Interim Report 2013

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)

* For identification purpose only

Corporate information

DIRECTORS

Executive Directors

Lim Ho Sok *(Chairman)* (resigned on 18 February 2014)
Choi Jun Ho (resigned on 18 February 2014)
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

Wong Wing Cheong

AUTHORISED REPRESENTATIVES

Choi Jun Ho (resigned on 18 February 2014)
Lim Ho Sok (resigned on 18 February 2014)
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

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF SIBERIAN MINING GROUP COMPANY LIMITED
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Siberian Mining Group Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 3 to 35, which comprise the condensed consolidated statement of financial position as at 30 September 2013, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accounts (the "**HKICPA**").

The directors of the Company are responsible for the preparation and presentation of this condensed consolidated financial statements based on our review, and to report our conclusion 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 person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of condensed consolidated financial statements consists of making requires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit option.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

EMPHASIS OF MATTER

Without qualifying our conclusion, we draw attention to Note 2.1 to the condensed consolidated financial statements which indicates that the Group incurred a net loss of HK$404,665,000 for the six months ended 30 September 2013 and, as of that date, the Group's current liabilities exceeded its current assets by HK$96,336,000. These conditions, along with other matters as set forth in Note 2.1 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 21 to the condensed 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

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Siberian Mining Group Company Limited (the "**Company**") presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 September 2013 together with the comparative figures as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2013

	Notes	**2013 (unaudited) HK$'000**	2012 (unaudited) HK$'000
Turnover	4	**2,754**	3,702
Cost of sales		**(2,698)**	(3,668)
Gross profit		**56**	34
Other income	4	**291**	15
Other gains and losses	4	**(230,440)**	(218,061)
Selling and distribution costs		**(184)**	(175)
Administrative and other expenses		**(33,072)**	(63,909)
Finance costs	6	**(141,665)**	(4,982)
Loss before income tax	5	**(405,014)**	(287,078)
Income tax	7	**349**	(38)
Loss for the period		**(404,665)**	(287,116)
Other comprehensive income for the period, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of foreign operations		**(12,269)**	(58,068)
Total comprehensive expenses for the period, net of tax		**(416,934)**	(345,184)
Loss for the period attributable to:			
Owners of the Company		**(394,736)**	(259,758)
Non-controlling interests		**(9,929)**	(27,358)
		(404,665)	(287,116)
Total comprehensive expenses attributable to:			
Owners of the Company		**(405,762)**	(312,019)
Non-controlling interests		**(11,172)**	(33,165)
		(416,934)	(345,184)
Loss per share			
Basic (Hong Kong cents)	9	**(77.64)**	(81.55)
Diluted (Hong Kong cents)	9	**(77.64)**	(81.55)

Condensed Consolidated Statement of Financial Position

30 September 2013

	Notes	As at 30 September 2013 (unaudited) HK$'000	As at 31 March 2013 (audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**6,025**	8,252
Prepayments for acquisition of property, plant and equipment		**2,086**	1,557
Other intangible assets	11	**233,654**	338,595
Exploration and evaluation assets	12	**835,915**	988,355
		1,077,680	1,336,759
Current assets			
Trade and other receivables, deposits and prepayments		**3,760**	1,763
Cash and cash equivalents		**160**	833
		3,920	2,596
Current liabilities			
Trade and other payables, accrued expenses and trade deposit received		**14,232**	11,454
Coal trading deposit received	14	**24,180**	24,180
Interest-bearing borrowings	13	**14,500**	14,500
Amount due to directors	20(b)	**12,105**	901
Amount due to a shareholder	20(c)	**26,427**	–
Amount due to a related party	20(d)	**232**	–
Purchase consideration payable for additional acquisition	15	**8,580**	10,140
		100,256	61,175
Net current liabilities		**(96,336)**	(58,579)
Total assets less current liabilities		**981,344**	1,278,180

