

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)



2016

INTERIM REPORT

* For identification purpose only



Corporate Information

DIRECTORS

Executive Directors

Hong Sang Joon (*Chairman*)
Su Run Fa

Independent Non-executive Directors

Jo Sang Hee
Kwok Kim Hung Eddie
Lai Han Zhen

COMPANY SECRETARY

Wong Wing Cheong

AUTHORISED REPRESENTATIVES

Hong Sang Joon
Wong Wing Cheong

AUDIT COMMITTEE

Kwok Kim Hung Eddie (*Chairman*)
Jo Sang Hee
Lai Han Zhen

REMUNERATION COMMITTEE

Lai Han Zhen (*Chairman*)
Jo Sang Hee
Kwok Kim Hung Eddie

NOMINATION COMMITTEE

Hong Sang Joon (*Chairman*)
Kwok Kim Hung Eddie
Lai Han Zhen

AUDITOR

JH CPA Alliance Limited

PRINCIPAL BANKER

The Hong Kong and Shanghai Banking
Corporation Limited

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 interim financial information of Siberian Mining Group Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 3 to 58, which comprise the condensed consolidated statements of financial position as at 30 September 2016, 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 Accountants (the “**HKICPA**”).

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made 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 interim financial information 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 opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is 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 had current liabilities exceeded its current assets by HK\$209,630,000. 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.

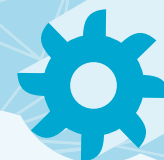
Also, we draw attention to Note 22 to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuit filed against to the Group. Our opinion is not qualified in respect of this matter.

JH CPA Alliance Limited

Certified Public Accountants
Hong Kong, 30 November 2016

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 2016 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 2016

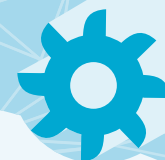
	Notes	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Turnover	5	252	1,536
Cost of sales		(250)	(1,526)
Gross profit		2	10
Other income	5	6,363	3
Other gains and losses	5	560,312	(15,789)
Selling and distribution costs		(8)	(43)
Administrative and other expenses		(16,170)	(26,472)
Finance costs	7	(179,605)	(163,608)
Profit/(Loss) before income tax	6	370,894	(205,899)
Income tax	8	(7)	(7)
Profit/(Loss) for the period		370,887	(205,906)
Other comprehensive (expenses)/income for the period, net of tax:			
Exchange differences on translation of financial statements of foreign operations		(4,035)	5,433
Total comprehensive income/(expenses) for the period, net of tax		366,852	(200,473)
Profit/(Loss) for the period attributable to:			
Owners of the Company		365,432	(202,219)
Non-controlling interests		5,455	(3,687)
		370,887	(205,906)
Total comprehensive income/(expenses) attributable to:			
Owners of the Company		361,977	(197,343)
Non-controlling interests		4,875	(3,130)
		366,852	(200,473)
Earnings/(Loss) per share			
Basic (Hong Kong cents)	10	71.17	(39.50)
Diluted (Hong Kong cents)	10	71.17	(39.50)



Condensed Consolidated Statement of Financial Position

As at 30 September 2016

		As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000	As at 31 March 2015 (Audited) (Restated) HK\$'000
	Notes			
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	11	2,118	385	1,656
Prepayments for acquisition of property, plant and equipment		—	289	—
Other intangible assets	12	58,371	9,745	52,168
Exploration and evaluation assets	13	977,538	465,492	523,563
		1,038,027	475,911	577,387
Current assets				
Trade receivables		—	—	2,091
Other receivables, deposits and prepayments		1,385	1,719	3,667
Cash and cash equivalents		1,686	337	5,045
		3,071	2,056	10,803
Current liabilities				
Trade payables		—	—	2,104
Other payables, accrued expenses and trade deposit received		25,202	26,042	20,626
Interest-bearing borrowings	14	109,110	87,710	74,390
Amount due to a director	21(d)	3,134	3,058	—
Amount due to an ex-director	21(c)	14,659	14,344	13,713
Amount due to a related party	21(e)	33,088	32,279	—
Amount due to a shareholder		—	—	25,854
Coal trading deposit received	15	24,180	24,180	24,180
Purchase consideration payable for additional acquisition	16	3,328	3,328	3,328
		212,701	190,941	164,195
Net current liabilities		(209,630)	(188,885)	(153,392)
Total assets less current liabilities		828,397	287,026	423,995



Condensed Consolidated Statement of Financial Position

As at 30 September 2016

		As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000	As at 31 March 2015 (Audited) (Restated) HK\$'000
	Notes			
Non-current liabilities				
Amount due to a related party		—	—	32,116
Amount due to a shareholder	21(b)	32,944	32,677	—
Convertible note payables	17	3,002,291	2,828,189	2,702,681
Promissory notes payables	18	72,160	72,160	70,974
Provision for close down, restoration and environmental costs		1,294	1,166	1,291
Deferred tax liabilities		15	8	7
		3,108,704	2,934,200	2,807,069
NET LIABILITIES		(2,280,307)	(2,647,174)	(2,383,074)
CAPITAL AND RESERVES				
Share capital	19	102,690	102,690	101,689
Reserves		(2,362,000)	(2,723,992)	(2,464,012)
Equity attributable to owners of the Company		(2,259,310)	(2,621,302)	(2,362,323)
Non-controlling interests		(20,997)	(25,872)	(20,751)
CAPITAL DEFICIENCIES		(2,280,307)	(2,647,174)	(2,383,074)



Condensed Consolidated Statement of Change in Equity

For the six months ended 30 September 2016

The Group	Share capital HK\$'000 (Note 19)	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
At 1 April 2015, as previously stated	101,689	1,722,403	(19,201)	322,379	47	23,507	(4,548,969)	(2,398,145)	(20,437)	(2,418,582)
Effect of prior year adjustments	–	–	3,022	–	–	–	32,800	35,822	(314)	35,508
At 1 April 2015, as restated	101,689	1,722,403	(16,179)	322,379	47	23,507	(4,516,169)	(2,362,323)	(20,751)	(2,383,074)
Loss for the period	–	–	–	–	–	–	(202,219)	(202,219)	(3,687)	(205,906)
Other comprehensive income for the period	–	–	4,876	–	–	–	–	4,876	557	5,433
Total comprehensive income/ (expenses) for the period	–	–	4,876	–	–	–	(202,219)	(197,343)	(3,130)	(200,473)
Waiver of interest on early settlement of amount due to a shareholder (Note 21(f))	–	–	–	–	–	10	–	10	–	10
Issue of shares upon conversion of convertible note (Note 17)	1,001	195,155	–	–	–	–	–	196,156	–	196,156
As at 30 September 2015 (Unaudited and restated)	102,690	1,917,558	(11,303)	322,379	47	23,517	(4,718,388)	(2,363,500)	(23,881)	(2,387,381)
At 1 April 2016 (Audited)	102,690	1,917,558	(11,395)	322,379	47	23,518	(4,976,099)	(2,621,302)	(25,872)	(2,647,174)
Profit for the period	–	–	–	–	–	–	365,432	365,432	5,455	370,887
Other comprehensive expenses for the period	–	–	(3,455)	–	–	–	–	(3,455)	(580)	(4,035)
Total comprehensive income/ (expenses) for the period	–	–	(3,455)	–	–	–	365,432	361,977	4,875	366,852
Waiver of interest on early settlement of amount due to a shareholder (Note 21(f))	–	–	–	–	–	15	–	15	–	15
At 30 September 2016 (Unaudited)	102,690	1,917,558	(14,850)	322,379	47	23,533	(4,610,667)	(2,259,310)	(20,997)	(2,280,307)

Notes:

- 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 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 prior period.
- 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 16.
- 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Net cash outflow from operating activities	(14,936)	(28,245)
Net cash outflow from investing activities	(230)	(315)
Net cash inflow from financing activities	22,881	18,694
Effect on foreign exchange rate changes	(6,366)	12,137
Net increase in cash and cash equivalents	1,349	2,271
Cash and cash equivalents at beginning of the period	337	5,045
Cash and cash equivalents at end of the period	1,686	7,316
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	1,686	7,316



Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of the registered office of the Company is at 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 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 30 November 2016.

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 2016 (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 of Hong Kong Limited (the "**Listing Rules**").

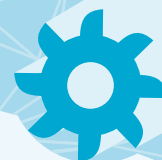
The unaudited interim financial information should be read in conjunction with the Group's audited annual financial statements for the year ended 31 March 2016 as contained in the 2016 Annual Report.

During the period, the Group had net current liabilities of approximately HK\$209,630,000 as at 30 September 2016.

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 as set out 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.



