relating to the relevant unit.

During the year ended 31 March 2012, technical know-how attributable to the Vertical Farming CGU was derecognised upon the disposal of the SOFOCO Group. For more details, see Note 35 to the financial statements for the year ended 31 March 2012.



Notes to the Financial Statements

17. EXPLORATION AND EVALUATION ASSETS

The Group	Total HK\$'000
Cost	
At 1 April 2011	—
Transfer from prepayment	249,600
At 31 March 2012 & 1 April 2012	249,600
Additions	3,462,493
Exchange realignments	24
At 31 March 2013	3,712,117
Accumulated impairment losses	
At 1 April 2011	—
Impairment loss	—
At 31 March 2012 & 1 April 2012	—
Impairment loss (Note 7)	2,723,762
At 31 March 2013	2,723,762
Net carrying value	
At 31 March 2013	988,355
At 31 March 2012	249,600

In prior years, Cordia had procured the Group to acquire the subsoil user right for the purpose of exploration and bituminous coal mining in the Kemerovsky, Volkovsky and Vladimirovsky seams in Russia from the level of 65 metres underground to 400 metres underground, and Petrovsky and adjoining lot of Kemerovsky (collectively referred to as the “**New Exploration and Mining Licence**”).

When the New Exploration and Mining Licence is obtained, the Company shall issue the following convertible notes to Cordia as the consideration for the New Exploration and Mining Licence: (i) a secured convertible note in the principal amount of US\$32,000,000 (equivalent to approximately HK\$249,600,000) (the “**Second Convertible Note**”) and (ii) a convertible note in the principal amount of not less than US\$255,150,000 (equivalent to approximately HK\$1,990,170,000) and not more than US\$550,800,000 (equivalent to approximately HK\$4,296,240,000) (the “**Third Convertible Note**”) to be determined upon the proven reserves and probable reserves deriving from the New Exploration and Mining Licence being confirmed in a technical report to be issued by a technical expert acceptable to the Group and Cordia.

Notes to the Financial Statements

17. EXPLORATION AND EVALUATION ASSETS *(Continued)*

In the prior year, the Second Convertible Note was issued to Cordia as partial consideration for the New Exploration and Mining Licence and recognised as a prepayment in the amount of HK\$249,600,000. The Group has completed the exploration design and commenced the preparation stage of the exploration drilling process. The directors consider it would be appropriate to recognise the New Exploration and Mining Licence as exploration and evaluation assets and transfer the prepayment for the New Exploration and Mining Licence of HK\$249,600,000 to exploration and evaluation assets.

The Group has engaged a Russian exploration contractor to conduct geological and hydro-geological surveys on the New Exploration and Mining Licence areas. Exploration drilling commenced in April 2012.

As at the end of the reporting period, the Third Convertible Note was issued and delivered as the Second Contingent Consideration was satisfied by the fulfillment of the two conditions, namely (i) the mining license for Lot 2 is obtained by the Russian Subsidiary; and (ii) a technical report is issued by a technical expert acceptable to Grandvest and Cordia confirming the proved and probable coal reserves of Lot 2 being not less than 12 million tonnes. Therefore, the Third Convertible Note was issued, with the principal amount of US\$443,070,000 (approximately equivalent to HK\$3,455,946,000), in accordance with the sales and purchase agreement dated 31 October 2008.

The Group has adopted HKFRS 6 "Exploration for and Evaluation of Mineral Resources" which requires the Group to assess if there is any indicator for impairment at each reporting date.

In performing the impairment test for current year, the directors of the Company have engaged Access Partner to determine the recoverable amount of the exploration and evaluation asset which is the higher of the asset's fair value less costs to sell and its value in use. Given the current development status of the exploration and evaluation asset, the directors have determined the fair value less costs to sell to be its recoverable amount. The recoverable amount is derived by using a DCF analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating the exploration and evaluation asset's fair value.

The key assumptions used in the DCF analysis in current year include:

- (i) Cash flow projection is determined for a period of 13 years up to 2025 with the first year of production taken to be from year 2016 (2012: Not applicable, because first year valuation started in 2013) based on the senior management's current best estimated production plan.
- (ii) The post-tax discount rate applied to the cash flow projection is 21.61% (2012: Not applicable, because first year valuation started in 2013).
- (iii) Coal sales prices used in the DCF in the current year are determined with reference to current market information of the valuation date.
- (iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (2012: Not applicable, because first year valuation started in 2013), which is in line with the comparable market information.
- (v) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 31 March 2013 is taken to be 1.00 US Dollar to 31.056 Rubles (2012: Not applicable, because first year valuation started in 2013).
- (vi) The inflation rate on operating costs is 3% p.a. (2012: Not applicable, because first year valuation started in 2013).

Notes to the Financial Statements

17. EXPLORATION AND EVALUATION ASSETS *(Continued)*

The directors of the Company are of the opinion that based on the valuation, the exploration and evaluation asset was impaired by HK\$2,723,762,000 (2012: Not applicable, because first year valuation started in 2013) compared with its carrying value as at 31 March 2013. The impairment loss is mainly attributable to the decrease in international coal prices.

Details of the Group's exploration and evaluation asset is as follows:—

Exploration and evaluation assets	Locations	Expiry Date
Lapichevskaya Mine-2	"Kemerovo district" and "Kemerovo city" municipal formations of Kemerovo region, Russian Federation	31 October 2035

18. INVESTMENTS IN SUBSIDIARIES

The Company	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	—	10
Amount due from subsidiaries	5,915,080	2,418,965
	5,915,080	2,418,975
Less: Impairment loss on amounts due from subsidiaries	(5,914,401)	(1,317,997)
	679	1,100,978

The amounts due from subsidiaries are unsecured, interest-free and not expected to be repaid within one year. The directors consider the amounts are in substance, part of the Company's investments in the subsidiaries in the form of quasi-equity loans.

Notes to the Financial Statements

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

As at 31 March 2013, an accumulated impairment loss on amounts due from subsidiaries of HK\$5,914,401,000 (2012: HK\$1,317,997,000) was recognised for the carrying amount on the amounts due from subsidiaries (before deducting the impairment losses) in the amount of HK\$5,915,080,000 (2012: HK\$2,418,965,000) because the relevant subsidiaries had suffered continuous losses.

Particulars of the principal subsidiaries as at 31 March 2013 were as follows:—

Name of company	Country of incorporation and operation	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by the subsidiaries	
Langfeld	The Republic of Cyprus ("Cyprus")	Ordinary Euro 10,000	90%	—	90%	Investment holding
LLC "Shakhta Lapichevskaya" ("Lapi") (Note 1)	Russia	Registered capital of Russian Rubles ("RUB") of 172,315,950	90%	—	90%	Holding of mining and exploration rights
Grandvest	BVI	Ordinary US\$1	100%	100%	—	Investment holding
SMG Asia Company Limited (Note 1)	Korea	Registered capital of Korean Won ("KRW") of 10,000,000	100%	—	100%	Mineral resources and commodities trading

Note:

- The statutory financial statements of these subsidiaries are not audited by JH CPA Alliance Limited or any of our affiliates firms.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



Notes to the Financial Statements

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represents cash at banks and earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The carrying amount of the cash and cash equivalents approximate their fair value.

The Group	2013 HK\$'000	2012 HK\$'000
Cash and cash equivalents were denominated in:		
Russian Ruble ("RUB")	251	104
Korean Won ("KRW")	156	37
United States Dollars ("US\$")	270	496
Hong Kong Dollars ("HK\$")	156	887
Total	833	1,524

The Company	2013 HK\$'000	2012 HK\$'000
Cash and cash equivalents were denominated in:		
HK\$	217	753
US\$	19	199
Total	236	952

20. COAL TRADING DEPOSIT RECEIVED

The Group and the Company

Coal trading deposits received represented two deposits of approximately US\$1,500,000 (the "**1st Deposit**") and US\$3,500,000 (the "**2nd Deposit**") (equivalent to approximately HK\$11,700,000 and HK\$27,300,000) (31 March 2012: a deposit of approximately US\$3,500,000 (equivalent to approximately HK\$27,300,000)) received from the then independent third party (the "**Coal Purchaser**") for future supply of coal by the Group. The Group is required to supply each year (i) a certain quantity of coal of Russian origin to the Coal Purchaser over a period of three years starting not later than one month from 1 December 2014 in relation to the 1st Deposit; and (ii) a certain quantity of coal of Russian origin to the Coal Purchaser over a period of five years starting not later than one month from 1 November 2014 in relation to the 2nd Deposit. Both the 1st Deposit and the 2nd Deposit are unsecured and non-interest bearing, except interest of 5% per annum will be applied and the full amount of the deposits are refundable if the Group cannot supply coal of Russian origin to the Coal Purchaser within one month from 1 December 2014 for the 1st Deposit and 1 November 2014 for the 2nd Deposit, respectively.