Condensed Consolidated Statement of Financial Position

30 September 2013

	Notes	As at 30 September 2013 (unaudited) HK$'000	As at 31 March 2013 (audited) HK$'000
Non-current liabilities			
Amount due to a related party	20(e)	**31,259**	49,552
Convertible note payables	16	**2,321,482**	2,185,693
Promissory notes payables	17	**61,140**	58,174
Provision for close down, restoration and environmental costs		**2,067**	2,065
Deferred tax liabilities		**122**	488
		2,416,070	2,295,972
NET LIABILITIES		**(1,434,726)**	(1,017,792)
CAPITAL AND RESERVES			
Share capital	18	**101,689**	101,689
Reserves		**(1,536,382)**	(1,130,620)
Equity attributable to owners of the Company		**(1,434,693)**	(1,028,931)
Non-controlling interests		**(33)**	11,139
CAPITAL DEFICIENCIES		**(1,434,726)**	(1,017,792)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Share capital HK$'000 (Note 18)	Share premium HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note b)	Equity-settled share option reserve HK$'000 (Note c)	Capital reserve HK$'000 (Note a(i) & (ii))	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 April 2013 (audited)	**101,689**	**1,722,403**	**35,996**	**322,379**	**763**	**23,507**	**(3,235,668)**	**(1,028,931)**	**11,139**	**(1,017,792)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(394,736)**	**(394,736)**	**(9,929)**	**(404,665)**
Other comprehensive expenses for the period	**–**	**–**	**(11,026)**	**–**	**–**	**–**	**–**	**(11,026)**	**(1,243)**	**(12,269)**
Total comprehensive expenses for the period	**–**	**–**	**(11,026)**	**–**	**–**	**–**	**(394,736)**	**(405,762)**	**(11,172)**	**(416,934)**
As at 30 September 2013 (unaudited)	**101,689**	**1,722,403**	**24,970**	**322,379**	**763**	**23,507**	**(3,630,404)**	**(1,434,693)**	**(33)**	**(1,434,726)**

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note b)	Equity-settled share option reserve HK$'000 (Note c)	Capital reserve HK$'000 (Note a(i) & (ii))	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 April 2012 (audited)	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 period	–	–	–	–	–	–	(259,758)	(259,758)	(27,358)	(287,116)
Other comprehensive expenses for the period	–	–	(52,261)	–	–	–	–	(52,261)	(5,807)	(58,068)
Total comprehensive expenses for the period	–	–	(52,261)	–	–	–	(259,758)	(312,019)	(33,165)	(345,184)
Issue of shares on exercise of share options	60	78	–	–	(32)	–	–	106	–	106
Issue of shares upon partial settlement of the Modified PN	24,815	24,477	–	–	–	–	–	49,292	–	49,292
Adjustment to the consideration of acquisition of additional interests in a subsidiary from non-controlling interests completed in the prior years (Note 15)	–	–	–	(4,728)	–	–	–	(4,728)	(525)	(5,253)
Waiver of interest on early settlement of amount due to a related party/ex-shareholder	–	–	–	–	–	11	–	11	–	11
As at 30 September 2012 (unaudited)	70,489	1,713,647	31,350	326,777	975	23,507	(1,457,916)	708,829	46,157	754,986

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

Notes:

a. At the end of reporting period, capital reserve of the Group represented: (i) the amount of interest charged on amount due to a shareholder of the Company that was waived as a result of early partial settlement on the principal loan due to the shareholder, which was accounted for as capital contributions from an equity participant of the Company for the current and prior periods; and (ii) the difference between the carrying amount of the Modified PN discharged and the fair value of the new ordinary shares of the Company issued as consideration for the early partial settlements of the Modified PN. This difference was accounted for as a contribution from an equity participant of the Company for the year ended 31 March 2012.

b. Other reserve represented the excess of the share of the carrying value of the subsidiary's net assets acquired from the non-controlling interests of a subsidiary over the fair value of the consideration paid on the completion date of the acquisition and the subsequent adjustment to the consideration recognised by the Group upon fulfillment of certain conditions as set out in Note 15.

c. At the end of reporting period, the equity-settled share option reserve represented the fair value of the outstanding share options of the Company at the respective grant dates.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Net cash outflow from operating activities	**(16,378)**	(1,565)
Net cash outflow from investing activities	**(6,128)**	(17,043)
Net cash inflow from financing activities	**19,569**	20,514
Effect on foreign exchange rate changes	**2,264**	2,037
Net (decrease)/increase in cash and cash equivalents	**(673)**	3,943
Cash and cash equivalents at beginning of the period	**833**	1,524
Cash and cash equivalents at end of the period	**160**	5,467
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	**160**	5,467

1. GENERAL INFORMATION

Siberian Mining Group Company Limited was incorporated in the Cayman Islands with limited liability. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company and its subsidiaries are referred to as the "**Group**" hereinafter. The principal activities of the Group are holding mining rights and exploration rights of coal mines located in the Russian Federation ("**Russia**") and conducting the business of mineral resources and commodities trading.

These condensed consolidated interim financial statements are presented in Hong Kong dollars ("**HK$**").

These condensed consolidated interim financial statements have been approved for issue by the Board of the Company on 22 April 2015.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2013 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

During the period, the Group incurred a loss of approximately HK$404,665,000 and had net current liabilities of approximately HK$96,336,000 as at 30 September 2013.

In preparing the Interim Financial Statements, the directors have given careful consideration to the future liquidity and financial positions of the Group in light of the conditions described in the preceding paragraph. 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:

(i) 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 following parties:

(a) 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.