Notes to the Unaudited Condensed Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

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

- (i) As set out in Note 15, the New Coal Deposit Holder has agreed to extend the date of repayment of the coal trading deposit together with the related interests (if any) to 31 December 2018.
- (ii) As set out in Note 14, with regard to Other Loan 1, the lender has agreed not to demand for repayment for the amount due before 31 December 2018.
- (iii) As set out in Note 14, with regard to Other Loan 2, the lender has agreed not to demand for repayment for the amount due before 31 December 2017.
- (iv) As set out in Note 14, with regard to Other Loan 3, the lender has agreed not to demand for repayment for the amount due before 31 December 2018.
- (v) As set out in Note 14, with regard to Other Loan 4, the lender has agreed not to demand for repayment for the amount due before 31 December 2017.
- (vi) As set out in Note 18, with regard to promissory notes, the promissory notes holders have agreed not to demand for repayment for the amount due before 31 December 2018.
- (vii) With regard to amounts due to an ex-director, a related party and a shareholder, they have agreed not to demand for repayment of the amounts due before 31 December 2018.
- (viii) Obtained an agreement from certain shareholders that they agreed to subscribe the new shares of the Company to be issued.
- (ix) Obtained two loan facilities agreement from two independent third parties to provide continuous financial support to the Group. Two loan facilities of up to HK\$55,000,000 and HK\$65,000,000 respectively to the Group for the 24 months period commencing from 28 July 2016 and 16 August 2016 respectively.

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.



Notes to the Unaudited Condensed Consolidated Financial Statements

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

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 2016 (the “**Annual Financial Statements**”).

3. PRIOR PERIOD ADJUSTMENTS

(a) Exploration and evaluation assets

The Company first announced the very substantial acquisition agreement of the Coal Mines in Russia (the “**Agreement**”) on 14 November 2008 and completed the acquisition (as a very substantial acquisition) pursuant to the Agreement on 25 May 2009. Since then, the Group has been controlling the mining licence of Lot 1 of the Coal Mines. The Group was granted the mining licence for Lot 1 Extension and Lot 2 of the Coal Mines on 1 November 2010. On 3 April 2013, the Company issued the Third Convertible Note pursuant to the terms of the Agreement.

In April 2016, HASS Natural Resources Limited (“**HASS**”) (as made known recently, HASS has changed its company name to “**Newborn Global Energy Limited**”) and Herman Tso withdrew the technical report on Lot 2 of the Coal Mines produced by HASS on 27 March 2013 (the “**First HASS Report**”) and the supplementary technical report on Lot 2 of the Coal Mines produced by HASS on 29 November 2013 (the “**Supplementary HASS Report**”). As far as the Company is aware, Herman Tso was informed in April 2016 by the Ethics Committee of the Australasian Institute of Mining and Metallurgy (“**AusIMM**”) that the committee had ruled that Herman Tso was expelled from AusIMM. In June 2016, the expulsion of Herman Tso was determined and made known to the public by way of media release by AusIMM.

Therefore, the Company engaged the New Technical Expert to perform the New Technical Report on the basis of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee (or commonly known as the “**JORC Code**”) prevailing at the time when the Third Convertible Note was issued on 3 April 2013. In the New Technical Report, the New Technical Expert estimates the probable coal reserves in the open pit mining area in Lot 2 of the Mine (the “**New Reserves Estimate Amount**”) to be 14.47 million tonnes.

The New Reserves Estimate Amount was lower than the amount previously reported by HASS. Therefore, a prior year adjustment was made to reflect the reduction in the initial exploration and evaluation assets of HK\$92,664,000 for the year ended 31 March 2013.

The Company had also engaged Access Partner to re-perform the valuation to determine the recoverable amounts of the exploration and evaluation assets for the periods ended 30 September 2013, 2014 and 2015.



Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

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

Based on the re-performed results, impairment tests for the periods ended 30 September 2013, 2014 and 2015 were re-assessed and, adjustments were made to reflect the effect/cumulative effect of the re-performed impairment amounts for each of the said periods. Accordingly, prior period adjustments have been made to adjust the impairment/accumulated impairment of the exploration and evaluation assets of HK\$ 5,253,000, HK\$ 12,036,000 and HK\$ 299,000 for the periods ended 30 September 2013, 2014 and 2015, respectively.

(b) Convertible note

As the New Technical Report estimated the probable coal reserves in the open pit mining area in Lot 2 of the Mine to be 14.47 million tonnes. The principal amount of the Third Convertible Note should be revised in accordance with the terms of the Agreement based on the New Reserves Estimate Amount of 14.47 million tonnes. The revised principal amount of the whole Third Convertible Note (before any conversion or transfer thereof) was calculated to be US\$431,190,000.

Accordingly, prior period adjustments have been made to adjust the fair value change on the convertible note payables of HK\$27,000 for the period ended 30 September 2013. Also, prior period adjustments have been made to adjust the imputed interest on the convertible note payables of HK\$3,668,000, HK\$4,068,000 and HK\$4,586,000 for the periods ended 30 September 2013, 2014 and 2015, respectively.

The following tables disclose the cumulative restatements that have been made in order to reflect the above revisions to each of the line items in the consolidated statement of profit or loss and other comprehensive income as previously reported for the periods ended 30 September 2015, 30 September 2014 and 30 September 2013 and consolidated statement of financial position as at 30 September 2015, 30 September 2014 and 30 September 2013 as previously reported.

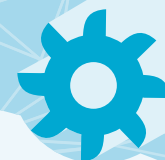


Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(c) Consolidated statement of profit or loss for the period ended 30 September 2015

	2015 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	2015 (As restated) HK\$'000
Turnover	1,536	—	1,536
Cost of sales	(1,526)	—	(1,526)
Gross profit	10	—	10
Other income	3	—	3
Other gains and losses	(15,490)	(299)	(15,789)
Selling and distribution costs	(43)	—	(43)
Administrative and other expenses	(26,472)	—	(26,472)
Finance costs	(168,194)	4,586	(163,608)
Loss before income tax	(210,186)	4,287	(205,899)
Income tax	(7)	—	(7)
Loss for the period	(210,193)	4,287	(205,906)
Attributable to:			
Owners of the Company	(206,646)	4,427	(202,219)
Non-controlling interests	(3,547)	(140)	(3,687)
	(210,193)	4,287	(205,906)
Loss per share			
Basic (Hong Kong cents)	(40.36)	0.86	(39.50)
Diluted (Hong Kong cents)	(40.36)	0.86	(39.50)



Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(d) Consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2015

	2015 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	2015 (As restated) HK\$'000
Loss for the period	(210,193)	4,287	(205,906)
Other comprehensive income for the period, net of tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations	4,880	553	5,433
Total comprehensive expense for the period, net of tax	(205,313)	4,840	(200,473)
Attributable to:			
Owners of the Company	(202,268)	4,925	(197,343)
Non-controlling interests	(3,045)	(85)	(3,130)
	(205,313)	4,840	(200,473)



Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(e) Consolidated statement of financial position as at 30 September 2015

	30 September 2015 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	30 September 2015 (As restated) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	918	—	918
Prepayments for acquisition of property, plant and equipment	299	—	299
Other intangible assets	26,298	—	26,298
Exploration and evaluation assets	562,721	(38,701)	524,020
	590,236	(38,701)	551,535
Current assets			
Other receivables, deposits and prepayments	1,846	—	1,846
Cash and cash equivalents	7,316	—	7,316
	9,162	—	9,162
Current liabilities			
Other payables, accrued expenses and trade deposit received	18,276	—	18,276
Interest-bearing borrowings	87,710	—	87,710
Amount due to an ex-director	14,003	—	14,003
Amount due to a shareholder	26,539	—	26,539
Amount due to a director	4,111	—	4,111
Coal trading deposit received	24,180	—	24,180
Purchase consideration payable for additional acquisition	3,328	—	3,328
	178,147	—	178,147
Net current liabilities	(168,985)	—	(168,985)
Total assets less current liabilities	421,251	(38,701)	382,550



Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(e) Consolidated statement of financial position as at 30 September 2015 *(Continued)*

	30 September 2015 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	30 September 2015 (As restated) HK\$'000
Non-current liabilities			
Amount due to a shareholder	32,395	—	32,395
Convertible note payables	2,743,232	(79,049)	2,664,183
Promissory notes payables	72,160	—	72,160
Provision for close down, restoration and environmental costs	1,181	—	1,181
Deferred tax liabilities	12	—	12
	2,848,980	(79,049)	2,769,931
NET LIABILITIES	(2,427,729)	40,348	(2,387,381)
CAPITAL AND RESERVES			
Share capital	102,690	—	102,690
Reserves	(2,506,937)	40,747	(2,466,190)
Equity attributable to owners of the Company	(2,404,247)	40,747	(2,363,500)
Non-controlling interests	(23,482)	(399)	(23,881)
CAPITAL DEFICIENCIES	(2,427,729)	40,348	(2,387,381)

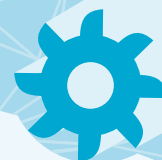


Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(f) Consolidated statement of profit or loss for the period ended 30 September 2014