Notes to the Financial Statements

20. COAL TRADING DEPOSIT RECEIVED *(Continued)*

The Group and the Company *(Continued)*

1st Deposit

During the year, pursuant to a supplementary agreement, the Coal Purchaser reduced the quantity of coal of Russian origin to be supplied by the Group and the amount of 1st Deposit already paid was reduced from US\$3,500,000 (equivalent to approximately HK\$27,300,000) to US\$1,500,000 (equivalent to approximately HK\$11,700,000). Accordingly, the Group refunded US\$2,000,000 (equivalent to approximately HK\$15,600,000) to the Coal Purchaser.

Given the estimation in continuous slowdown in coal demand in coming years, the Coal Purchaser and the Company agreed to terminate the agreement to supply of coal of Russian origin in relation to 1st Deposit. The remaining US\$1,500,000 (equivalent to approximately HK\$11,700,000) was then refunded to the Coal Purchaser during the current year.

2nd Deposit

Pursuant to a supplementary agreement, the Coal Purchaser reduced the quantity of coal of Russian origin to be supplied by the Group and the amount of 2nd Deposit already paid was reduced from US\$3,500,000 (equivalent to approximately HK\$27,300,000) to US\$3,100,000 (equivalent to approximately HK\$24,180,000). Accordingly, the Group refunded US\$400,000 (equivalent to approximately HK\$3,120,000) to the Coal Purchaser.

Prior to the end of the reporting period, the Coal Purchaser became a strategic shareholder of the Company which holds approximately 10.42% of the total issued share capital of the Company as at the date of this report.

Subsequent to the end of the reporting period, the Coal Purchaser has transferred the 2nd Deposit to an independent third party (the "New Coal Deposit Holder") on 3 March 2014. Details are set out in Note 38.

21. INTEREST-BEARING BORROWINGS

The Group & The Company	2013 HK\$'000	2012 HK\$'000
Loans from other entity (Note 1)	14,500	—

The Group & The Company	2013 HK\$'000	2012 HK\$'000
Carrying amount repayable:— Within one year or on demand	14,500	—

Note:

- Fixed rate loans with independent third party amounted to HK\$14,500,000 (2012: HK\$Nil). The weighted average effective interest rate on the fixed rate loan is 10% per annum and repayable after 12 months from the date of drawdown, subject to extension as agreed by the lender.



Notes to the Financial Statements

22. AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest at a range from 5% per annum and has no fixed term of repayment.

23. CONVERTIBLE NOTE PAYABLES

The Group and the Company

(i) Convertible notes

On 25 May 2009, convertible notes were issued to Cordia as consideration for the Group's acquisition of a 90% equity interest in the Langfeld Group which were subsequently modified and partially converted in prior years. During the year ended 31 March 2011, the remaining outstanding convertible notes with principal amounts of US\$55,000,000 (equivalent to approximately HK\$429,000,000) were converted into 536,250,000 ordinary shares of the Company.

On 1 December 2010, the Second Convertible Note with a principal amount of US\$32,000,000 (equivalent to approximately HK\$249,600,000) was issued to Cordia as stated in Note 17. The Second Convertible Note was denominated in US\$ and secured by the Group's 90% equity interest in Langfeld Group and entire equity interest in Grandvest. The Second Convertible Note was non-interest-bearing and payable in one lump sum on maturity. The redemption price of the Second Convertible Note was 100% of the outstanding principal amount of the Second Convertible Note with a maturity date falling six years after 1 December 2010. Under the original term of issue, the Company did not have the right to redeem the Second Convertible Note prior to the respective maturity date. However, the Second Convertible Note was convertible into ordinary shares of the Company at the option of the holder at an initial conversion price of HK\$0.80 per conversion share (subject to anti-dilutive adjustments) at any time between the date of issue of the Second Convertible Note and its maturity date.

The exercise of the derivative component embedded in the Second Convertible Note would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. Accordingly, the embedded derivative component of the Second Convertible Note was accounted for as a financial liability. The initial fair value of the derivative component of the Second Convertible Note was determined at HK\$24,804,000 by reference to a valuation carried out on the issue date by Vigers Appraisal and Consulting Limited ("**Vigers**") and the liability component of the Second Convertible Note was HK\$224,796,000.

During the year ended 31 March 2011, the entire Second Convertible Note with a principal amount of US\$32,000,000 (equivalent to approximately HK\$249,600,000) was converted into 312,000,000 ordinary shares of the Company.

During the year ended 31 March 2013, the Third Convertible Note with a principal amount of US\$443,070,000 (equivalent to approximately HK\$3,455,946,000) was issued to Cordia in accordance with the terms of the Acquisition Agreement. As the last of certain conditions has been fulfilled on 27 March 2013, as (i) the mining license for Lot 2 of the Coal Mine was obtained by the Russian Subsidiary in November 2010; and (ii) a technical report has been issued by a technical expert acceptable to the Purchaser and Vendor on 27 March 2013 confirming the proved and probable coal reserves of Lot 2 of the Coal Mine being not less than 12,000,000 tonnes. In fact, such technical report confirmed that the proved and probable coal reserves of Lot 2 of the Coal Mine were 14,910,000 tonnes.

Therefore the Third Convertible Note was issued to the Vendor on 3 April 2013. As the Company has undertaken share consolidation of two times (with 20 ordinary shares of the Company being consolidated into one share in each time), the Conversion Price of the Third Convertible Note is fixed to be HK\$48 per Conversion Share.

Notes to the Financial Statements

23. CONVERTIBLE NOTE PAYABLES (Continued)

The Group and the Company (Continued)

(i) Convertible notes (Continued)

The exercise of the derivative component embedded in the Third Convertible Note would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. Accordingly, the embedded derivative component of the Third Convertible Note was accounted for as a financial liability. The initial fair value of the derivative component of the Third Convertible Note was determined at US\$127,889 (equivalent to approximately HK\$998,000) by reference to a valuation carried out by Access Partner Consultancy & Appraisals Limited (“**Access Partner**”) and the liability component of the Third Convertible Note was US\$280,089,133 (equivalent to approximately HK\$2,184,695,000).

(ii) Measurement of convertible notes

The fair value of the derivative components of the Third Convertible Note was determined based on a professional valuation performed by Access Partner using the Hull model at the date of issue, and the change in the fair value of convertible note of HK\$1,270,253,000 was credited to the profit or loss at the end of the reporting period. The effective interest rate of the liability component of the Third Convertible Note was 12.01%.

The major inputs into the Hull model used to value the Third Convertible Note were based on the following parameters:

	Date of issue At 31 March 2013
Expected volatility	96.86%
Expected life	5.0 years
Risk-free rate	0.56%
Expected dividend yield	Nil
Bond yield	Nil

The expected volatility was determined by taking into account the historical ordinary share prices of the Company before the date of valuation.

(iii) Movement of the different components of the convertible notes

	Convertible notes		
	Liabilities component HK\$'000	Derivative component HK\$'000	Total HK\$'000
At date of issue	3,455,946	—	3,455,946
Fair value gain on convertible note	(1,271,251)	998	(1,270,253)
At 31 March 2013	2,184,695	998	2,185,693

Notes to the Financial Statements

24. PROMISSORY NOTES PAYABLES

	Note	The Group		The Company	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
At beginning of the year					
— Modified PN		104,051	154,757	104,051	154,757
— Others		—	1,913	—	—
Repaid during the year					
— Modified PN	(i)	(200)	(23,400)	(200)	(23,400)
Imputed interest charged					
— Modified PN	8	6,416	20,395	6,416	20,395
— Others	8	—	200	—	—
Converted to equity and utilised to settle purchase consideration					
— Modified PN	(i)	(52,093)	(47,701)	(52,093)	(47,701)
Disposal of subsidiaries					
— Others		—	(2,113)	—	—
At the end of year and included in non-current liabilities		58,174	104,051	58,174	104,051

Note:

- (i) In prior years, three unsecured promissory notes in the aggregate principal amount of US\$35,000,000 (equivalent to approximately HK\$273,000,000) ("**Modified PN**") were issued by the Company to Cordia, a shareholder of the Company, as a result of a conditional modification deed entered into between the Company and Cordia. The Modified PN was issued on 23 February 2010, and is non-interest-bearing and payable in one lump sum on maturity date of 25 May 2015. The principal amount of the Modified PN is US\$35,000,000 (equivalent to approximately HK\$273,000,000) and its fair value was US\$20,766,000 (equivalent to approximately HK\$161,973,000) as at the issue date. The fair value was determined by reference to a valuation carried out on the issue date by Vigers Appraisal and Consulting Limited. The effective interest rate of the Modified PN was determined to be 10.5% per annum.

During the year ended 31 March 2012, Cordia transferred part of the Modified PN with principal amounts of US\$4,500,000 (equivalent to approximately HK\$35,100,000), US\$3,000,000 (equivalent to approximately HK\$23,400,000) and US\$1,500,000 (equivalent to approximately HK\$11,700,000) respectively to the then three independent third parties (collectively referred to as the "**Three New PN Holders**"). Each of the Three New PN Holders entered into a subscription agreement with the Company for the subscription of 62,036,055, 41,357,370 and 20,678,685 new ordinary shares of the Company respectively, at the subscription price of HK\$0.5658 per share (the "Subscriptions"), the total aggregate nominal consideration for the Subscriptions was US\$9,000,000 (equivalent to approximately HK\$70,200,000).