(b) As set out in Note 14, 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.

(c) As set out in Note 13, with regard to interest-bearing borrowings, the lender has agreed not to demand for repayment for the amount due before 19 August 2016.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) As set out in Note 20(b) and 20(c), with regard to amounts due to a director and a shareholder, the director and the shareholder have agreed not to demand for repayment of the amount due before 31 August 2016.

(e) As set out in Note 20(e), with regard to amount due to a related party, the related party has agreed not to demand for repayment for the amount due before 31 August 2016.

(f) As set out in Note 17, with regard to promissory notes, the promissory notes holders have agreed not to demand for repayment of the amount due before 25 August 2016.

(g) 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, 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 Interim 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 interim 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.

2.2 Principal accounting policies

The Interim Financial Statements have been prepared under the historical cost convention, as modified for certain financial instruments, which are carried at fair value.

The accounting policies and methods of computation adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2013 (the "**Annual Financial Statements**").

3. SEGMENT INFORMATION

The Group determines its operating segments based on the report received 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 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 areas, revenues and results are attributed to the segments based on the locations 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.

(a) Reportable segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the six months ended 30 September 2013 and 2012.

	Six months ended 30 September 2013		
	Mining (unaudited) HK$'000	Mineral resources and commodities trading (unaudited) HK$'000	Consolidated total (unaudited) HK$'000
Reportable segment revenue			
Revenue from external customers	–	2,754	2,754
Reportable segment loss	(257,422)	(864)	(258,286)
Impairment loss on other intangible assets	(73,144)	–	(73,144)
Impairment loss on property, plant and equipment	(1,864)	–	(1,864)
Impairment loss on exploration and evaluation assets	(156,430)	–	(156,430)
Depreciation	(35)	(2)	(37)
Amortisation of other intangible assets	(17,797)	–	(17,797)

3. SEGMENT INFORMATION *(Continued)*

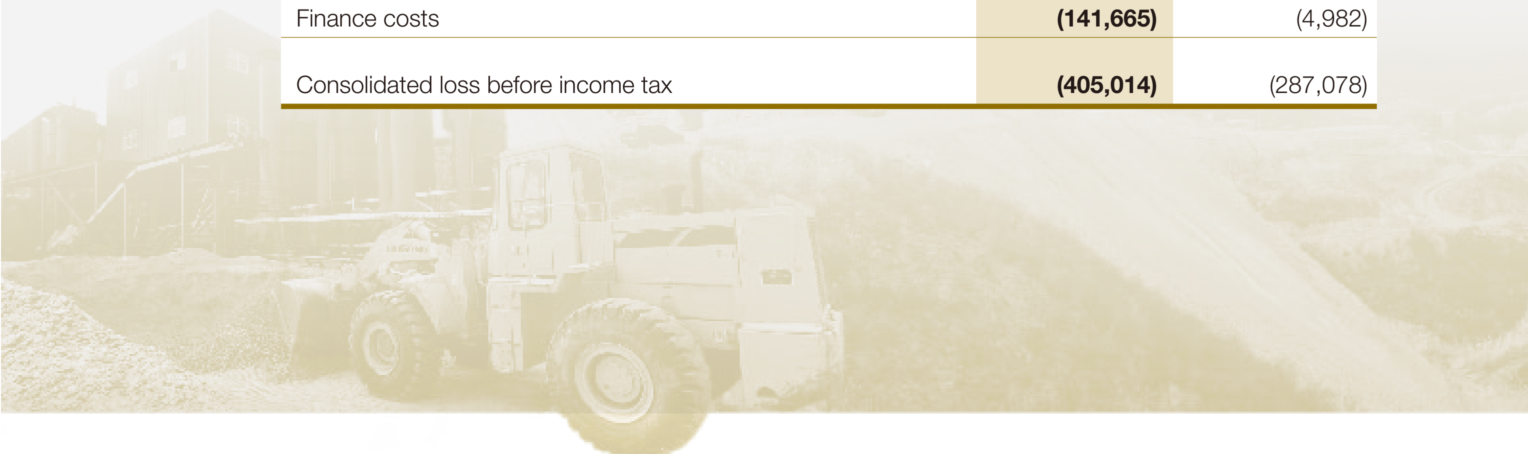
(a) Reportable segments *(Continued)*

	Six months ended 30 September 2012 Mining (unaudited) HK$'000	Mineral resources and commodities trading (unaudited) HK$'000	Consolidated total (unaudited) HK$'000
Reportable segment revenue			
Revenue from external customers	–	3,702	3,702
Reportable segment loss	(280,063)	(79)	(280,142)
Impairment loss on other intangible assets	(215,577)	–	(215,577)
Impairment loss on property, plant and equipment	(4,948)	–	(4,948)
Depreciation	(37)	(1)	(38)
Amortisation of other intangible assets	(45,331)	–	(45,331)