	2014 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	2014 (As restated) HK\$'000
Turnover	231	—	231
Cost of sales	(227)	—	(227)
Gross profit	4	—	4
Other income	467	—	467
Other gains and losses	(31,418)	12,036	(19,382)
Selling and distribution costs	(46)	—	(46)
Administrative and other expenses	(30,988)	—	(30,988)
Finance costs	(158,325)	4,067	(154,258)
Loss before income tax	(220,306)	16,103	(204,203)
Income tax	(25)	—	(25)
Loss for the period	(220,331)	16,103	(204,228)
Attributable to:			
Owners of the Company	(217,548)	16,169	(201,379)
Non-controlling interests	(2,783)	(66)	(2,849)
	(220,331)	16,103	(204,228)
Loss per share			
Basic (Hong Kong cents)	(42.79)	3.18	(39.61)
Diluted (Hong Kong cents)	(42.79)	3.18	(39.61)



Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(g) Consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2014

	2014 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	2014 (As restated) HK\$'000
Loss for the period	(220,331)	16,103	(204,228)
Other comprehensive income for the period, net of tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations	(8,518)	813	(7,705)
Total comprehensive expense for the period, net of tax	(228,849)	16,916	(211,933)
Attributable to:			
Owners of the Company	(225,283)	16,901	(208,382)
Non-controlling interests	(3,566)	15	(3,551)
	(228,849)	16,916	(211,933)

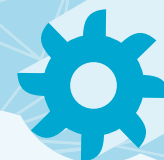


Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(h) Consolidated statement of financial position as at 30 September 2014

	30 September 2014 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	30 September 2014 (As restated) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	4,332	—	4,332
Prepayments for acquisition of property, plant and equipment	689	—	689
Other intangible assets	149,185	—	149,185
Exploration and evaluation assets	730,644	(61,537)	669,107
	884,850	(61,537)	823,313
Current assets			
Other receivables, deposits and prepayments	1,233	—	1,233
Cash and cash equivalents	1,432	—	1,432
	2,665	—	2,665
Current liabilities			
Other payables, accrued expenses and trade deposit received	19,629	—	19,629
Interest-bearing borrowings	52,550	—	52,550
Amount due to an ex-director	13,379	—	13,379
Amounts due to a shareholder	25,170	—	25,170
Coal trading deposit received	24,180	—	24,180
Purchase consideration payable for additional acquisition	3,328	—	3,328
	138,236	—	138,236
Net current liabilities	(135,571)	—	(135,571)
Total assets less current liabilities	749,279	(61,537)	687,742



Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(h) Consolidated statement of financial position as at 30 September 2014 *(Continued)*

	30 September 2014 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	30 September 2014 (As restated) HK\$'000
Non-current liabilities			
Amount due to a related party	31,871	—	31,871
Convertible note payables	2,616,098	(70,145)	2,545,953
Promissory notes payables	67,532	—	67,532
Provision for close down, restoration and environmental costs	1,825	—	1,825
Deferred tax liabilities	22	—	22
	2,717,348	(70,145)	2,647,203
NET LIABILITIES	(1,968,069)	8,608	(1,959,461)
CAPITAL AND RESERVES			
Share capital	101,689	—	101,689
Reserves	(2,059,925)	8,717	(2,051,208)
Equity attributable to owners of the Company	(1,958,236)	8,717	(1,949,519)
Non-controlling interests	(9,833)	(109)	(9,942)
CAPITAL DEFICIENCIES	(1,968,069)	8,608	(1,959,461)

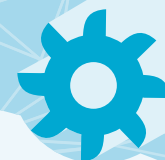


Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(i) Consolidated statement of profit or loss for the period ended 30 September 2013

	2013 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	2013 (As restated) HK\$'000
Turnover	2,754	—	2,754
Cost of sales	(2,698)	—	(2,698)
Gross profit	56	—	56
Other income	291	—	291
Other gains and losses	(230,440)	5,227	(225,213)
Selling and distribution costs	(184)	—	(184)
Administrative and other expenses	(33,072)	—	(33,072)
Finance costs	(141,665)	3,668	(137,997)
Loss before income tax	(405,014)	8,895	(396,119)
Income tax	349	—	349
Loss for the period	(404,665)	8,895	(395,770)
Attributable to:			
Owners of the Company	(394,736)	8,918	(385,818)
Non-controlling interests	(9,929)	(23)	(9,952)
	(404,665)	8,895	(395,770)
Loss per share			
Basic (Hong Kong cents)	(77.64)	1.76	(75.88)
Diluted (Hong Kong cents)	(77.64)	1.76	(75.88)



Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(j) Consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2013

	2013 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	2013 (As restated) HK\$'000
Loss for the period	(404,665)	8,895	(395,770)
Other comprehensive income for the period, net of tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations	(12,269)	210	(12,059)
Total comprehensive expense for the period, net of tax	(416,934)	9,105	(407,829)
Attributable to:			
Owners of the Company	(405,762)	9,108	(396,654)
Non-controlling interests	(11,172)	(3)	(11,175)
	(416,934)	9,105	(407,829)

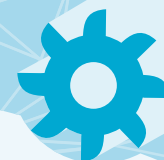


Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(k) Consolidated statement of financial position as at 30 September 2013

	30 September 2013 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	30 September 2013 (As restated) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	6,025	—	6,025
Prepayments for acquisition of property, plant and equipment	2,086	—	2,086
Other intangible assets	233,654	—	233,654
Exploration and evaluation assets	835,915	(72,891)	763,024
	1,077,680	(72,891)	1,004,789
Current assets			
Trade and other receivables, deposits and prepayments	3,760	—	3,760
Cash and cash equivalents	160	—	160
	3,920	—	3,920
Current liabilities			
Trade and other payables, accrued expenses and trade deposit received	14,232	—	14,232
Interest-bearing borrowings	14,500	—	14,500
Amount due to a director	12,105	—	12,105
Coal trading deposit received	24,180	—	24,180
Amount due to a shareholder	26,427	—	26,427
Amount due to a related party	232	—	232
Purchase consideration payable for additional acquisition	8,580	—	8,580
	100,256	—	100,256
Net current liabilities	(96,336)	—	(96,336)
Total assets less current liabilities	981,344	(72,891)	908,453



Notes to the Unaudited Condensed Consolidated Financial Statements

3. PRIOR PERIOD ADJUSTMENTS *(Continued)*

(k) Consolidated statement of financial position as at 30 September 2013 *(Continued)*

	30 September 2013 (As previously reported) HK\$'000	Effect of prior period's adjustments HK\$'000	30 September 2013 (As restated) HK\$'000
Non-current liabilities			
Amount due to a related party	31,259	—	31,259
Convertible note payables	2,321,482	(62,246)	2,259,236
Promissory notes payables	61,140	—	61,140
Provision for close down, restoration and environmental costs	2,067	—	2,067
Deferred tax liabilities	122	—	122
	2,416,070	(62,246)	2,353,824
NET LIABILITIES	(1,434,726)	(10,645)	(1,445,371)
CAPITAL AND RESERVES			
Share capital	101,689	—	101,689
Reserves	(1,536,382)	(10,632)	(1,547,014)
Equity attributable to owners of the Company	(1,434,693)	(10,632)	(1,445,325)
Non-controlling interests	(33)	(13)	(46)
CAPITAL DEFICIENCIES	(1,434,726)	(10,645)	(1,445,371)



Notes to the Unaudited Condensed Consolidated Financial Statements

4. 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 scrapped iron and steel trading in 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 2016 and 2015.

	Six months ended 30 September 2016		
	Mining (Unaudited) HK\$'000	Mineral resources and commodities trading (Unaudited) HK\$'000	Consolidated total (Unaudited) HK\$'000
Reportable segment revenue			
Revenue from external customers	—	252	252
Reportable segment profit	560,815	13	560,828
Reversal of impairment loss on other intangible assets	47,519	—	47,519
Reversal of impairment loss on property, plant and equipment	1,716	—	1,716
Reversal of impairment loss on exploration and evaluation assets	511,077	—	511,077
Depreciation	(19)	(1)	(20)
Amortisation of other intangible assets	(832)	—	(832)



Notes to the Unaudited Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

	Six months ended 30 September 2015		
	Mining (Unaudited) (Restated) HK\$'000	Mineral resources and commodities trading (Unaudited) (Restated) HK\$'000	Consolidated total (Unaudited) (Restated) HK\$'000
Reportable segment revenue			
Revenue from external customers	—	1,536	1,536
Reportable segment loss	(35,674)	(84)	(35,758)
Impairment loss on other intangible assets	(16,323)	—	(16,323)
Impairment loss on property, plant and equipment	(532)	—	(532)
Reversal of impairment loss on exploration and evaluation assets	1,066	—	1,066
Depreciation	(23)	(2)	(25)
Amortisation of other intangible assets	(3,648)	—	(3,648)

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

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue		
Reportable segment revenue and consolidated revenue	252	1,536



Notes to the Unaudited Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Profit/(Loss) before income tax		
Reportable segment profit/(loss)	560,828	(35,758)
Other gains and losses	—	—
Unallocated corporate expenses	(10,329)	(6,533)
Finance costs	(179,605)	(163,608)
Consolidated profit/(loss) before income tax	370,894	(205,899)
	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Assets		
Reportable segment assets	1,040,593	477,088
Unallocated corporate assets	505	879
Consolidated total assets	1,041,098	477,967
	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Liabilities		
Reportable segment liabilities	(59,070)	(59,067)
Unallocated corporate liabilities	(3,262,335)	(3,066,074)
Consolidated total liabilities	(3,321,405)	(3,125,141)



Notes to the Unaudited Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

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

	Revenue from external customers		Specific non-current assets	
	Six months ended 30 September 2016 (Unaudited) HK\$'000	Six months ended 30 September 2015 (Unaudited) HK\$'000	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Continuing operations				
Russia	—	—	1,038,024	475,907
Korea	252	1,536	3	4
Others	—	—	—	—
	252	1,536	1,038,027	475,911

(c) Information about major customers

For the six months ended 30 September 2016, the sole customer of the mineral resources and commodities trading segment contributed to all the Group's revenue of HK\$252,000.