Notes to the Financial Statements

24. PROMISSORY NOTES PAYABLES *(Continued)*

Note:

(i) *(Continued)*

The Subscriptions were completed on 21 May 2012 and was settled in full by discharging the equivalent carrying amount of the Modified PN held by the Three New PN Holders in the aggregate amount of US\$6,678,600 (equivalent to approximately HK\$52,093,000). The difference of HK\$2,464,000 between the market value of the shares of the Company issued for the Subscriptions in the aggregate amount of HK\$49,629,000 and carrying amount of the Modified PN of US\$6,678,600 (equivalent to approximately HK\$52,093,000) discharged was credited to the profit or loss during the current period.

During the year, an imputed interest of HK\$6,416,000 (2012: HK\$47,701,000) was charged to profit or loss. The remaining outstanding Modified PN is classified as non-current liabilities and carried on the amortised cost basis until extinguished on redemption. As at the end of the reporting period, the carrying amount of the Modified PN was HK\$58,174,000 (2012: HK\$104,051,000).

25. DEFERRED TAXATION

The component of deferred tax liabilities recognised in the consolidated statement of financial position and movements during the current and prior year are as follows:

The Group	HK\$'000
At 1 April 2011	93
Charge to the consolidated financial statements	3
Exchange realignments	(3)
At 31 March 2012 & 1 April 2012	93
Charge to the consolidated financial statements	400
Exchange realignments	(5)
At 31 March 2013	488

At 31 March 2013, the Group had unused tax losses of HK\$35,790,000 (2012: HK\$37,038,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2013 and 2012 in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group entities. There was no other significant unrecognised deferred tax as at 31 March 2013 and 2012.



Notes to the Financial Statements

26. SHARE CAPITAL

	Number of shares		Nominal value	
	2013	2012	2013 HK\$'000	2012 HK\$'000
Authorised: Ordinary shares of HK\$0.2 each (2012: HK\$0.2 each)	5,000,000,000	5,000,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning of year	228,070,653	2,712,413,060	45,614	27,124
Placements of new shares before share consolidation (Note i)	—	269,000,000	—	2,690
Share consolidation (Note ii)	—	(2,832,342,407)	—	—
Placements of new shares after share consolidation (Note iii)	278,072,110	78,800,000	55,615	15,760
Issue of shares on exercise of share options (Note iv)	2,300,000	200,000	460	40
At end of year	508,442,763	228,070,653	101,689	45,614

All shares issued by the Company rank pari passu with the then existing shares in all respects.

Notes:

- (i) During the year ended 31 March 2012 and before the 2011 Share Consolidation, an aggregate of 269,000,000 new ordinary shares at par value of HK\$0.01 each were issued at subscription prices ranging from HK\$0.040 to HK\$0.112 to the then independent third parties of the Group. The aggregate consideration of HK\$19,976,000 (net of issue expenses) of which HK\$2,690,000 was credited to share capital and HK\$17,286,000 was credited to share premium.
- (ii) An ordinary resolution was passed at an extraordinary general meeting held on 30 September 2011 approving the share consolidation such that for every 20 issued and unissued shares of the Company of HK\$0.01 each, were consolidated into 1 consolidated share of the Company of HK\$0.2 each (the "2011 Share Consolidation") which became effective on 3 October 2011. Following the implementation of the share consolidation set out above, the Company's authorised share capital of HK\$1,000,000,000 was divided into 5,000,000,000 shares of HK\$0.2 each and its issued share capital remained at approximately HK\$29,814,000 represented by 149,070,653 shares of par value HK\$0.2 each.

Notes to the Financial Statements

26. SHARE CAPITAL *(Continued)*

Notes:

(iii) During the year ended 31 March 2013 and 2012:

- (a) In the prior year, an aggregate of 57,500,000 new ordinary shares at par value of HK\$0.2 each were issued to Cordia, a shareholder of the Company, to discharge part of the Modified PN with a principal amount of approximately US\$5,897,000 (equivalent to approximately HK\$46,000,000). The fair value of the 57,500,000 new ordinary shares of the Company issued was HK\$21,563,000 determined with reference to the market share price of HK\$0.375 per share on the issuance date, of which HK\$11,500,000 was credited to share capital and HK\$9,575,000 (net of issue expenses) was credited to share premium.
- (b) In the prior year, an aggregate of 21,300,000 new ordinary shares at par value of HK\$0.2 each were issued at subscription price at HK\$0.23 each to the then independent third parties of the Group. The aggregate consideration was approximately HK\$4,899,000 (net of issue expenses) of which HK\$4,260,000 was credited to share capital and HK\$639,000 was credited to share premium. Part of the aggregate consideration was used to set off a loan and its related accrual interests due to the then independent third party in the amount of HK\$1,350,000 and HK\$26,000 respectively on a dollar-to-dollar basis.
- (c) During the year ended 31 March 2013, an aggregate of 124,072,110 new ordinary shares at par value of HK\$0.2 each were issued at subscription price of HK\$0.5658 each to the Three New PN holders, to discharge part of the Modified PN with aggregate principal amount of approximately US\$9,000,000 (equivalent to approximately HK\$70,200,000). The fair value of the 124,072,110 new ordinary shares of the Company issued was HK\$49,629,000 determined with reference to the market share price of HK\$0.4 per share on the issuance date, of which HK\$24,815,000 was credited to share capital and HK\$24,477,000 (net of issue expenses) was credited to share premium.
- (d) During the year ended 31 March 2013, an aggregate of 70,000,000 new ordinary shares at par value of HK\$0.2 each were issued to ACME Perfect Limited at subscription price of HK\$0.25 each. The aggregate consideration was approximately HK\$17,500,000, of which HK\$14,000,000 was credited to share capital and HK\$3,416,000 (net of issue expenses) was credited to share premium.



Notes to the Financial Statements

26. SHARE CAPITAL *(Continued)*

Notes:

(iii) *(Continued)*

(e) During the year ended 31 March 2013:—

- (1) an aggregate of 28,200,000 new ordinary shares at par value of HK\$0.2 each were issued to Kim Chul, at subscription price of HK\$0.26 each. The aggregate consideration was approximately HK\$7,332,000, of which HK\$5,640,000 was credited to share capital and HK\$1,617,000 (net of issue expenses) was credited to the share premium.
- (2) an aggregate of 13,800,000 new ordinary shares at par value of HK\$0.2 each were issued to Wonang Industries Co., Ltd., at subscription price of HK\$0.26 each. The aggregate consideration was approximately HK\$3,588,000, of which HK\$2,760,000 was credited to share capital and HK\$792,000 (net of issue expenses) was credited to the share premium.
- (3) an aggregate of 42,000,000 new ordinary shares at par value of HK\$0.2 each were issued to Keystone Global Co., Ltd., at subscription price of HK\$0.26 each. The aggregate consideration was approximately HK\$10,920,000, of which HK\$8,400,000 was credited to share capital and HK\$2,409,000 (net of issue expenses) was credited to the share premium.
- (4) The total subscription price of all the Subscription shares, being HK\$21,840,000 (approximately US\$2,800,000), has been settled by setting off with the US\$2,800,000 (approximately HK\$21,840,000) outstanding aggregate principal amount of Loan Agreements with the three subscribers.

(iv) During the year ended 31 March 2013 and 2012:—

- (a) During the year ended 31 March 2012 and after the 2011 Share Consolidation, 200,000 new ordinary shares of par value HK\$0.2 each were issued at the subscription price HK\$0.355 each on the exercise of 200,000 share options. The aggregate consideration was HK\$71,000 of which HK\$40,000 was credited to share capital and HK\$31,000 was credited to the share premium. An amount attributable to the related share options of HK\$21,000 was transferred from equity-settled share option reserve to the share premium.
- (b) During the year ended 31 March 2013, 300,000 new ordinary share of par value HK\$0.2 each were issued at subscription price of HK\$0.355 each on exercise of 300,000 share options at an aggregate consideration of HK\$106,000 of which HK\$60,000 was credited to share capital and the remaining balance of HK\$46,000 was credited to the share premium. In addition, an amount attributable to the related share options of HK\$32,000 has been transferred from equity-settled share option reserve to the share premium.
- (c) During the year ended 31 March 2013, 2,000,000 new ordinary share of par value HK\$0.2 each were issued at subscription price of HK\$0.355 each on exercise of 2,000,000 share options at an aggregate consideration of HK\$710,000 of which HK\$400,000 was credited to share capital and the remaining balance of HK\$310,000 was credited to the share premium. In addition, an amount attributable to the related share options of HK\$212,000 has been transferred from equity-settled share option reserve to the share premium.