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

	Six months ended 30 September **2013** **(unaudited)** **HK$'000**	2012 (unaudited) HK$'000
Revenue		
Reportable segment revenue and consolidated revenue	**2,754**	3,702

	Six months ended 30 September **2013** **(unaudited)** **HK$'000**	2012 (unaudited) HK$'000
Loss before income tax		
Reportable segment loss	**(258,286)**	(280,142)
Other gains and losses	**998**	2,464
Unallocated corporate expenses	**(6,061)**	(4,418)
Finance costs	**(141,665)**	(4,982)
Consolidated loss before income tax	**(405,014)**	(287,078)



3. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

	As at 30 September 2013 (unaudited) HK$'000	As at 31 March 2013 (audited) HK$'000
Assets		
Reportable segment assets	**1,080,972**	1,338,514
Unallocated corporate assets	**628**	841
Consolidated total assets	**1,081,600**	1,339,355

	As at 30 September 2013 (unaudited) HK$'000	As at 31 March 2013 (audited) HK$'000
Liabilities		
Reportable segment liabilities	**(65,344)**	(64,633)
Unallocated corporate liabilities	**(2,450,982)**	(2,292,514)
Consolidated total liabilities	**(2,516,326)**	(2,357,147)

(b) Geographical areas

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 (the "**Specific non-current assets**"):

	Revenue from external customers		**Specific non-current assets**	
	Six months ended 30 September 2013 (unaudited) HK$'000	Six months ended 30 September 2012 (unaudited) HK$'000	**As at 30 September 2013 (unaudited) HK$'000**	As at 31 March 2013 (audited) HK$'000
Russia	**–**	–	**1,077,664**	1,336,741
Korea	**2,754**	3,702	**16**	18
	2,754	3,702	**1,077,680**	1,336,759

3. SEGMENT INFORMATION *(Continued)*

(c) Information about major customers

For the six months ended 30 September 2013, the sole customer of the mineral resources and commodities trading segment contributed all the Group's revenue of HK$2,754,000.

For the six months ended 30 September 2012, the sole customer of the mineral resources and commodities trading segment contributed all the Group's revenue of HK$3,702,000.

4. TURNOVER, OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Turnover		
Trading of mineral resources and commodities	**2,754**	3,702
Other income		
Interest income	**261**	–
Sundry income	**30**	15
	291	15
Other gains and losses		
Gain on partial settlement of Modified PN in exchange for new shares of the Company	**–**	2,464
Gain arising in change in fair value of convertible note (Note 16)	**998**	–
Impairment loss on other intangible assets (Note 11)	**(73,144)**	(215,577)
Impairment loss on exploration and evaluation assets (Note 12)	**(156,430)**	–
Impairment loss on property, plant and equipment	**(1,864)**	(4,948)
	(230,440)	(218,061)

5. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss before income tax is arrived at after charging:–		
Amortisation of other intangible assets		
– Mining right	**17,797**	45,331
Depreciation	**37**	42

6. FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Interest expenses on		
Loans from third party	**727**	363
Loan from a related party (Note 20(a))	**707**	976
Loan from directors (Note 20(a))	**192**	–
Loan from a shareholder (Note 20(a))	**251**	–
Imputed interest on convertible note (Note 16)	**136,787**	–
Imputed interest on promissory notes (Note 17)	**2,966**	3,595
	141,630	4,934
Bank charges	**35**	48
	141,665	4,982

7. INCOME TAX

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Deferred tax	**(349)**	38

No provision had been made for Hong Kong profits tax as the Hong Kong subsidiaries of the Group sustained losses for taxation purposes for both the current and prior periods. Taxation for the Russian and other foreign operations are similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2013 (2012: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

The calculation of diluted loss per share for the period is based on the loss for the period 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 period, 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.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(Continued)

As the Company's outstanding share options and convertible note had an anti-dilutive effect to the basic loss per share calculation for the current and prior periods, the conversion of the above potential dilutive shares was therefore not assumed in the computation of dilutive loss per share for the current and prior periods.

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

	Six months ended 30 September	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss		
Loss attributable to the owners of the Company, used in the basic and diluted loss per share	**394,736**	259,758

	Six months ended 30 September	
	2013	2012
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculation	**508,442,763**	318,512,132

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2013, the Group acquired items of property, plant and equipment with total cost of HK$14,000 (30 September 2012: HK$902,000) and did not have any significant disposal of property, plant and equipment. An impairment loss for property, plant and equipment was recognised during the period. Details are set out in Note 11.