For the six months ended 30 September 2015, two customers of the mineral resources and commodities trading segment with revenue of HK\$958,000 and HK\$578,000 respectively, each contributed to more than 10% of the Group's revenue.



Notes to the Unaudited Condensed Consolidated Financial Statements

5. TURNOVER, OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Turnover		
Trading of mineral resources and commodities	252	1,536
Other income		
Exchange gain	6,327	—
Sundry income	36	3
	6,363	3
Other gains and losses		
Reversal of impairment loss/(impairment loss) on other intangible assets (Note 12)	47,519	(16,323)
Reversal of impairment loss on exploration and evaluation assets (Note 13)	511,077	1,066
Reversal of impairment loss/(impairment loss) on property, plant and equipment (Note 11)	1,716	(532)
	560,312	(15,789)

6. PROFIT/(LOSS) BEFORE INCOME TAX

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit/(Loss) before income tax is arrived at after charging:—		
Amortisation of other intangible assets — Mining rights	832	3,648
Depreciation	20	25



Notes to the Unaudited Condensed Consolidated Financial Statements

7. FINANCE COSTS

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Interest expenses on		
Loan from third parties	3,998	3,346
Loan from a related party	810	—
Loan from an ex-director	315	317
Loan from a director	75	111
Loan from a shareholder	281	972
Imputed interest on convertible note (Note 17)	174,102	157,657
Imputed interest on promissory notes (Note 18)	—	1,186
	179,581	163,589
Bank charges	24	19
	179,605	163,608

8. INCOME TAX

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Deferred tax	7	7

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.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).



Notes to the Unaudited Condensed Consolidated Financial Statements

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings/(loss) per share is based on the profit/(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 earnings/(loss) per share for the period is based on the profit/(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 earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

As the Company's outstanding share options and convertible note had an anti-dilutive effect to the basic earnings/(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 earnings/(loss) per share for the current and prior periods.

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

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) (Restated) HK\$'000
Profit/(Loss)		
Profit/(Loss) attributable to the owners of the Company, used in the basic and diluted earnings/(loss) per share	365,432	(202,219)
	30 September	
	2016	2015
Shares		
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share calculation	513,447,763	511,943,528

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired items of property, plant and equipment with total cost of HK\$11,300 (30 September 2015: HK\$11,000) and did not have any significant disposal of property, plant and equipment. A reversal impairment loss for property, plant and equipment was recognised during the period. Details are set out in Note 12.



Notes to the Unaudited Condensed Consolidated Financial Statements

12. OTHER INTANGIBLE ASSETS

	Mining rights HK\$'000
Cost	
At 1 April 2015	1,689,464
Exchange realignments	(253,608)
At 31 March 2016 and 1 April 2016 (Audited)	1,435,856
Exchange realignments	113,556
At 30 September 2016 (Unaudited)	1,549,412
Accumulated amortisation and impairment losses	
At 1 April 2015	1,637,296
Charge for the year	5,498
Impairment loss	30,118
Exchange realignments	(246,801)
At 31 March 2016 and 1 April 2016 (Audited)	1,426,111
Charge for the period	832
Reversal of impairment loss (Note 5)	(47,519)
Exchange realignments	111,617
At 30 September 2016 (Unaudited)	1,491,041
Net carrying value	
At 30 September 2016 (Unaudited)	58,371
At 31 March 2016 (Audited)	9,745

Mining rights

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



Notes to the Unaudited Condensed Consolidated Financial Statements

12. OTHER INTANGIBLE ASSETS *(Continued)*

Mining rights *(Continued)*

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

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

- (i) Cash flow projection is determined for a period of 15 years up to 2030 (31 March 2016: a period of 15 years up to 2030) with the first year of production taken to be from year 2020 (31 March 2016: first year of production from year 2020) based on the senior management’s current best estimated production plan.
- (ii) The post-tax discount rate applied to the cash flow projection is 19.28 % (31 March 2016: 22.03%).
- (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 vary from decrease of approximately 18% to increase of approximately 15% (depends on different type of coals) when compared to that of 31 March 2016.
- (iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2016: 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 2016 is taken to be 1.00 US\$ to 62.879 RUB (31 March 2016: 1.00 US\$ to 66.895 RUB).
- (vi) The inflation rate on operating costs is 3% p.a. (31 March 2016: 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 of 31 March 2016.

The Directors of the Company are of the opinion that based on the valuation, the mining rights, and the property, plant and equipment attributable to the mining rights were evaluated upward and thus would result in reversal of impairment loss of HK\$47,519,000 (31 March 2016: impaired by HK\$30,118,000) and HK\$1,716,000 (31 March 2016: impaired by HK\$990,000), respectively, as compared with its respective carrying values as at 30 September 2016. The reversal of impairment loss is mainly attributable to net effects of the net increase in projected revenue from sales of coals due to increase in coal sales prices of certain types of coals, the increase of Russian Rubbles to US Dollars and the decrease in post-tax discount rate during the current period as compared with that of 31 March 2016, and there are no changes in parameters for the other assumptions in the DCF analysis for item (i), (iv), (vi) and (vii) mentioned above and so do not have material impacts on the resultant reversal of impairment loss when compared with that of certain coal prices increase, Russian Rubles to US Dollars increase and post-tax discount rate decrease.



Notes to the Unaudited Condensed Consolidated Financial Statements

12. OTHER INTANGIBLE ASSETS *(Continued)*

Mining rights *(Continued)*

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	1 November 2017

13. EXPLORATION AND EVALUATION ASSETS

	Total HK\$'000
Cost	
At 1 April 2015 (As restated)	3,629,436
Additions	109
Exchange realignments	(2,493)
At 31 March 2016 and 1 April 2016 (Audited)	3,627,052
Additions	508
Exchange realignments	1,133
At 30 September 2016 (Unaudited)	3,628,693
Accumulated amortisation and impairment losses	
At 1 April 2015 (As restated)	3,105,873
Impairment loss	57,350
Exchange realignments	(1,663)
At 31 March 2016 and 1 April 2016 (Audited)	3,161,560
Reversal of impairment loss (Note 5)	(511,077)
Exchange realignments	672
At 30 September 2016 (Unaudited)	2,651,155
Net carrying value	
At 30 September 2016 (Unaudited)	977,538
At 31 March 2016 (Audited)	465,492



Notes to the Unaudited Condensed Consolidated Financial Statements

13. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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 April 2016, HASS and Herman Tso withdrew the technical reports on Lot 2 of the Coal Mines, and in June 2016 Herman Tso was officially expelled from AusIMM. Therefore, the Company engaged the New Technical Expert to perform the New Technical Report on the basis of JORC Code prevailing at the time when the Third Convertible Note was issued on 3 April 2013. Based on such, the prior period adjustments were made to adjust for the restatement. Details of the prior period adjustments are described in Note 3(a).

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 assets which is the higher of the assets’ fair value less costs to sell and their value in use. Given the current development status of the exploration and evaluation assets, the Directors have determined the fair value less costs to sell to be the recoverable amount. The recoverable amount is derived by using a DCF analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating the exploration and evaluation asset’s fair value.

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

- (i) Cash flow projection is determined for a period of 12 years up to 2027 (31 March 2016: a period of 12 years up to 2027) with the first year of production taken to be from year 2018 (31 March 2016: first year of production from year 2018) based on the senior management’s current best estimated production plan.
- (ii) The post-tax discount rate applied to the cash flow projection is 19.28% (31 March 2016: 22.03%).
- (iii) Coal sales prices used in the DCF in the current and prior period are determined with reference to current market information of the respective valuation dates, which vary from no increase to increase of approximately 15% (depends on different type of coals) when compared to that of 31 March 2016.
- (iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2016: 3% p.a.), which is in line with the comparable market information.
- (v) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 30 September 2016 is taken to be 1.00 US Dollar to 62.879 Rubles (31 March 2016: 1.00 US Dollar to 66.895 Rubles).
- (vi) The inflation rate on operating costs is 3% p.a. (31 March 2016: 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 year, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that of 31 March 2016.