Notes to the Financial Statements

27. RESERVES

The Company	Share premium	Equity-settled share option reserve	Capital reserve	Accumulated losses	Total
	HK\$'000	(Note i) HK\$'000	(Note ii & iii) HK\$'000	HK\$'000	HK\$'000
At 1 April 2011	1,661,540	4,566	7,522	(529,483)	1,144,145
Total comprehensive expenses for the year	—	—	—	(300,442)	(300,442)
Placements of new shares (Note 26(i)&(iii))	27,500	—	10,649	—	38,149
Lapse of share options	—	(4,566)	—	4,566	—
Issue of share options (Note 28)	—	1,028	—	—	1,028
Issue of shares on exercise of share options (Note 26(iv))	52	(21)	—	—	31
Discount received on the early settlement of the Modified PN (Note 24)	—	—	4,192	—	4,192
Waiver of interests on early settlement of amount due to shareholder (Note 33(ii))	—	—	1,133	—	1,133
At 31 March 2012 & 1 April 2012	1,689,092	1,007	23,496	(825,359)	888,236
Total comprehensive expenses for the year	—	—	—	(3,337,337)	(3,337,337)
Placement of new shares (note 26(iii))	32,711	—	—	—	32,711
Issue of shares on exercise of share options (Note 26(iv))	600	(244)	—	—	356
Waiver of interests on early settlement of amount due to shareholder (Note 33(ii))	—	—	11	—	11
At 31 March 2013	1,722,403	763	23,507	(4,162,696)	(2,416,023)



Notes to the Financial Statements

27. RESERVES *(Continued)*

Note:

At the end of reporting period, the equity-settled share option reserve and capital reserve of the Company represents respectively (i) the fair value of the outstanding share options of the Company at the respective grant dates; (ii) the amount of interest charged on amount due to a shareholder of the Company that was waived as a result of early settlement on the principal balance of the amount due to that shareholder of the Company. The amount waived is considered as a contribution from the equity participant of the Company; and (iii) the carrying amount of the Modified PN that was converted to equity and utilised to settle purchase consideration as set out in Note 24 as a result of early settlements on the principal balance of the Modified PN, which were considered as contributions from equity participant of the Company for the year ended 31 March 2012.

28. SHARE OPTION SCHEME

The Company has two share option schemes.

Share option scheme approved and adopted by the Company on 19 October 2002 (the “Old Scheme”)

The Old Scheme were granted for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. Eligible persons of the Scheme include any full-time or part-time employees of the Company or any member of the Group, including any directors, advisors or consultants of the Group. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 8 November 2002, and unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme must not exceed 30% of the shares in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates (as defined under the Listing Rules), are subject to approval by all independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted for a period of 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercisable period of the share options granted is determined by the directors, which the share options must be exercised in any event not later than 10 years or a shorter period as specified, from the date of grant. The Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

The exercise price of the share options granted is not recorded in the statement of financial position of the Company nor of the Group until such time as the options are vested. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercisable date are deleted from the register of outstanding options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to the Financial Statements

28. SHARE OPTION SCHEME *(Continued)*

At the annual general meeting of the Company held on 31 August 2012, the shareholders of the Company resolved to terminate the Old Scheme. During the year ended 31 March 2013 and up to its termination, no option has been granted under the Old Scheme.

Upon termination of the Old Scheme, no further options may be granted but in all other respects the provisions of the Old Scheme shall remain in full force and effect. The outstanding options granted under the Old Scheme shall continue to be valid and exercisable in accordance with the terms of the Old Scheme.

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2013:

Name or category of participant	At 1/4/2012 Number	Exercised during the year Number	At 31/3/2013 Number	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
Executive director — Lim Ho Sok	2,000,000	—	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Non-executive director — Pang Ngoi Wah Edward	2,000,000	—	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Employees and consultants other than directors — In aggregate	2,880,000	(2,300,000)	580,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	6,880,000	(2,300,000)	4,580,000			

Notes to the Financial Statements

28. SHARE OPTION SCHEME (Continued)

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2012:

Name or category of participant	At	Lapsed during the year	Share consolidation	Lapsed during the year	Granted during the year	Exercised during the year	At	Date of grant of share options	Exercise period of share options	Exercise price of share options
	1/4/2011	before share consolidation	during the year	after share consolidation	after share consolidation	after share consolidation	31/3/2012			HK\$
	Number	Number	Number	Number	Number	Number	Number			
Executive director										
— Lim Ho Sok	—	—	—	—	2,000,000	—	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Non-executive director										
— Pang Ngoi Wah Edward	—	—	—	—	2,000,000	—	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Employees and consultants other than directors										
— In aggregate	5,868,000	(1,956,000)	(3,716,400)	(195,600)	—	—	—	10/09/2007	10/09/2007 to 09/09/2017	89.04*
— In aggregate	—	—	—	—	3,080,000	(200,000)	2,880,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	5,868,000	(1,956,000)	(3,716,400)	(195,600)	7,080,000	(200,000)	6,880,000			

* Exercise price of share options issued in the prior periods has been adjusted with the effect of 2011 Share Consolidation as further detail in Note 26(ii).

Note:

The number of share options and exercise prices had been adjusted to reflect the 2011 Share Consolidation during the year ended 31 March 2012.

The exercise price of share options outstanding at the end of the year was HK\$0.355 (2012: HK\$0.355) and their weighted average remaining contractual life was 8.83 years (2012: 9.84 years).

The total number of share options outstanding as at 31 March 2013 was 4,580,000 (2012: 6,880,000) all of which were exercisable as at that date.

The weighted average share price at the date of exercise of share options exercised during the current year was HK\$0.355 (2012: HK\$0.355).

Notes to the Financial Statements

28. SHARE OPTION SCHEME (Continued)

Note: (Continued)

At 31 March 2013, the Company had 4,580,000 (2012: 6,880,000) share options outstanding under the Old Scheme, representing 0.9% (2012: 3%) of the Company's issued share capital. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 31 March 2013, result in the issue of 4,580,000 (2012: 6,880,000) additional ordinary shares of HK\$0.2 (2012: HK\$0.2) each of the Company, additional share capital of HK\$916,000 (2012: HK\$1,376,000) and additional share premium of approximately HK\$710,000 (2012: HK\$1,066,000) (before issue expense). In addition, amount attributable to the related share options of HK\$763,000 (2012: HK\$1,007,000) would be transferred from equity-settled share option reserve to the share premium account.

Valuation of share options

Based on a professional valuation report issued by Cushman, the aggregate fair value of the share options granted to employees and others providing similar services during the year ended 31 March 2012 was estimated at HK\$1,028,000 which was recognised as an equity-settled share option expense.

The above fair value was estimated as at the date of grant using a Binomial option pricing model, and took into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used for valuation of share options granted during the year ended 31 March 2012:

	30 January 2012
Exercise price of option	HK\$0.355
Spot price of shares	HK\$0.355
Expected volatility (%)	57.11
Risk-free interest rate (%)	1.28
Expected dividend yield (%)	0.00

Share option scheme approved and adopted by the Company on 31 August 2012 (the "New Scheme")

Pursuant to the annual general meeting of the Company held on 31 August 2012, the shareholders of the Company approved and adopted the New Scheme and termination of the Old Scheme. The New Scheme is in line with the prevailing requirements of Chapter 17 of the Listing Rules in relation to the share option scheme.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme must not exceed 30% of the shares in issue from time to time.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates (as defined under the Listing Rules), are subject to approval by all independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.



Notes to the Financial Statements

28. SHARE OPTION SCHEME *(Continued)*

The offer of a grant of share options may be accepted for a period of 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercisable period of the share options granted is determined by the directors, which the share options must be exercised in any event not later than 10 years or a shorter period as specified, from the date of grant. The Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

During the year ended 31 March 2013, no option has been granted under the New Scheme since the adoption date to the date of this report.

29. PURCHASE CONSIDERATION PAYABLE FOR ADDITIONAL ACQUISITION

Pursuant to the sales and purchases agreement dated 23 November 2009, Langfeld, a 90% indirectly owned subsidiary of the Company, acquired the remaining 30% equity interest in LLC "Shakhta Lapichevskaya" ("**Lapi**") held by three Russians for a consideration of US\$9,490,600 (equivalent to approximately HK\$74,027,000) to be satisfied by payment of cash in four stages (the "**Additional Acquisition**"). The first and second stages of payments in aggregate amount of US\$4,095,300 (equivalent to approximately HK\$31,943,000) were made before 31 March 2010. The remaining consideration payable on the Additional Acquisition will be settled in two stages upon the fulfilment of the certain conditions as follows: (i) an amount of US\$4,095,300 (equivalent to approximately HK\$31,943,000) when the Group obtain the New Exploration and Mining Licence (the "**3rd Adjusted Consideration**") and (ii) an amount of US\$1,300,000 (equivalent to approximately HK\$10,140,000) which is only payable as and when the Group obtains the confirmation from the relevant taxation authority in Russia of the taxation liabilities of Lapi (the "**4th Adjusted Consideration**").