11. OTHER INTANGIBLE ASSETS

	Mining rights HK$'000
Cost	
At 1 April 2012	3,333,506
Exchange realignments	(181,690)
At 31 March 2013 and 1 April 2013 (audited)	3,151,816
Exchange realignments	(131,220)
At 30 September 2013 (unaudited)	**3,020,596**
Accumulated amortisation and impairment losses	
At 1 April 2012	2,346,784
Charge for the year	80,265
Impairment loss	513,790
Exchange realignments	(127,618)
At 31 March 2013 and 1 April 2013 (audited)	2,813,221
Charge for the period	17,797
Impairment loss	73,144
Exchange realignments	(117,220)
At 30 September 2013 (unaudited)	**2,786,942**
Net carrying value	
At 30 September 2013 (unaudited)	**233,654**
At 31 March 2013 (audited)	338,595

Mining rights

The mining rights relating to the cash generating unit of coal mining (the "**Coal Mining CGU**") acquired in prior periods.

In performing the impairment test for current period, 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 Coal Mining CGU which is the higher of the Coal Mining CGU fair value less costs to sell and its value in use. Given the current development status of the Coal Mining CGU, 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 Coal Mining CGU's fair value.

11. OTHER INTANGIBLE ASSETS *(Continued)*

Mining rights *(Continued)*

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

(i) Cash flow projection is determined for a period of 15 years up to 2027 (31 March 2013: a period of 15 years up to 2027) with the first year of production taken to be from year 2017 (31 March 2013: 2017) based on the senior management's current best estimated production plan.

(ii) The post-tax discount rate applied to the cash flow projection is 22.07% (31 March 2013: 21.61%).

(iii) Coal sales prices used in the DCF in the current and prior periods are determined with reference to current market information of the respective valuation dates, which show decreases of approximately 10% to 13% (depended on different type of coals) when compared to that of the year ended 31 March 2013.

(iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (31 March 2013: 3% p.a.), which is in line with the comparable market information.

(v) The exchange rate for US Dollars ("**US$**") to Russian Rubles ("**RUB**") with reference to the approximate spot rate as of 30 September 2013 is taken to be 1.00 US$ to 32.391 RUB (31 March 2013: 1.00 US$ to 31.056 RUB).

(vi) The inflation rate on operating costs is 3% p.a. (31 March 2013: 3% p.a.).

(vii) The Group is able to renew the relevant licence for the mining rights upon its existing expiry date.

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (ii), (iii) and (v) mentioned above, other major assumptions used in the DCF analysis in current period, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that used for the year ended 31 March 2013.

The directors of the Company are of the opinion that based on the valuation, the Coal Mining CGU was impaired by HK$75,008,000; the mining rights and the property, plant and equipment attributable to the Coal Mining CGU were impaired by HK$73,144,000 (31 March 2013: HK$513,790,000) and HK$1,864,000 (31 March 2013: HK$12,154,000), respectively, as compared with its respective carrying values as at 30 September 2013. The impairment loss is mainly attributable to the decreases of approximately 10% to 13% (depended on different type of coals) in the market prices of coking coals and steam coals during the current period as compared to the year ended 31 March 2013. Changes in parameters for items (ii) and (v) above do not have material impacts on the resultant impairment loss when compared with that of coal prices decreases.

Details of the Group's mining rights are as follows:–

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

12. EXPLORATION AND EVALUATION ASSETS

	Total HK$'000
Cost	
At 1 April 2012	249,600
Additions	3,462,493
Exchange realignments	24
At 31 March 2013 & 1 April 2013 (audited)	3,712,117
Additions	4,286
Exchange realignments	(296)
At 30 September 2013 (unaudited)	**3,716,107**
Accumulated impairment losses	
At 1 April 2012	–
Impairment loss	2,723,762
At 31 March 2013 & 1 April 2013 (audited)	2,723,762
Impairment loss (Note 4)	156,430
At 30 September 2013 (unaudited)	2,880,192
Net carrying value	
At 30 September 2013 (unaudited)	**835,915**
At 31 March 2013 (audited)	988,355

Exploration and evaluation assets are considerations paid for the acquisition of the exploration and mining rights located adjacent to the Lapichevskaya Mine (the "**New Exploration and Mining Licence**").

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.

12. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

(i) Cash flow projection is determined for a period of 13 years up to 2025 (31 March 2013: a period of 13 years up to 2025) with the first year of production taken to be from year 2016 (31 March 2013: first year of production from year 2016) based on the senior management's current best estimated production plan.

(ii) The post-tax discount rate applied to the cash flow projection is 22.07% (31 March 2013: 21.61%).

(iii) Coal sales prices used in the DCF in the current and prior periods are determined with reference to current market information of the respective valuation dates, which show decreases of approximately 10%-14% (depended on different type of coals) when compared to that of the year ended 31 March 2013.

(iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (31 March 2013: 3% p.a.), which is in line with the comparable market information.

(v) The exchange rate for US Dollars ("**US$**") to Russian Rubles ("**RUB**") with reference to the approximate spot rate as of 30 September 2013 is taken to be 1.00 US$ to 32.391 RUB (31 March 2013: 1.00 US$ to 31.056 RUB).

(vi) The inflation rate on operating costs is 3% p.a. (31 March 2013: 3% p.a.).

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (ii), (iii) and (v) mentioned above, other major assumptions used in the DCF analysis in current period, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that used for the year ended 31 March 2013.

The directors of the Company are of the opinion that based on the valuation, the exploration and evaluation asset was impaired by HK$156,430,000 (31 March 2013: HK$2,723,762,000) compared with its carrying value as at 30 September 2013. The impairment loss is mainly attributable to the decreases of approximately 10% to 14% (depended on different type of coals) in the market prices of coking coals and steam coals during the current period as compared to the year ended 31 March 2013. Changes in parameters for items (ii) and (v) above do not have material impacts on the resultant impairment loss when compared with that of coal prices decreases.

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

13. INTEREST-BEARING BORROWINGS

	Notes	**As at 30 September 2013 (unaudited) HK$'000**	As at 31 March 2013 (audited) HK$'000
Interest-bearing borrowings which are wholly repayable within one year are as followings:			
Loans from other entity	(a)	**14,500**	14,500

Note:

(a) Fixed rate loans with independent third party amounted to HK$14,500,000 (31 March 2013: HK$14,500,000). 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, and agreed to extend the repayment date to 19 August 2016.

14. COAL TRADING DEPOSIT RECEIVED

As at 30 September 2013, coal trading deposit received represented a deposit of US$3,100,000 (equivalent to approximately HK$24,180,000) (31 March 2013: a deposit of US$3,100,000 (equivalent to approximately HK$24,180,000)) received from the then independent third party (the "Coal Purchaser") for future supply of coal by the Group. The Group is required to supply 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. The deposit is unsecured and non-interest bearing, except interest of 5% per annum will be applied and the full amount of the deposit is refundable if the Group cannot supply coal of Russian origin to the Coal Purchaser within one month from 1 November 2014.

At the end of reporting period, the Coal Purchaser holds approximately 10.42% of the total issued share capital of the Company.

Subsequent to the end of the reporting period, the Coal Purchaser has transferred the coal trading deposit received to an independent third party (the "New Coal Deposit Holder") on 3 March 2014. Details are set out in Note 22.

15. 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 tax authority in Russia of the taxation liabilities of Lapi (the "4th Adjusted Consideration").

The 3rd Adjusted Consideration of US$4,095,300 (equivalent to approximately HK$31,943,000) was recognised and fully settled by the Group before 31 March 2013.

15. PURCHASE CONSIDERATION PAYABLE FOR ADDITIONAL ACQUISITION *(Continued)*

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

16. CONVERTIBLE NOTE PAYABLES

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.

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.

(i) Measurement of convertible note

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 end of the reporting period, and the change in the fair value of convertible note of HK$998,000 was charged to the profit or loss during the period. The effective interest rate of the liability component of the Third Convertible Note was 12.01%.

16. CONVERTIBLE NOTE PAYABLES *(Continued)*

(i) Measurement of convertible note *(Continued)*

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

	At 30 September 2013	Date of issue At 31 March 2013
Expected volatility	47.17%	96.86%
Expected life	4.5 years	5.0 years
Risk-free rate	1.04%	0.56%
Expected dividend yield	Nil	Nil
Bond yield	Nil	Nil

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

(ii) Movement of the different components of the convertible note

	Convertible note		
	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 and 1 April 2013 (audited)	2,184,695	998	2,185,693
Imputed interest charge (Note 6)	136,787	–	136,787
Fair value gain on convertible note (Note 4)	–	(998)	(998)
At 30 September 2013 (unaudited)	**2,321,482**	**–**	**2,321,482**

17. PROMISSORY NOTES PAYABLES

	Notes	HK$'000
At 1 April 2012 (audited)		
– Modified PN		104,051
Repaid during the year		
– Modified PN		(200)
Imputed interest charged		
– Modified PN		6,416
Converted to equity and utilised to settle purchase consideration		
– Modified PN	(a)	(52,093)
At 31 March 2013 and 1 April 2013 (audited)		58,174
Imputed interest charged		
– Modified PN	6	2,966
At 30 September 2013 and included in non-current liabilities (unaudited)		**61,140**

Note:

(a) During the prior periods, 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 as a result of a conditional modification deed entered into between the Company and Cordia. The Modified PN initially recognised at HK$161,973,000 is non-interest-bearing and payable in one lump sum on maturity date of 25 May 2015.