Notes to the Unaudited Condensed Consolidated Financial Statements

13. EXPLORATION AND EVALUATION ASSETS *(Continued)*

The Directors of the Company are of the opinion that based on the valuation, the exploration and evaluation assets were evaluated upward and thus would result in reversal of impairment loss of HK\$511,077,000 (31 March 2016: impaired by HK\$57,350,000) compared with the carrying value as at 30 September 2016. The reversal of impairment loss is mainly attributable to the net effects of the increase in coal sales prices of certain types of coals, the increase of Russian Rubles to US Dollars and the decrease in post-tax discount rate during the current period as compared to that of 31 March 2016, and there are no changes in parameters for the other major assumptions in the DCF analysis for items (i), (iv) and (vi) mentioned above and so do not have material impacts on the resultant reversal of impairment loss when compared with that of certain coal prices increase, Russian Rubles to US Dollars increase and post-tax discount rate decrease.

Details of the Group's exploration and evaluation assets 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

14. INTEREST-BEARING BORROWINGS

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Other loan 1 (Note i)	14,500	14,500
Other loan 2 (Note ii)	3,400	3,400
Other loan 2 (Note iii)	61,210	69,810
Other loan 3 (Note iv)	30,000	—
	109,110	87,710
	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Carrying amount repayable:—		
Within one year or on demand	109,110	87,710



Notes to the Unaudited Condensed Consolidated Financial Statements

14. INTEREST-BEARING BORROWINGS *(Continued)*

Note:

- (i) Fixed rate loan with independent third party amounted to HK\$14,500,000 (31 March 2016: HK\$14,500,000) ("**Other Loan 1**"). 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 the lender agreed to extend the repayment date to 31 December 2018.
- (ii) Other loan 2 in aggregate amount of HK\$3,400,000 (31 March 2016: HK\$1,000,000) were received from an independent third party ("**Other Loan 2**"). The weighted average effective interest rate on Other Loan 2 is interest-bearing at 21% per annum and repayable after 3 months from the date of drawdown. The lender had agreed to extend the repayment date to 31 December 2017. Other Loan 2 has been fully repaid subsequent to the reporting period.
- (iii) During the period ended 30 September 2016, a new loan amount of HK\$14,800,000 was obtained from the same independent third party of Other Loan 3 (as defined herein below).

Therefore, other loans in aggregate amount of HK\$61,210,000 (31 March 2016: HK\$69,810,000) were received from an independent third party ("**Other Loan 3**"). Other Loan 3 is interest-bearing at 7.5% — 10% per annum and repayable after 1 year from the date of drawdown or on demand. The lender had agreed to extend the repayment date of all loans which are outstanding as at the date of this report to 31 December 2018. Certain partial repayments of Other Loan 3 were made subsequent to the reporting period.

- (iv) During the period ended 30 September 2016, a new loan amount of HK\$30,000,000 was obtained from the independent third party ("**Other Loan 4**").

Other Loan 4 is interest-bearing at 6% per annum and repayable after 6 months from the date of drawdown or on demand. The lender had agreed to extend the repayment date to 31 December 2017.

15. COAL TRADING DEPOSIT RECEIVED

As at 30 September 2016, coal trading deposit received represented a deposit of US\$3,100,000 (equivalent to approximately HK\$24,180,000) (31 March 2016: 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.

In prior year, the title of the coal trading deposit received was transferred to a new independent third party (the "**New Coal Deposit Holder**") on 3 March 2014.

On 29 November 2016, the New Coal Deposit Holder has agreed to extend the date of repayment of the coal trading deposit together with related interests (if any) to 31 December 2018.



Notes to the Unaudited Condensed Consolidated Financial Statements

16. 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**”).

In prior year, the Group has recognised US\$1,300,000 (equivalent to approximately HK\$10,140,000) of the 4th Adjusted Consideration as purchase consideration payable for the acquisition of additional 30% equity interest in Lapi. The Group's share of the 4th Adjusted Consideration in the amount of HK\$9,126,000 was debited directly to other reserve in equity. The Group settled an aggregate amount of US\$873,400 (equivalent to approximately HK\$6,813,000) of the 4th Adjusted Consideration, the remaining balance of the 4th Adjusted Consideration is US\$426,600 (equivalent to approximately HK\$3,328,000).

During the period, the Group has no further settlement on the 4th Adjusted Consideration.

17. CONVERTIBLE NOTE PAYABLES

The Group and the Company

(i) *Convertible note*

In prior year, the Third Convertible Note with a principal amount of US\$443,070,000 (equivalents to approximately HK\$3,455,946,000) was issued to Cordia in accordance with the terms of the Acquisition Agreement.

In April 2016, HASS and Herman Tso withdrew the First HASS Report and the Supplementary HASS Report (collectively the “**HASS Reports**”). The Company then engaged the New Technical Expert to perform the New Technical Report on the basis of the JORC Code prevailing at the time when the Third Convertible Note was issued on 3 April 2013.

The New Technical Expert reported a different estimate of the probable coal reserves in the open pit mining area in Lot 2 of the Mine and as a result prior year adjustments were made to restate the balance in respective years concerned. The Company had also re-performed the relevant valuation to determine the recoverable amounts of the exploration and evaluation assets for the periods ended 30 September 2013, 2014 and 2015. Based on the re-performed results, impairment tests for the periods ended 30 September 2013, 2014 and 2015 were re-assessed and, adjustments were made to reflect the effect/cumulative effect of the re-performed impairment amounts for each of the said periods.



Notes to the Unaudited Condensed Consolidated Financial Statements

17. CONVERTIBLE NOTE PAYABLES *(Continued)*

The Group and the Company *(Continued)*

(i) *Convertible note (Continued)*

On 22 May 2015, the holder of the Third Convertible Note partially converted the Third Convertible Note amounted to US\$30,800,000 (equivalent to approximately HK\$240,240,000). A total of 5,005,000 conversion shares were issued and allotted to the holder on 26 May 2015.

On 17 June 2015, the outstanding Third Convertible Note with principal amount of US\$ 412,270,000 (equivalent to approximately HK\$3,215,706,000) was transferred to a new independent third party at the request of the original Third Convertible Note Holder.

On 22 August 2016, in response to the New Technical Report dated 11 August 2016, Cordia, Choi Sungmin, Grandvest, Daily Loyal Limited and the Company entered into the additional agreement in relation to the Third Convertible Note, pursuant to which the principal amount of the whole Third Convertible Note (before any conversion or transfer thereof) would be adjusted from US\$443,070,000 to US\$431,190,000 and accordingly, the principal amount of US\$412,270,000 of the Third Convertible Note held by Daily Loyal Limited would also be reduced by US\$11,880,000 to US\$400,390,000. Daily Loyal Limited agrees not to request any compensation from any of the other parties for such reduction.

(ii) *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 date of issue, and there was no change in the fair value of convertible note (31 March 2016: no change in the fair value of convertible note). The effective interest rate of the liability component of the Third Convertible Note was 12.01%.

	At 30 September 2016	At 31 March 2016
Expected volatility	41.6%	44.10%
Expected life	1.51 years	2.01 years
Risk-free rate	0.42%	0.58%
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.



Notes to the Unaudited Condensed Consolidated Financial Statements

17. CONVERTIBLE NOTE PAYABLES (Continued)

The Group and the Company (Continued)

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

	Liabilities component HK\$'000	Convertible note Derivative component HK\$'000	Total HK\$'000
At 1 April 2015 (As restated)	2,702,681	—	2,702,681
Conversion of convertible note	(196,155)	—	(196,155)
Imputed interest charged during the year	321,663	—	321,663
At 31 March 2016 and 1 April 2016 (Audited)	2,828,189	—	2,828,189
Imputed interest charged during the period (Note 7)	174,102	—	174,102
30 September 2016 (Unaudited)	3,002,291	—	3,002,291

18. PROMISSORY NOTES PAYABLES

	HK\$'000
At 1 April 2015 (Audited)	70,974
Imputed interest charged	1,186
At 31 March 2016 and 1 April 2016 (Audited)	72,160
Imputed interest charged (Note 7)	—
At 30 September 2016 and included in non-current liabilities (unaudited)	72,160

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



Notes to the Unaudited Condensed Consolidated Financial Statements

18. PROMISSORY NOTES PAYABLES *(Continued)*

During the year ended 31 March 2012, Cordia transferred part of the Modified PN with an aggregate principal amounts of US\$9,000,000 (equivalent to approximately HK\$70,200,000) to the then three independent third parties (the “**Three New PN Holders**”).

The Three New PN Holders subsequently converted all the Modified PN to shares of the Company during year ended 31 March 2013.

During the period, no imputed interest (31 March 2016: HK\$1,186,000) was charged to profit or loss. The remaining outstanding Modified PN is classified as non-current liabilities and carried on the amortised cost basis until extinguished on redemption. As at the end of the reporting period, the carrying amount of the Modified PN was HK\$72,160,000 (31 March 2016: HK\$72,160,000).

On 29 November 2016, the existing PN Holders have agreed to extend the maturity date of the Promissory Notes to 31 December 2018.