During the year ended 31 March 2012, the Group settled an aggregate amount of US\$2,710,700 (equivalent to approximately HK\$21,143,000) of the 3rd Adjusted Consideration, the remaining balance of the 3rd Adjusted Consideration of US\$1,384,600 (equivalent to approximately HK\$10,800,000) was fully settled by the Group during the current year.

During the year ended 31 March 2013, the Group has recognised US\$1,300,000 (equivalent to approximately HK\$10,140,000) of the 4th Adjusted Consideration as purchase consideration payable for the acquisition of additional 30% equity interest in Lapi. The Group's share of the 4th Adjusted Consideration in the amount of HK\$9,126,000 was debited directly to other reserve in equity.

Notes to the Financial Statements

30. OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease arrangements. The remaining terms on the Group's office premise and staff quarters are all within two years, respectively, as at the end of the reporting period. None of the leases includes contingent rentals.

At 31 March 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

The Group	2013 HK\$'000	2012 HK\$'000
Within one year	2,881	3,823
In the second to fifth years, inclusive	2,092	1,300
Over five years	—	—
	4,973	5,123

31. CAPITAL COMMITMENTS

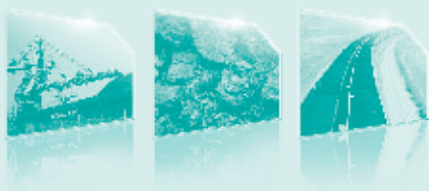
Details of capital expenditure contracted for but not provided in the financial statements are as follows:

The Group	2013 HK\$'000	2012 HK\$'000
Exploration related contracts	5,158	—
Property, plant and equipment	708	1,026

32. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

The Group	2013 HK\$'000	2012 HK\$'000
At beginning of year	1,971	1,849
Provision during the year (Note 9)	201	185
Exchange realignments	(107)	(63)
At end of year	2,065	1,971

The provision for close down, restoration and environmental costs, is related to the acquisition of 90% equity interests in the Langfeld Group in prior years.



Notes to the Financial Statements

32. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS *(Continued)*

Under the existing Russian legislation, management believed that there were no probable liabilities that would have a material adverse effect on the financial position or results of operations of the Group. The Russian government, however, moved and may move further towards the adoption of more stringent environmental standards. Environmental liabilities were subject to considerable uncertainty which affected the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, coal mines and land development areas, whether operating, closed or sold, (ii) the extent of required clean-up efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites.

The provision for close down, restoration and environmental clean up costs is determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditure to their net present value. However, in so far as the effect of the land and the environment from the mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean-up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions were updated accordingly.

33. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save for those related party transactions disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

- (i) On 21 October 2009, the Company and Cordia, an ex-shareholder of the Company, entered into a new loan facilities letter which substitutes the old loan facilities letter entered into on 25 May 2009. Under the new agreement, Cordia has made available to the Company new loan facilities of up to US\$72,000,000 for the purpose of financing the development of the coal mine acquired from the acquisition of the Langfeld Group and the acquisition of further equity interest in the Lapi. The new loan facilities are made available to the Company during the period from the effective date of the new loan facilities on 14 December 2009 to the date falling two years from the date the Group obtained the New Mining Licence. The new loan facilities will therefore expire in November 2012.

The amount drawn by the Group under the above loan facilities amounted to approximately HK\$49,552,000 as at 31 March 2013 (2012: approximately HK\$53,095,000). In a letter to the Company dated 23 July 2014, the shareholder undertook not to demand payment of any of the loans to the Group before 31 August 2016, as set out in Note 38. Accordingly, this amount has been classified as a non-current liability as at 31 March 2013 and 2012. The balance is unsecured and bears interest at the rate of 0-8% per annum. During the year, interest on amount due to Cordia of HK\$1,871,000 (2012: HK\$2,438,000) was charged to the profit or loss.

During the current year, before Cordia disposed of all its shares of the Company, Cordia agreed to waive a portion of the interest charged in the total of US\$1,400 (2012: US\$145,000) (equivalent to approximately HK\$11,000 (2012: HK\$1,133,000)) on the amount due in view of the early settlement on the principal loan due to Cordia. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company in the current year (Note 27).

Notes to the Financial Statements

33. RELATED PARTY TRANSACTIONS *(Continued)*

(i) (Continued)

After Cordia ceased to be a shareholder of the Company, Cordia also agreed to waive a portion of the interest charged in the total of US\$37,500 (equivalent to approximately HK\$293,000) on the amount due in view of the early settlement on part of the principal loan. Such amount of interest waived was credited to the profit or loss during the current year.

(ii) On 1 July 2009, Grandvest, entered into a consultancy agreement for a period of six months with Mr. Choi Sungmin, a shareholder of the Company. A new consultancy agreement was entered into by both parties on 12 January 2010 as an extension of the July 2009 agreement for a period of two years commencing from 1 January 2010. Pursuant to both consultancy agreements, Mr. Choi Sungmin is entitled to a monthly consultancy fee of HK\$150,000 and shall be responsible for, inter alia, providing business development advice and exploring business opportunities in relation to the current business of the Grandvest and its subsidiaries (the "Grandvest Group") and any other business that may be developed by the Grandvest Group, in particular to solicit the business of coal mining in Russia and coal trading all over the world. The consultancy agreement expired on 31 December 2011. The total consultancy fee paid to Mr. Choi Sungmin for the prior year amounted to HK\$1,200,000.

(iii) In addition to the transactions and balances disclosed elsewhere in the financial statements, the Company entered into the following transactions with its related party during the year:

Name of Company	Relationship	Nature of transaction	2013 HK\$'000	2012 HK\$'000
Cordia Global Limited	Related party/ Shareholder	Interest expenses thereto	1,871	2,438
Lim Ho Sok	Director	Interest expenses thereto	1	—
Choi Jun Ho	Director	Interest expenses thereto	1	—
Choi Sungmin	Shareholder	Interest expenses thereto	2	—
Keystone Global Co., Ltd.	Shareholder	Interest expenses thereto	152	—
Kim Chul	Shareholder	Interest expenses thereto	104	—
Wonang Industries Co., Ltd.	Shareholder	Interest expenses thereto	51	—
ACME Perfect Limited	Shareholder	Interest expenses thereto	228	—

All the transactions with related parties were negotiated at arm-length basis and in accordance with common commercial terms in the same manner as other external customers and suppliers.

(iv) Members of key management personnel during the year comprised only of the executive directors of the Company whose remuneration is set out in Note 10(a).



Notes to the Financial Statements

34. LITIGATIONS

During the year and up to the date of this report, the Group has been involved in the following legal proceedings.

(i) The Company/Its Subsidiary as the Defendant

Legal Proceedings Taken By Former Shareholders of a Russian Subsidiary

A former shareholder, Tannagashev Ilya Nikolaevich (the “**First Claimant**”), of the Group’s Russian subsidiary company, LLC “Shakhta Lapichevskaya” (“**Lapi**”), submitted a claim to the Russian Court in March 2012 for his share in the final 4th stage payment amounting to US\$673,400 (approximately HK\$5,252,520) (the “**First Claim**”) in relation to the sale and purchase of 30% equity interest in Lapi in 2009. The Russian Court in August 2012 passed a judgment in favour of the First Claimant. The Group had fully provided for the full amount of the First Claim in the financial statements for the 6 months ended 30 September 2012. By three partial payments, the Group fully settled the First Claim in November 2013, and the case was thus resolved.

In March 2013, the other two former shareholders of Lapi, namely, Demeshonok Konstantin Yur’evich (the “**Second Claimant**”) and Kochkina Ludmila Dmitrievna (the “**Third Claimant**”) submitted their claims to the Russian Court for their respective shares in the final 4th stage payment in relation to the sale and purchase of 30% equity interest in Lapi in 2009. The Second Claimant claimed US\$288,600 (approximately HK\$2,251,080) (the “**Second Claim**”) and the Third Claimant claimed US\$338,000 (approximately HK\$2,636,400) (the “**Third Claim**”). The Group had fully provided for the full amount of both the Second Claim and the Third Claim in the financial statements for the year ended 31 March 2013.

The Group and the Second Claimant entered into an amicable agreement dated 11 July 2013 to settle the Second Claim by three instalments. In February 2014, US\$100,000 (approximately HK\$780,000) was paid. The Second Claimant threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the Second Claim. As of the date of this report, the outstanding amount of the Second Claim is US\$188,600 (approximately HK\$1,471,080), which had been fully provided for since 31 March 2013.

The Group and the Third Claimant entered into an amicable agreement dated 13 May 2013 to settle the Third Claim by three instalments. In February 2014, US\$100,000 (approximately HK\$780,000) was paid. The Third Claimant also threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the Third Claim. As of the date of this report, the outstanding amount of the Third Claim is US\$238,000 (approximately HK\$1,856,400), which had been also fully provided for since 31 March 2013.