The effective interest rate of the Modified PN is determined to be 10.5% per annum.

As at the end of the reporting period, the carrying amount of the Modified PN was HK$61,140,000 (31 March 2013: HK$58,174,000), and is classified as non-current liabilities and carried at amortised costs until extinguished on redemption.

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).

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 aggregated 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 Subscription 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 year ended 31 March 2013.

18. SHARE CAPITAL

Ordinary shares of HK$0.2 each:	Number of shares As at 30 September 2013 (unaudited)	Nominal value As at 30 September 2013 (unaudited) HK$'000
Authorised:	**5,000,000,000**	**1,000,000**
Issued and fully paid:		
At beginning and at end of the period	**508,442,763**	**101,689**

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

19. CAPITAL COMMITMENTS

Details of the capital expenditure contracted for but not provided in the Interim Financial Statements are as follows:

	As at 30 September 2013 (unaudited) HK$'000	As at 31 March 2013 (audited) HK$'000
Exploration related contracts	**7,589**	5,158
Property, plant and equipment	**678**	708

20. 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 Interim Financial Statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the period, the Group had the following transactions with related parties, which in the opinion of the directors, were conducted at arm's length and on normal commercial terms:

Name of Company/ Related Party	Relationship	Nature of transaction	Six months ended 30 September 2013 (unaudited) HK$'000	2012 (unaudited) HK$'000
Cordia Global Limited	Related party	Interest expenses thereto	**707**	2,438
Lim Ho Sok	Director	Interest expenses thereto	**183**	–
Choi Jun Ho	Director	Interest expenses thereto	**9**	–
Goldwyn Management Limited	Shareholder	Interest expenses thereto	**251**	–

(b) The amounts due to directors are unsecured, interest at 5% per annum and have no fixed term of repayment.

(c) The amounts due to a shareholder are unsecured and bears interest at the rate of 5-6% per annum. Part of the amounts due has no fixed term of repayment while the remaining is repayable within three years after the drawdown date.

(d) The amount due to a related party is unsecured, interest-free and repayment within five years.

(e) The amounts due to a related party are unsecured and bear interest at the rate of 0-8% per annum.

(f) Compensation of key management personnel of the Group

	Six months ended 30 September 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Directors' remuneration		
– Executive directors	**2,020**	2,212
– Non-executive director	**60**	60
– Independent non-executive directors	**243**	348
	2,323	2,620

21. LITIGATIONS

During the period 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.

21. 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.

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.

21. 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 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.

21. 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).

21. 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 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.

21. 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.

21. 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.

21. 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.

22. 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 14:

(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 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 discontinuous by the plaintiffs.

22. 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, a shareholder 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. Detail please refer to Note 21.

FINANCIAL REVIEW

Turnover

For the period ended 30 September 2013, the Group recorded a total turnover of HK$2.8 million (2012: HK$3.7 million), representing a decrease of approximately 24.3% as compared to last corresponding period. The reduction is mainly due to keen competition in price of scrapped iron trading in the Korean market, and the Group would need to respond with a prudent approach.

During the period under review, the Group recorded a turnover of HK$2.8 million (2012: nil) from scrapped iron trading and no turnover was recorded from aluminium trading (2012: HK$3.7m).

Other Gains and Losses

During the period under review, (i) 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) decreased from HK$215.6 million to HK$73.1 million mainly due to decrease in international coal prices was less severe; and (ii) an impairment loss on evaluation and exploration assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) of HK$156.4 million (2012: nil, because acquisition of Lot 2 was completed only after 27 March 2013) was recorded mainly due to decrease in international coal prices.

Administrative and Other Expenses

During the period under review, amortization of mining rights dropped from HK$45.3 million to HK$17.8 million. Staff costs (excluding directors' remuneration) remained more or less at the same level of HK$4.7 million (2012: HK$4.7 million), consultancy fees decreased from HK$2.1 million to HK$0.7 million, and legal and professional fees increased from HK$1.0 million to HK$3.9 million as the Company was get involved in more and more legal proceedings.

Finance Costs

During the period under review, the increase in total finance costs from HK$5.0 million to HK$141.7 million is mainly resulted from the imputed interest on the Third Convertible Note of HK$136.8 million (2012: nil, because the Third Convertible Note was not issued and booked before 27 March 2013).

Loss Before Income Tax

For the period ended 30 September 2013, the loss before income tax of the Group was HK$405.0 million (2012: HK$287.1 million), representing an increase of 41.1% as compared to the last corresponding period. The 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$73.1 million (2012: HK$215.6 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$156.4 million (2012: nil) were just non-cash items arising from period end valuation exercises for accounting purposes, which would not affect the cashflow position of the Group.