19. SHARE CAPITAL

	Number of shares As at 30 September 2016 (Unaudited)	Nominal value As at 30 September 2016 (Unaudited) HK\$'000
Ordinary shares of HK\$0.2 each:		
Authorised:	5,000,000,000	1,000,000
Issued and fully paid:		
At beginning and at end of the period	513,447,763	102,690

20. CAPITAL COMMITMENTS

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

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Exploration related contracts	13,257	228



Notes to the Unaudited Condensed Consolidated Financial Statements

21. 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	Relationship	Nature of transaction	Six months ended 30 September	
			2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cordia Global Limited	Shareholder	Interest expenses thereto	281	287
Lim Ho Sok	Ex-director	Interest expenses thereto	315	317
Hong Sang Joon	Director	Interest expenses thereto	75	111
Goldwyn Management Limited	Related party	Interest expenses thereto	810	—
Goldwyn Management Limited	Shareholder	Interest expenses thereto	—	685

- (b) The amount due to a shareholder is unsecured and bears interest at the rate of 0%-8% per annum and is repayable within three years after the drawdown date. The shareholder had agreed to extend the repayment date to 31 December 2018.
- (c) The amount due to an ex-director is unsecured, bears interest at 5% per annum and has no fixed term of repayment. The ex-director had agreed to extend the repayment date of certain amount due to him to 31 December 2018.
- (d) The amount due to a Director is unsecured, bears interest at 7.5% per annum and repayable after 12 months from the date of drawdown or on demand. Repayment has been made to the Director subsequent to the reporting period.
- (e) The amount due to a related party is unsecured, bears interest at 5%-6% per annum and has no fixed term of repayment. The related party had agreed to extend the repayment date to 31 December 2018.
- (f) During the current period, Cordia agreed to waive a portion of the interest charged in the total of US\$1,830 (2015: US\$1,200) (equivalent to approximately HK\$15,000 (2015: HK\$10,000)) on the amount due in view of the early settlement on the principal loan due to Cordia. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company in the current period.



Notes to the Unaudited Condensed Consolidated Financial Statements

21. RELATED PARTY TRANSACTIONS *(Continued)*

- (g) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Directors' remuneration		
– Executive directors	1,269	669
– Independent non-executive directors	180	180
	1,449	849

22. LITIGATIONS

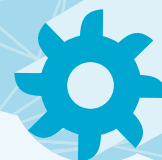
(i) The Company/its Subsidiary as the Defendant

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 remaining outstanding amount of the Second Claim. As of 31 March 2016, 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.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

Legal Proceedings Taken By Former Shareholders of a Russian Subsidiary *(Continued)*

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 remaining outstanding amount of the Third Claim. As of 31 March 2016, 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 parties (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/parties (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.

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 (the “**Injunction Order**”).

As further announced by the Company on 16 August 2013, some of the defendants therein subsequently applied to vary the Injunction Order but the same was dismissed by the Court on 23 September 2013 (as announced by the Company on 16 October 2013).

As further announced by the Company on 14 May 2015, the parties therein applied to the Court to discharge the Injunction Order and it was approved by the Court on 11 May 2015. In other words, the 3rd defendant (Keystone Global Co., Ltd.), the 4th defendant (Master Impact Inc.), the 6th defendant (Skyline Merit Limited), the 7th defendant (Park Seung Ho), the 8th defendant (Kim Chul) and the 9th defendant (Wonang Industries Co., Ltd.) therein are no longer restrained from (a) disposing of or in any way dealing with; and (b) exercising voting rights of their respective number of shares in the Company. The proceedings has been dormant since May 2015.

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.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 1821 of 2015

As announced by the Company on 19 August 2015, Zhi Charles as the plaintiff on 11 August 2015 issued a writ of summons in the High Court of Hong Kong (HCA 1821 of 2015) against certain parties including the Company, certain existing directors and certain former directors of the Company. The claim concerns, inter alia, the alleged settlement agreement entered into between him and certain alleged beneficial owner of the Company.

On 17 August 2015, the Court refused an application by the plaintiff for an interlocutory injunction to restrain the Company from holding its 2015 Annual General Meeting, with costs to the Company.

On 21 August 2015, the plaintiff applied for summary judgment against the Company to withdraw the resumption announcement made on 22 April 2015 as to its resumption of trading of its shares. This was subsequently withdrawn by consent on 8 September 2015. On the same day, the plaintiff issued a fresh summons for summary judgment against the Company for the withdrawal of the resumption announcement made on 22 April 2015 and withdrawal of its approval on the audit reports for the years ended 31 March 2013, 31 March 2014 and 31 March 2015.

As announced by the Company on 25 November 2015, the Company received two notices of discontinuance on 16 November 2015 and 18 November 2015, respectively, from the plaintiff that he discontinued his action against the existing directors and the former directors of the Company in HCA 1821 of 2015.

As announced by the Company on 13 April 2016, the Company received a notice of discontinuance on 6 April 2016 from the plaintiff that he wholly discontinued his action against the Company in HCA 1821 of 2015.

HCMP 2439 of 2015

As announced by the Company on 8 October 2015, Zhi Charles as the plaintiff on 30 September 2015 issued an originating summons in the High Court of Hong Kong (HCMP 2439 of 2015) against certain parties including the Company and an existing director and a former director of the Company. The plaintiff questions the qualification and expertise of Herman Tso and thus the validity of the HASS Technical Report. The plaintiff also alleges certain impropriety of a former director of the Company in providing loan facility to the Company.

As announced by the Company on 25 November 2015, the Company received two notices of discontinuance on 16 November 2015 and 18 November 2015, respectively, from the plaintiff that he discontinued his action against the existing director and the former director of the Company in HCMP 2439 of 2015.

As announced by the Company on 13 April 2016, the Company received a notice of discontinuance on 6 April 2016 from the plaintiff that he wholly discontinued his action against the Company in HCMP 2439 of 2015.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 2694 of 2015

As announced by the Company on 25 November 2015, Tam Wing Yuen and Chow Doi Yik Caniel as the plaintiffs on 19 November 2015 issued a writ of summons in the High Court of Hong Kong (HCA 2694 of 2015) against certain parties including the Company, Grandvest International Limited (a 100% wholly-owned subsidiary of the Company) and certain former directors of the Company. In such action, the plaintiffs are seeking various orders on the Company and other defendants in respect of, inter alia, the Third Convertible Note, the issue of new shares by the Company pursuant to the partial conversion of the Third Convertible Note (as announced by the Company on 26 May 2015), future conversion of the Third Convertible Note and the HASS Technical Report.

As announced by the Company on 28 November 2016, at a Court hearing held on 21 September 2016, the action HCA 2694 of 2015 commenced by the plaintiffs against the Company, Grandvest International Limited and certain former directors of the Company has been struck out by the Court with costs.

HCCW 392 of 2015

As announced by the Company on 21 December 2015, the Company was served on 18 December 2015 a petition made by Tam Wing Yuen, Chow Doi Yik Caniel and Zhi Charles to wind up the Company under the provision of the Companies (Winding-Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) in the High Court of Hong Kong under action number HCCW 392 of 2015.

A settlement proposal offered by two of the petitioners (Tam Wing Yuen and Chow Doi Yik Caniel) to dismiss their winding up petition has been accepted by the Company in November 2016 on the conditions that, inter alia, Tam Wing Yuen and Chow Doi Yik Caniel would have to pay the appropriate related legal costs to the Company. However, Zhi Charles will continue the petition on his own.

The Company will continue to proceed with its strike out application as against Zhi Charles's petition and substantive hearing has been fixed for 25 January 2017.

HCA 2983 of 2015

As announced by the Company on 22 December 2015, the Company on 16 December 2015 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 2983 of 2015) against the Company and certain other parties. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the Third Convertible Note, shares and voting rights of the Company, certain proposed loan capitalizations transactions as disclosed in the Company's announcement of 1 December 2015 and the loans extended to the Company by Pioneer Centre Limited.

As announced by the Company on 13 April 2016, the plaintiff on 6 April 2016 wholly discontinued the legal action against the Company in HCA 2983 of 2015.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 91 of 2016

As announced by the Company on 21 January 2016, the Company on 12 January 2016 received a writ of summons issued by Kim Sung Ho (as the plaintiff) in the High Court of Hong Kong (HCA 91 of 2016) against the Company and certain other parties, including two existing directors and certain former directors of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the loans extended by Pioneer Centre Limited to the Company, certain proposed loan capitalizations transactions as disclosed in the Company's announcement of 1 December 2015 and the relationships of certain defendants with the Company.

As announced by the Company on 27 April 2016, the plaintiff on 20 April 2016 wholly discontinued the legal action against the Company in HCA 91 of 2016. As further announced by the Company on 29 November 2016, the Court has struck out the plaintiff's claim as against the two existing directors of the Company on 22 November 2016 with costs on the ground that there is no reasonable cause of action.