HCA 672 of 2013

As announced by the Company on 30 April 2013, Cordia Global Limited (“Cordia”) on 23 April 2013 issued a writ of summons in the High Court of Hong Kong (HCA 672 of 2013) against certain persons (including certain shareholders of the Company) and the Company. Cordia also took out an inter partes summons to seek, inter alia, an injunction against certain persons (including certain shareholders of the Company) to restrain them from disposing their shares in the Company and/or exercising their voting rights under those shares.

Notes to the Financial Statements

34. LITIGATIONS *(Continued)*

(i) The Company/Its Subsidiary as the Defendant *(Continued)*

HCA 672 of 2013 *(Continued)*

On 26 April 2013 at the hearing of the inter partes summons, the High Court of Hong Kong granted an interim injunction restraining, among other things, certain shareholders of the Company from (a) disposing of or in any way dealing with, and (b) exercising voting rights of, their respective shares in the Company until further order.

As further announced by the Company on 16 August 2013, some of the defendants subsequently applied to vary the above injunction order, but such application was dismissed by the High Court of Hong Kong on 23 September 2013 (as announced by the Company on 16 October 2013). The legal action has not progressed further or gone to trial. It has been dormant since February 2014. The injunction order granted on 26 April 2013 however still remains in force.

The Company is sued as a nominal defendant only as the disputes concern the ownership of the shares in the Company. Preliminary assessment reveals that the legal action is unlikely to have any unfavourable outcome on the Company.

HCA 721 of 2013

As announced by the Company on 13 May 2013, Park Seung Ho and Skyline Merit Limited (a shareholder of the Company) as the plaintiffs on 30 April 2014 issued a writ of summons in the High Court of Hong Kong (HCA 721 of 2013) against certain persons (including certain shareholders of the Company and certain the then directors of the Company) and the Company. It was alleged as a derivative action, and the complaints of it concerned, inter alia, the Company's 2008 acquisition of the Russian coal mines. The plaintiffs also alleged that the Third Convertible Note issued by the Company on 3 April 2013 was improperly issued in that the two condition precedents had not been fulfilled.

As further announced by the Company on 5 June 2013, the plaintiffs filed a Notice of Discontinuance with the High Court of Hong Kong on 31 May 2013, whereby the plaintiffs wholly discontinued the legal action.

Cause No. FSD 110 of 2013 (AJJ)

As announced by the Company on 10 August 2013, Keystone Global Co., Ltd ("Keystone") (an existing shareholder of the Company) served on the Company in Cayman Islands a document titled "statutory demand" dated 1 August 2013 in relation to the coal trading deposit of US\$3,100,000 (approximately HK\$24,180,000). Keystone also threatened to wind up the Company if it failed to return the deposit by 22 August 2013.



Notes to the Financial Statements

34. LITIGATIONS *(Continued)*

(i) **The Company/Its Subsidiary as the Defendant** *(Continued)*

Cause No. FSD 110 of 2013 (AJJ) *(Continued)*

As further announced by the Company on 27 August 2013, the Company issued an originating summons in the Grand Court of the Cayman Islands on 20 August 2013 against Keystone to set aside the statutory demand and an injunction restraining Keystone from presenting a winding up petition against the Company based upon the statutory demand (Cause No. FSD 110 of 2013 (AJJ)). A hearing of the ex parte summons was held on 22 August 2013 and the Cayman Court granted an interlocutory injunction order in favour of the Company, by which, inter alia, Keystone was restrained from presenting a winding up petition against the Company based upon the statutory demand until after the hearing of the originating summons or a further order of the Cayman Court in the meantime.

As further announced by the Company on 18 October 2013, the Company accepted Keystone's proposal to end the action, upon Keystone's undertaking to the Company and the Cayman Court that it would not on or before 31 December 2013 present a petition seeking the winding up of the Company based upon the statutory demand. Hence, the injunction was discharged and the action was dismissed on 11 October 2013.

As further announced by the Company on 13 December 2013, Keystone had withdrawn all statutory demands made against the Company.

HCA 206 of 2014

As announced by the Company on 7 February 2014, Park Seung Ho (the same plaintiff in HCA 721 of 2013) as the plaintiff on 30 January 2014 issued a writ of summons in the High Court of Hong Kong (HCA 206 of 2014) against certain persons (including certain shareholders of the Company and certain the then directors of the Company) and the Company. It was alleged as a derivative action, and the complaints of it concerned, inter alia, the Company's 2008 acquisition of the Russian coal mines. The plaintiff also alleged that the Third Convertible Note was improperly issued, and made complaints of misrepresentation, fraud and some other serious accusations.

As further announced by the Company on 23 June 2014, the plaintiff filed a Notice of Discontinuance with the High Court of Hong Kong on 18 June 2014, whereby the plaintiff wholly discontinued the legal action.

HCA 227 of 2014

As announced by the Company on 12 February 2014, Jeong Keun Hae as the plaintiff on 8 February 2014 issued a writ of summons in the High Court of Hong Kong (HCA 227 of 2014) against certain persons (including a certain shareholder of the Company and certain the then directors of the Company) and the Company. The complaints of it concerned, inter alia, the Company's 2008 acquisition of the Russian coal mines. The plaintiff also alleged that the Third Convertible Note was improperly issued and thus demanded the rescission, and made complaints of misrepresentation, fraud and some other serious accusations (including the technical report signed by Dr. Herman Tso).

As further announced by the Company on 23 June 2014, the plaintiff filed a Notice of Discontinuance with the High Court of Hong Kong on 18 June 2014, whereby the plaintiff wholly discontinued the legal action.

Notes to the Financial Statements

34. LITIGATIONS *(Continued)*

(i) The Company/Its Subsidiary as the Defendant *(Continued)*

HCA 1151 of 2014

As announced by the Company on 27 June 2014, Chi Chang Hyun (also known as Charles Chi or Charles Zhi) as the plaintiff on 23 June 2014 issued a writ of summons in the High Court of Hong Kong (HCA 1151 of 2014) against certain persons (including a certain shareholder of the Company and all existing directors of the Company) and the Company. It was alleged as a derivative action. The complaints of it concerned, inter alia, the Company's 2008 acquisition of the Russian coal mines. The plaintiff also alleged that the Third Convertible Note was improperly issued and thus demanded the rescission, and made complaints of misrepresentation, fraud and some other serious accusations (including the technical report signed by Dr. Herman Tso, false drillings, etc.).

On 21 January 2015, the High Court of Hong Kong allowed the plaintiff's application to discontinue his claims against certain defendants, and on 28 January 2015, he was allowed by the High Court of Hong Kong to amend his statement of claims accordingly.

On 6 February 2015, the High Court of Hong Kong dismissed the plaintiff's application for an injunction order to restrain the Company from taking certain actions.

On 17 March 2015, the Company's existing directors (the 1st to 6th defendants) and an ex-director of the Company (Mr. Lim Ho Sok, being the 7th defendant) took out an application to strike out the legal action. The date for the substantial hearing on the strike out application is yet to be fixed.

HCCW 282 of 2014

As announced by the Company on 16 September 2014, a document dated 1 September 2014 and purported to be a statutory demand was sent from Hyon Hi Hun (the father-in-law of Chi Chang Hyun (also known as Charles Chi or Charles Zhi)). In such document, Hyon Hi Hun alleged that he was holding an US\$2,000,000 (approximately HK\$15,600,000) promissory note issued by the Company and claimed a sum of US\$1,857,837 (approximately HK\$14,491,129) from the Company in respect of the promissory note.

As further announced by the Company on 17 October 2014, the Company received a petition (the "Petition") filed by Hyon Hi Hun on 10 October 2014 with the High Court of Hong Kong (HCCW 282 of 2014). Pursuant to such Petition, Hyon Hi Hun alleged that the Company was indebted to him in the sum of US\$2,000,000 (approximately HK\$15,600,000) in respect of a promissory note issued by the Company, and petitioned to wind up the Company.

As further announced by the Company on 30 January 2015, the Company made an application on 8 December 2014 to strike out the Petition. The substantive hearing of the said application would be held on 13 March 2015.

As further announced by the Company on 25 March 2015, the strike out application was successfully granted, and the Company on 20 March 2015 obtained the sealed Court Order which directed that the Petition be struck out and do stand dismissed. The Company is currently seeking to recover legal costs from Hyon Hi Hun and Charles Zhi (who had acted as the contributory in the Petition).



Notes to the Financial Statements

34. LITIGATIONS *(Continued)*

(i) The Company/Its Subsidiary as the Defendant *(Continued)*

HCA 2247 of 2014

As announced by the Company on 21 November 2014, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 5 November 2014 issued a writ of summons in the High Court of Hong Kong (HCA 2247 of 2014) against certain persons (including a certain shareholder of the Company and ex-directors of the Company) and the Company. It was alleged as a derivative action. The complaints of it concerned, inter alia, the Company's 2008 acquisition of the Russian coal mines. The plaintiff also alleged that the First Convertible Note, the Second Convertible Note and the Third Convertible Note should not be issued and thus demanded the rescission, and made complaints, inter alia, on the SRK technical report issued in 2008.