OPERATION REVIEW

Mineral Resources and Commodities Trading

Although the price competition in scrapped iron trading remained very keen, its patterns of price fluctuations appeared to be more manageable than that of aluminium. Hence, the Group traded scrapped iron instead of aluminium for the period under review.

Coal Mining

The second phase of exploration drilling in Lot 2 of the Group's Russian coal mines commenced in May 2013, and as at 30 September 2013, a total length of approximately 4,570 metres was drilled for a total of ten boreholes. The exploration drilling would be expected to complete by end of October 2013.

Geographical

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

PROSPECTS

Looking forward, the period 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. As the price fluctuation patterns of scrapped iron would seem to be more manageable than that of aluminium, the Group will concentrate its efforts in scrapped iron trading which would be expected as the prime contributor to the Group's turnover in the foreseeable future.

Coal Mining

The Group has successfully completed the second phase of drilling with a total length of approximately 6,100 metres for a total of thirteen boreholes in Lot 2 by end of October of 2013. The third phase of drilling is targeted to start in the second quarter of 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2013, the Group had net current liabilities of HK$96,336,000 (31 March 2013: HK$58,579,000). The Group's current ratio, being a ratio of current assets to current liabilities, was 3.9% (31 March 2013: 4.2%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 5.81% (31 March 2013: 3.38%).

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 period under review, the Group recorded a net cash outflow of HK$673,000 (2012: net cash inflow HK$3,943,000), while its total cash and cash equivalents decreased to HK$160,000 (2012: increased to HK$5,467,000) as at 30 September 2013.

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 30 September 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2013 (for the six months ended 30 September 2012: Nil).

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 period under review. Certain expenses of the Group are dominated in RUB and KRW which fluctuated in a relatively greater spread in the period. 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

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 (ie. 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 period 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 21 to the financial statements.

CAPITAL COMMITMENTS

Details of capital commitments of the Group as at 30 September 2013 as disclosed in Note 19 to the financial statements.

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 30 September 2013 or 31 March 2013.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2013, the Group had approximately 27 (31 March 2013: 28) 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.

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

At 30 September 2013, the interests of the directors, chief executives and their associates in shares, underlying shares or 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 beneficiary owned by Goldwyn Management Limited ("**Goldwyn**"). The entire issued share capital of Goldwyn is legally and beneficiary 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 30 September 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 position 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 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.

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. The detailed terms of the Old Scheme were disclosed in the 2013 annual report of the Company.

During the six months ended 30 September 2013, no option has been granted under the New Scheme.

Movements in the Company's share options outstanding under the Old Scheme during the period under review were as follows:

	Number of shares options					
Name or category of participant	**As at 1 April 2013**	**Exercised during the period**	**As at 30 September 2013**	**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
	4,000,000	–	4,000,000			
Employees and consultants other than directors						
In aggregate	580,000	–	580,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Total	**4,580,000**	**–**	**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.

Each option gives the holder the right to subscribe for one share. As at 30 September 2013, the Company had 4,580,000 share options outstanding under the Old Scheme. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 30 September 2013, result in the issue of 4,580,000 additional ordinary shares of HK$0.2 each of the Company, additional share capital of HK$916,000 and share premium of approximately HK$709,900 (before issue expenses). In addition, amount attributable to the related share options approximately HK$763,000 would be transferred from equity-settled share option reserve to the share premium.

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

As at 30 September 2013 and so far as is known to the Board and according to 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 disclosed under the heading "Directors' interests and short positions in shares and underlying shares of the Company" above) have 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	71,998,875	14.16%
Choi Sungmin (Note 4)	Interest in controlled corporation	71,998,875	14.16%
Jung Mi Na (Notes 3 & 4)	Deemed interest	73,998,875	14.55%

Other Information

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 71,998,875 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 71,998,875 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

Corporate Governance Code

During the period under review, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), 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 period. 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 CG 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.

Other Information

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

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.

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.

Other Information

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 they 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.

Audit Committee

The existing audit committee of the Company (the "**Audit Committee**") consists of three INEDs of the Company, chaired by Mr. Kwok Kim Hung Eddie and the other two members are Mr. Lai Han Zhen and Mr. Park Kun Ju. The unaudited condensed interim financial statements for the six months ended 30 September 2013 have been reviewed by the Audit Committee.

REVIEW ON INTERIM RESULTS

The unaudited condensed consolidated interim results of the Group have been reviewed by the Company's auditor, JH CPA Alliance Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of Entity" issued by the Hong Kong Institute of Certified Public Accountants, the report of which is included on page 2 of this interim report.

By Order of the Board
Siberian Mining Group Company Limited
Jang Sam Ki
Chairman

Hong Kong, 22 April 2015

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