HCA 118 of 2016

As announced by the Company on 21 January 2016, the Company on 12 January 2016 received a writ of summons issued by Kim Sung Ho (as the plaintiff) in the High Court of Hong Kong (HCA 118 of 2016) against the Company and certain other parties, including two existing directors and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, certain loans extended to the Company and the relationships of certain defendants with the Company.

As announced by the Company on 27 April 2016, the plaintiff on 20 April 2016 wholly discontinued the legal action against the Company in HCA 118 of 2016. Strike out application by the two existing directors of the Company has been made. As announced by the Company on 21 June 2016, the action HCA 118 of 2016 against the two existing directors of the Company had been struck out by the Court on 8 June 2016 on several grounds including that the plaintiff has no reasonable cause of action against such defendants.

HCA 211 of 2016

As announced by the Company on 28 January 2016, the Company on 22 January 2016 received a writ of summons issued by Kim Sung Ho (as the plaintiff) in the High Court of Hong Kong (HCA 211 of 2016) against the Company and certain other parties, including two existing directors of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, certain reports and opinions in relation to the resumption of trading in the Company's shares, and the proposed loan capitalization transactions as disclosed in the Company's announcement of 1 December 2015.

As announced by the Company on 27 April 2016, the plaintiff on 20 April 2016 wholly discontinued the legal action against the Company in HCA 211 of 2016. Strike out application by the two existing directors of the Company has been made. As announced by the Company on 26 May 2016, the action HCA 211 of 2016 against the two existing directors of the Company had been struck out by the Court on 18 May 2016 on the ground that the plaintiff has no reasonable cause of action against such defendants.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 294 of 2016

As announced by the Company on 3 February 2016, the Company on 22 January 2016 received a writ of summons issued by Kim Sung Ho (as the plaintiff) in the High Court of Hong Kong (HCA 294 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the resumption of trading in the Company's shares on 24 April 2015, the Company's very substantial acquisition in relation to the Russian coal mines in 2008, and certain technical reports and opinions relating to the Company's Russian coal mines.

As announced by the Company on 27 April 2016, the plaintiff on 20 April 2016 wholly discontinued the legal action against the Company in HCA 294 of 2016. Strike out application by the existing director of the Company has been made. As announced by the Company on 7 June 2016, the action HCA 294 of 2016 against the existing director of the Company had been struck out by the Court on 1 June 2016 on several grounds including that the plaintiff has no reasonable cause of action against such defendant.

HCA 519 of 2016

As announced by the Company on 8 March 2016, the Company on 29 February 2016 received a writ of summons issued by Kim Sung Ho (as the plaintiff) in the High Court of Hong Kong (HCA 519 of 2016) against the Company and certain other parties, including two existing directors and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the proposed loan capitalizations transactions as disclosed in the Company's announcement of 1 December 2015.

As announced by the Company on 27 April 2016, the plaintiff on 20 April 2016 wholly discontinued the legal action against the Company in HCA 519 of 2016. As announced by the Company on 6 May 2016, the action HCA 519 of 2016 against the two existing directors of the Company was dismissed by the Court on 26 April 2016 on the ground that the plaintiff had failed to file and serve his statement of claim on those defendants. The plaintiff was ordered to pay costs to those defendants.

HCA 584 of 2016

As announced by the Company on 14 March 2016, the Company on 8 March 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 584 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the Company's very substantial acquisition in relation to the Russian coal mines in 2008, and certain technical reports and valuation reports relating to the Russian coal mines.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 584 of 2016 *(Continued)*

As announced by the Company on 29 June 2016, Zhi Charles is subject to a Court Order in respect of the Company's legal action against him under action number HCMP 443 of 2015. Pursuant to such Court Order, there has been a stay of all further proceedings as against the Company in action HCA 584 of 2016. Strike out application by the Company and the existing director of the Company has been made and the substantive hearing will be fixed in due course.

HCA 892 of 2016

As announced by the Company on 19 April 2016, the Company on 18 April 2016 received a writ of summons issued by Tso Chi Ming (as known as Herman Tso) (as the plaintiff) in the High Court of Hong Kong (HCA 892 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. In such action, the plaintiff alleged that (a) HASS Natural Resources Limited ("**HASS**") was engaged by the Company in January 2013 to produce the First HASS Report for the Company's internal reference purpose only; (b) he was not aware that the First HASS Report would be used for the purpose of issuance of the Third Convertible Note; and (c) the work scope of HASS did not include coal reserves estimation. The plaintiff is seeking, among other things, an order to refrain the defendants (including the Company) from using any reports or opinions by the plaintiff or any reports issued by HASS for any purpose, and an order for payment of damages at HK\$30,000,000.

As announced by the Company on 30 May 2016, the plaintiff on 20 May 2016 wholly discontinued his action against the Company and all other defendants in HCA 892 of 2016.

HCA 1160 of 2016

As announced by the Company on 11 May 2016, the Company on 4 May 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 1160 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, certain accounting treatments of the Company's Russian coal mines and certain audit reports on the Company's consolidated financial statements.

As announced by the Company on 29 June 2016, the plaintiff on 20 June 2016 wholly discontinued his action against the Company in HCA 1160 of 2016.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 1195 of 2016

As announced by the Company on 11 May 2016, the Company on 6 May 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 1195 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, certain technical report and certain valuation report on the Company's Russian coal mines.

As announced by the Company on 29 June 2016, Zhi Charles is subject to a Court Order in respect of the Company's legal action against him under action number HCMP 443 of 2015. Pursuant to such Court Order, there has been a stay of all further proceedings as against the Company in action HCA 1195 of 2016. Strike out application by the existing director of the Company has been made and the substantive hearing will be fixed in due course.

HCA 1260 of 2016

As announced by the Company on 19 May 2016, the Company on 12 May 2016 received a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong (HCA 1260 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the Third Convertible Note issued by the Company, the resumption announcement of the Company dated 22 April 2015 and the possible general offer announced by Best State Investments Limited in 2013 and 2014.

As announced by the Company on 2 November 2016, at a Court hearing held on 26 October 2016, the action HCA 1260 of 2016 commenced by Lim Hang Young against the Company and the existing director of the Company was struck out by the Court with costs on several grounds including that the plaintiff has no reasonable cause of action against such defendants

HCA 1338 of 2016

As announced by the Company on 26 May 2016, the Company on 19 May 2016 received a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong (HCA 1338 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various declarations on the Company and other defendants in respect of, inter alia, certain opinions on the Company's Russian coal mine, certain consultants fees, certain legal and professional fees, certain repayments of debts owed by the Company and certain relationships amongst certain defendants.

As announced by the Company on 2 November 2016, at a Court hearing held on 26 October 2016, the action HCA 1338 of 2016 commenced by Lim Hang Young against the Company and the existing director of the Company was struck out by the Court with costs on several grounds including that the plaintiff has no reasonable cause of action against such defendants.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 1618 of 2016

As announced by the Company on 29 June 2016, the Company on 22 June 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 1618 of 2016) against the Company and certain other parties. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the investigation on the Company's mining assets, the Company's financial statements, certain securities issued by the Company, and the trading of the Company's shares.

Strike out application by the Company is being considered.

HCA 2137 of 2016

As announced by the Company on 24 August 2016, Zhi Charles (as the plaintiff) on 17 August 2016 issued a writ of summons in the High Court of Hong Kong under action number HCA 2137 of 2016 to certain parties, including the five existing directors and certain former directors of the Company. For avoidance of doubt, the Company is not a defendant in such action. The plaintiff is seeking various orders on the defendants in respect of, inter alia, the Third Convertible Note of the Company, the New Technical Report of 11 August 2016 on Lot 2 of the Russian coal mines, certain loans and loan facilities made available to the Company and the audit reports of the Company.

The legal advisors of the five existing directors are considering the plaintiff's claim and will advise the directors in due course as to the way forward.

HCA 2380 of 2016

As announced by the Company on 21 September 2016, Zhi Charles (as the plaintiff) on 14 September 2016 issued a writ of summons in the High Court of Hong Kong under action number HCA 2380 of 2016 to certain parties, including the five existing directors and a former director of the Company. For avoidance of doubt, the Company is not a defendant in such action. The plaintiff is seeking various orders on the defendants in respect of, inter alia, the New Technical Report conducted by the New Technical Expert engaged by the Company and certain agreements relating to the Third Convertible Note and certain proposed loan capitalizations transactions as disclosed in the Company's announcement of 1 December 2015.

The five existing directors of the Company are taking legal advice in respect of such legal action.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 2397 of 2016

As announced by the Company on 27 September 2016, the Company received on 20 September 2016 a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong under action number HCA 2397 of 2016 to certain parties, including the five existing directors of the Company. For avoidance of doubt, the Company is not a defendant in such action. The plaintiff is seeking various orders on the defendants in respect of, inter alia, the Company's audit reports of 2013, 2014 and 2015.

The five existing directors of the Company are taking legal advice in respect of such legal action.