On 9 January 2015, an ex-director of the Company (Mr. Lim Ho Sok, being the 4th defendant) took out an application to strike out the legal action, and alternatively to seek security for costs from the plaintiff in the event that the High Court of Hong Kong is not prepared to strike out the legal action. The date for the substantial hearing on the strike out application has been fixed on 25 August 2015.

HCA 43 of 2015

As announced by the Company on 20 January 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 7 January 2015 issued a writ of summons in the High Court of Hong Kong (HCA 43 of 2015) against certain persons (including a certain shareholder of the Company, an existing director and an ex-director of the Company) and the Company. The plaintiff made rather similar allegations as that in his other legal actions in HCA 1151 of 2014 and HCA 2247 of 2015, relating, inter alia, the Company's 2008 acquisition of the Russian coal mines, the SRK technical report issued in 2008, the US\$2,000,000 (approximately HK\$15,600,000) promissory note as referred to in HCCW 282 of 2014, the Third Convertible Note, etc.

The current deadline for the Company to file the statement of defence is 6 May 2015.

HCA 160 of 2015

As announced by the Company on 30 January 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 19 January 2015 issued a writ of summons in the High Court of Hong Kong (HCA 160 of 2015) against certain persons (including a certain shareholder of the Company and an ex-director of the Company) and the Company. The plaintiff made rather similar allegations as that in his other legal actions in HCA 1151 of 2014, HCA 2247 of 2015 and HCA 43 of 2015, relating, inter alia, the Company's 2008 acquisition of the Russian coal mines, the SRK technical report issued in 2008, the promissory note as referred to in HCCW 282 of 2014, the First Convertible Note, the Second Convertible Note, the Third Convertible Note, the technical report signed by Dr. Herman Tso, etc.

On 19 March 2015, the High Court of Hong Kong dismissed the plaintiff's application for orders to restrain the Company from taking certain actions.

The current deadline for the Company to file the statement of defence is 13 May 2015.

Notes to the Financial Statements

34. LITIGATIONS *(Continued)*

(i) The Company/Its Subsidiary as the Defendant *(Continued)*

HCA 168 of 2015

As announced by the Company on 30 January 2015, Hyon Hi Hun (the same person making the petition in HCCW 282 of 2014, and being the father-in-law of Charles Zhi) as the plaintiff on 20 January 2015 issued a writ of summons in the High Court of Hong Kong (HCA 168 of 2015) against certain persons (including a certain shareholder of the Company and an ex-director of the Company) and the Company. The plaintiff made rather similar allegations as that in his petition in HCCW 282 of 2014, and his complaints mainly concerned, inter alia, an US\$2,000,000 (approximately HK\$15,600,000) promissory note issued by the Company, and some other accusations (including use of false instrument and fraud).

The current deadline for the Company to file the statement of defence is 13 May 2015.

HCA 284 of 2015

As announced by the Company on 23 February 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 5 February 2015 issued a writ of summons in the High Court of Hong Kong (HCA 284 of 2015) against certain persons (including certain shareholders of the Company, certain existing directors and an ex-director of the Company) and the Company. The complaints in the legal action concerned, inter alia, the plaintiff's own disputes with a certain ex-shareholder, certain existing shareholders and a certain alleged beneficial owner of shares of the Company, and an US\$2,000,000 (approximately HK\$15,600,000) promissory note issued by the Company.

The current deadline for the Company to file the statement of defence is 15 May 2015.

HCA 347 of 2015

As announced by the Company on 9 March 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 14 February 2015 issued a writ of summons in the High Court of Hong Kong (HCA 347 of 2015) against certain persons (including certain existing directors and an ex-director of the Company) and the Company. The Company received the writ of summons on 23 February 2015. It was alleged as a derivative action, and the complaints of it concerned mainly, inter alia, the conducts and alleged conflict of interest of the Company's legal adviser.

The current deadline for the Company to file the statement of defence is 13 May 2015.



Notes to the Financial Statements

34. LITIGATIONS *(Continued)*

(ii) The Company as the Plaintiff

Civil Proceedings Taken by the Company Against Three Former Directors of the Company

As set out in the Company's announcement dated 25 November 2008, inter alia, the Securities and Futures Commission commenced proceedings in the High Court of Hong Kong to seek a disqualification order and a compensation order against three former executive directors of the Company (namely, Cheung Keng Ching, Chou Mei and Lau Ka Man Kevin) in entering into certain transactions during the period between late 2002 and late 2005 for and on behalf of the Group. The financial impacts on the Group in relation to these transactions had already been provided for and reflected in the previous financial results of the Group and they shall have no further adverse effects on the existing financial position of the Group.

As set out in the Company's announcement dated 22 March 2010, the judgment of the High Court of Hong Kong delivered on 18 March 2010, inter alia, (i) directed the Company to commence civil proceedings against these three former executive directors of the Company to recover loss attributable to their mis-management of the Company in entering into certain transactions for and on behalf of the Group during the period between late 2002 and late 2005; and (ii) ordered that any settlement of this civil action by the Company should be subject to the court's approval.

On 15 April 2010, the Company commenced civil proceedings against these three former executive directors to claim damages in the total sum of approximately HK\$18,980,000. In pursuing the proceedings, mediation has been sought with a view to settle the matter according to the Civil Justice Reform. Senior Counsel has advised the Company to consider negotiations for a settlement for the sake of saving time and legal costs, provided that the ultimate settlement amount is desirable and acceptable. Any settlement arrangement shall be subject to approval by the court.

However, no settlement arrangement has been reached and the Company proceeds further with the action against these three former directors. All the pleadings were filed, the process of discovery completed, and witnesses statements of the parties were exchanged. A trial judge was assigned for the case on 25 March 2014. As a result of the solicitors ceasing to act for the Company from 9 February 2015, the hearing on the case management conference originally fixed on 11 February 2015 was adjourned pending an application by the Company to act in person or the Company's engagement of new solicitors.

As at the date of this report, the Company has finalized the engagement of new solicitors to act for the Company so as to further proceed with the case.

Notes to the Financial Statements

34. LITIGATIONS *(Continued)*

(ii) The Company as the Plaintiff *(Continued)*

HCMP 443 of 2015

The originating summons of this legal action was issued by the Company as the plaintiff against Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the defendant on 22 February 2015, by which the Company claims against Charles Zhi for the orders that, inter alia, (i) Charles Zhi be restrained or otherwise be prohibited from commencing or issuing any fresh claims or proceedings in any court in Hong Kong by whatever originating process without first obtaining approval from the High Court of Hong Kong; (ii) alternatively Charles Zhi be restrained or otherwise be prohibited from commencing or issuing in any court in Hong Kong any fresh claims or proceedings by whatever originating process concerning any matter involving or relating to or touching upon or leading to proceedings in relation to HCA 206 of 2014, HCA 227 of 2014, HCA 1151 of 2014, HCCW 282 of 2014, HCA 2247 of 2014, HCA 43 of 2015, HCA 160 of 2015, HCA 168 of 2015, HCA 284 of 2015, HCA 347 of 2015, and any other proceeding which Charles Zhi may commence in the interim time, without first obtaining approval from the High Court of Hong Kong; (iii) Charles Zhi be restrained or otherwise be prohibited from corresponding or in any way communicating with the Hong Kong Stock Exchange or the Securities and Futures Commission with respect to any matter involving or relating to or touching upon the Company, without first obtaining approval from the High Court of Hong Kong; and (iv) if Charles Zhi, without first obtaining approval from the High Court of Hong Kong, commences or issues a fresh claim or proceeding against the Company, that fresh claim or proceeding shall automatically be dismissed without further order of the Court or action by any other party or person.

Up to the latest file search at the High Court of Hong Kong on 8 April 2015, it appears that Charles Zhi has not filed any acknowledgment of service of proceedings and/or any affirmation in opposition before the prescribed deadlines. The Company will proceed with the fixing of a date for substantive hearing.



Notes to the Financial Statements

35. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group monitors its capital position by monitoring its gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated statement of financial position, including amount due to a shareholder, amounts due to related parties and promissory notes payable. Total capital is calculated as "equity attributable to owners of the Company", as shown in the consolidated statement of financial position, plus borrowings. The gearing ratios of the Group at 31 March 2013 and 2012 were as follows:

	2013 HK\$'000	2012 HK\$'000
Total borrowings	123,127	157,146
Equity	1,028,931	976,167
Total capital	1,152,058	1,133,313
Gearing ratio	10.7%	13.9%

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group has no plan to use special measures to adjust its gearing ratio in the foreseeable future.

36. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

The Group	2013 HK\$'000	2012 HK\$'000
Financial assets		
Loan and receivables		
Financial assets included in other receivables, deposit and prepayment	1,763	5,840
Cash and cash equivalents	833	1,524
	2,596	7,364
Financial liabilities		
Other payables, accrued expenses and trade deposit received	11,454	11,199
Coal trading deposit received	24,180	27,300
Interest-bearing borrowings	14,500	—
Amount due to a director	901	—
Purchase consideration payable for additional acquisition	10,140	10,800
Amount due to a related party/shareholder	49,552	53,095
Convertible note payables	2,185,693	—
Promissory notes payables	58,174	104,051
	2,354,594	206,445

Notes to the Financial Statements

36. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY *(Continued)*

The Company	2013 HK\$'000	2012 HK\$'000
Financial assets		
Loan and receivables		
Financial assets included in other receivables, deposit and prepayment	605	428
Cash and cash equivalents	236	952
	841	1,380
Financial liabilities		
Other payables and accrued expenses	5,521	4,011
Coal trading deposit received	24,180	27,300
Interest-bearing borrowings	14,500	—
Amount due to a director	901	—
Amount due to a related party/shareholder	26,884	33,146
Convertible note payables	2,185,693	—
Promissory notes payables	58,174	104,051
	2,315,853	168,508

37. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's business and financial instruments are market risk (including foreign currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's historically has no policy to use derivatives for hedging purposes. The majority of the financial instruments held by the Group are for purposes other than trading.

(a) Market risk

(i) Foreign currency risk

The Group's business operations in Korea is denominated in the KRW and US\$, and the Group's investments denominated in US\$ and RUB. Most of the Group's assets and liabilities are denominated in HK\$, US\$, RUB and KRW, which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks.

The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure should the need arise.

Notes to the Financial Statements

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Market risk *(Continued)*

(iii) Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from promissory notes and convertible note. The Group's promissory notes and convertible note issued at fixed rate expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there is no borrowing which bears floating interest rates. The Group historically has not used any financial instrument to hedge potential fluctuation in interest rates.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

(c) Liquidity risk

The Group's policy to manage liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from lenders and shareholders to meet its liquidity requirements in the short and longer term. The Group relies on borrowings as a significant source of liquidity as set out in Note 3(b).

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay.

The Group	Carrying amount HK\$'000	Total contractual cash flow HK\$'000	On demand HK\$'000	Less than 3 months HK\$'000	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years
					HK\$'000	HK\$'000	HK\$'000
At 31 March 2013							
Other payables and accrued expenses	11,454	11,454	11,454	—	—	—	—
Amount due to a related party/ shareholder	49,552	53,415	8,231	—	—	45,184	—
Amount due to a director	901	901	901	—	—	—	—
Promissory notes payables	58,174	72,160	—	—	—	72,160	—
Convertible note payables	2,185,693	3,974,338	—	—	—	—	3,974,338
Coal trading deposit received	24,180	26,195	—	—	—	26,195	—
Purchase consideration payables for additional acquisition	10,140	10,140	10,140	—	—	—	—
Interest-bearing borrowings	14,500	15,157	—	—	15,157	—	—
	2,354,594	4,163,760	30,726	—	15,157	143,539	3,974,338

Notes to the Financial Statements

37. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The Group	Total contractual		On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years
	Carrying amount	undiscounted cash flow					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2012							
Other payables and accrued expenses	11,199	11,199	11,199	—	—	—	—
Amount due to a shareholder	53,095	55,432	—	—	—	55,432	—
Promissory notes payables	104,051	142,560	—	—	—	142,560	—
Coal trading deposit received	27,300	29,006	—	—	—	29,006	—
Purchase consideration payables for additional acquisition	10,800	10,800	—	10,800	—	—	—
	206,445	248,997	11,199	10,800	—	226,998	—
The Company							
At 31 March 2013							
Other payables and accrued expenses	5,521	5,521	5,521	—	—	—	—
Amount due to a related party/ shareholder	26,884	29,225	2,042	—	—	27,183	—
Amount due to a director	901	901	901	—	—	—	—
Promissory notes payables	58,174	72,160	—	—	—	72,160	—
Convertible note payables	2,185,693	3,974,338	—	—	—	—	3,974,338
Interest-bearing borrowings	14,500	15,157	—	—	15,157	—	—
Coal trading deposit received	24,180	26,195	—	—	—	26,195	—
	2,315,853	4,123,497	8,464	—	15,157	125,538	3,974,338
At 31 March 2012							
Other payables and accrued expenses	4,011	4,011	4,011	—	—	—	—
Amount due to a shareholder	33,146	35,078	—	—	—	35,078	—
Promissory notes payables	104,051	142,560	—	—	—	142,560	—
Coal trading deposit received	27,300	29,006	—	—	—	29,006	—
	168,508	210,655	4,011	—	—	206,644	—



Notes to the Financial Statements

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Fair values measurements recognised in the statement of financial position

The Group

The following table provides an analysis of financial instruments that are measured at fair value at the end of reporting period, group into Level 1 to Level 3 based on the degree to which the fair value is observable.

- Level 1: (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair value measured using quoted price in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3: (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value

At 31 March 2013 and 2012, the only financial instruments of the Group carried at fair value were other intangible assets, exploration and evaluation assets and prepayment for acquisition of exploration and mining rights and convertible note payables. These instruments fall into Level 2 of the fair value hierarchy described above.

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (a) On 19 November 2013, the Group entered into a loan agreement with an independent third party for an aggregate amount of HK\$1,000,000. And on 14 August 2014, the lender agreed not to demand for repayment of the amount due before 19 August 2016.
- (b) With regard to the coal trading deposit in Note 20:
 - (i) the coal trading deposit received was transferred to the New Coal Deposit Holder on 3 March 2014.
 - (ii) the New Coal Deposit Holder issued a letter to the Company on 23 July 2014 whereby the New Coal Deposit Holder agreed to extend the date of repayment of the coal trading deposit together with the related interests to 30 November 2016.
- (c) On 15 January 2014, 4 August 2014, 27 October 2014 and 22 January 2015, the Company entered into loan agreements with an independent third party who has agreed to make a loan facilities to the Group amount of US\$3,750,000, US\$1,000,000, US\$1,300,000 and US\$1,500,000 respectively. On 18 July 2014, the lender had agreed not to demand for repayment of the amounts due in respect of the loan amount of US\$3,750,000 before 15 August 2016.
- (d) On 18 July 2014, two previous legal proceedings were discontinued by the plaintiffs.

Notes to the Financial Statements

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD *(Continued)*

- (e) On 21 July 2014, 14 August 2014 and 15 August 2014, three promissory notes holders agreed not to demand for repayment of the amounts due before 25 August 2016.
- (f) On 23 July 2014, a director and a related party agreed not to demand for repayment of the amounts due before 31 August 2016.
- (g) On 15 August 2014, the lender of the interest-bearing borrowings has agreed not to demand for repayment for the amount due before 19 August 2016.
- (h) On 9 February 2015, an agreement was obtained from certain shareholders that they agreed to subscribe the issued new shares after the trading in the shares on the Stock Exchange has resumed.
- (i) On 9 February 2015, the Company entered into a loan facilities agreement from a director and also the Chairman of the Board of the Company to provide continuous financial support to the Group. A loan facility of up to HK\$400,000,000 to the Group for the 18 months period commencing from 9 February 2015.
- (j) Subsequent to the reporting period, the licence of Lot 1 for the mining right was renewed and the new expiry date was 1 November 2017.
- (k) Subsequent to the reporting period, several writ of summon were raised by certain shareholders and debt holder against the Company. For details, please refer to Note 34.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2015.



Financial Summary

For the year ended 31 March 2013

(Expressed in Hong Kong dollars)

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2013.

RESULTS

	2013 HK\$'000	Year ended 31 March			
		2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover	9,498	11,402	18,251	14,660	115,531
Loss before tax and non-controlling interests	(2,099,513)	(467,038)	(179,656)	(1,642,876)	(3,104)
Gain on disposal of subsidiaries	—	15,409	—	1,626	2,581
Income tax	(400)	45	11,940	(31)	557
(Loss)/profit after tax and before non-controlling interests	(2,099,913)	(451,584)	(167,716)	(1,641,281)	34
Non-controlling interests	62,403	55,585	37,299	673,641	(2,466)
Loss attributable to owners of the Company	(2,037,510)	(395,999)	(130,417)	(967,640)	(2,432)

ASSETS AND LIABILITIES

	2013 HK\$'000	As at 31 March			
		2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Non-current assets	1,336,759	1,257,159	1,707,365	1,580,499	224,735
Current assets	2,596	7,364	40,550	83,634	31,154
Current liabilities	(61,175)	(49,299)	(45,595)	(25,223)	(94,573)
Non-current liabilities	(2,295,972)	(159,210)	(203,987)	(701,875)	(15,076)
Non-controlling interests	(11,139)	(79,847)	(139,650)	(174,110)	(21,569)
Equity attributable to owners of the Company	(1,028,931)	976,167	1,358,683	762,925	124,671

Note: Should there be any discrepancies with the Chinese version of the report, the English version will prevail.