HCA 2398 of 2016

As announced by the Company on 5 October 2016, the Company received on 28 September 2016 a writ of summons issued by Kim Kyungsoo (as the plaintiff) in the High Court of Hong Kong under action number HCA 2398 of 2016 to certain parties, including the two existing directors of the Company and Grandvest International Limited. For avoidance of doubt, the Company is not a defendant in such action. The plaintiff is seeking various orders on the defendants in respect of, inter alia, certain alleged share transactions of certain shareholders of the Company and certain loans extended to the Company.

The two existing directors of the Company and Grandvest International Limited are taking legal advice in respect of such legal action.

HCA 2631 of 2016

As announced by the Company on 18 October 2016, the Company received on 11 October 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 2631 of 2016 to certain parties, including the Company and the five existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the New Technical Report conducted by the New Technical Expert engaged by the Company.

The Company and the five existing directors of the Company are taking legal advice in respect of such legal action.

HCA 2633 of 2016

As announced by the Company on 18 October 2016, the Company received on 11 October 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 2633 of 2016 to certain parties, including the Company and the two existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, disclosure of interests in the shares of the Company by certain alleged investors, certain loans made available to the Company, and the Third Convertible Note issued by the Company.

The Company and the two existing directors of the Company are taking legal advice in respect of such legal action.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 2634 of 2016

As announced by the Company on 18 October 2016, the Company received on 11 October 2016 a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong under action number HCA 2634 of 2016 to certain parties, including the Company and the three existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, disclosure of certain interests in the shares of the Company by certain alleged investors.

The Company and the three existing directors of the Company are taking legal advice in respect of such legal action.

HCA 2636 of 2016

As announced by the Company on 20 October 2016, the Company received on 13 October 2016 a writ of summons issued by Kim Kyungsoo (as the plaintiff) in the High Court of Hong Kong under action number HCA 2636 of 2016 to certain parties, including the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain alleged fund transfers.

The Company is taking legal advice in respect of such legal action.

HCA 2677 of 2016

As announced by the Company on 20 October 2016, the Company received on 14 October 2016 a writ of summons issued by Kim Jinyoung (as the plaintiff) in the High Court of Hong Kong under action number HCA 2677 of 2016 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various orders on the defendants in respect of, inter alia, a technical report on the Company's Russian coal mines.

The Company and the existing director of the Company are taking legal advice in respect of such legal action.

HCA 2704 of 2016

As announced by the Company on 27 October 2016, the Company received on 18 October 2016 a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong under action number HCA 2704 of 2016 to certain parties, including the Company. The plaintiff is seeking various declarations on the defendants in respect of, inter alia, certain alleged payments made by the Company during 2010 to 2013.

The Company is taking legal advice in respect of such legal action.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 2810 of 2016

As announced by the Company on 3 November 2016, the Company received on 27 October 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 2810 of 2016 to certain parties, including the Company and the two existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the Third Convertible Note issued by the Company.

The Company and the two existing directors of the Company are taking legal advice in respect of such legal action.

HCA 2811 of 2016

As announced by the Company on 3 November 2016, the Company received on 27 October 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 2811 of 2016 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain technical and valuation reports issued to the Company.

The Company and the existing director of the Company are taking legal advice in respect of such legal action.

HCA 2829 of 2016

As announced by the Company on 7 November 2016, the Company received on 31 October 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 2829 of 2016 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain disclosure of interest.

The Company and the existing director of the Company are taking legal advice in respect of such legal action.

Third Party Notice in Relation to HCA 1665 of 2016

As announced by the Company on 10 August 2016, Roma Group Limited as the 1st plaintiff and Luk Kee Yan Kelvin as the 2nd plaintiff commenced action against Zhi Charles as the 1st defendant and Kim Sung Ho as the 2nd defendant under the legal action number HCA 1665 of 2016 on 23 June 2016. By a Third Party Notice received by the Company on 2 August 2016, Kim Sung Ho as the 2nd defendant purported to join certain other parties as the third parties, and such parties include the Company and an existing director of the Company. In such notice, Kim Sung Ho is seeking various declarations, inter alia, in respect to the HASS Reports on the coal reserves estimation of the Company's Russian coal mines.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

Third Party Notice in Relation to HCA 1665 of 2016 *(Continued)*

As announced by the Company on 31 October 2016, at the hearing held on 22 October 2016, the Court ordered to set aside the Third Party Notice issued by Kim Sung Ho against certain third parties (including the Company and the existing director of the Company) with costs summarily assessed against Kim Sung Ho.

As also announced by the Company on 31 October 2016, the Company on 24 October 2016 received a Third Party Notice from Zhi Charles as the 1st defendant. He purported to join certain other parties as the third parties and such parties include an existing director of the Company. In such notice, Zhi Charles is seeking various declarations and orders, inter alia, in respect of certain technical reports on the coal reserves estimation of the Company's Russian coal mines.

The Company and the existing director of the Company are taking legal advice in respect of such action.

Fourth Party Notice in Relation to HCA 1016 of 2016

As announced by the Company on 19 May 2016, under legal action number HCA 1016 of 2016 taken by the Company against HASS and Herman Tso, Herman Tso as the 2nd defendant purported to join Zhi Charles as the third party to such legal action. By a Fourth Party Notice dated 10 May 2016, Zhi Charles then purported to join certain other parties as the fourth parties, and such parties include an existing director and a former director of the Company. In such Fourth Party Notice, Zhi Charles is seeking various declarations against these certain other parties in respect of, inter alia, certain technical reports on the Company's Russian coal mines, the Third Convertible Note and the resumption announcement of the Company dated 22 April 2015.

The Company has taken out the application to strike out the Third Party Notice. Zhi Charles has in return taken out a strike out application to strike out the Company's claim against HASS and Herman Tso. The said applications, together with another strike out application made by a Fourth Party, will be heard together before the Court on 14 February 2017.

Fourth Party Notice in Relation to HCA 1338 of 2016

As announced by the Company on 30 May 2016, under legal action number HCA 1338 of 2016 taken by Lim Hang Young, Herman Tso as the 1st defendant purported to join Zhi Charles as the third party to such legal action. By a Fourth Party Notice dated 10 May 2016, Zhi Charles then purported to join certain other parties as the fourth parties, and such parties include the four existing directors and certain former directors of the Company. In such Fourth Party Notice, Zhi Charles is seeking various clarifications in respect of, inter alia, certain opinions on the Company's Russian coal mines and certain consultants fees.

The Company and the four existing directors are taking legal advice in respect of such action.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

(ii) The Company as the Plaintiff

HCA 706 of 2010 — 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 (HCA 706 of 2010) against these three former executive directors to claim damages in the total sum of approximately HK\$18,980,000. Mediation was conducted with a view to settling the matter as required under the Civil Justice Reform. Although it was the opinion from the Senior Counsel that an amicable settlement would be preferred for the purposing of saving time and costs, no settlement arrangement has been reached. The Company proceeded further with the action against these three former directors. All the pleadings were filed, and discovery was completed with the witness statements of the parties duly 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.

On 27 April 2015, the Company finalized the engagement of new solicitors to act for the Company so as to further proceed with the case. Upon the hearing on 30 July 2015, the Company would file a summons for application to amend the Indorsement of Claim and Statement of Claim. The hearing for such application of the Company was made on 21 March 2016. The next hearing for leave to such amendments to the Indorsement of Claim and Statement of Claim has been fixed on 26 January 2017.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCMP 443 of 2015

The originating summons of this action was issued by the Company as the plaintiff against Zhi Charles as the defendant on 22 February 2015, by which the Company claims against Zhi Charles for the orders that, inter alia, (i) Zhi Charles 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 Zhi Charles 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 Zhi Charles may commence in the interim time, without first obtaining approval from the High Court of Hong Kong; (iii) Zhi Charles 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 Zhi Charles, 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.

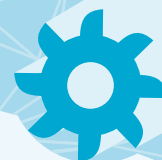
The Company has on 23 June 2016 obtained a Sealed Court Order dated 20 June 2016 in respect of HCMP 443 of 2015. The Order is made under section 27 of the High Court Ordinance which is designated for the restriction of vexatious legal proceedings and also the inherent jurisdiction of the Court.

Pursuant to such Order, the Court ordered, inter alia, that Zhi Charles be prohibited from commencing or issuing any fresh claims or proceedings in any Court in Hong Kong against the Company without the leave of one of the Designated Judges except where the originating process is signed by counsel or solicitors practising in Hong Kong who have read the Order and the reasons therefor. In addition, a stay of all further proceedings as against the Company in actions HCA 584 of 2016 and HCA 1195 of 2016 has been granted under the Order. For details of such Order, please refer to the Company's announcement of 29 June 2016.

HCB 4211 of 2015

The Company on 1 June 2015 filed with the Court of First Instance of the High Court of Hong Kong a creditor's bankruptcy petition against Zhi Charles (also known as Chi Chang Hyun or Charles Chi or Charles Zhi) for his failure of paying to the Company legal costs (plus interests) ordered by the Court amounting to HK\$36,249.87.

At the hearing of 20 April 2016, Zhi Charles fully settled the amount of HK\$36,249.87, thus the bankruptcy petition was then withdrawn.



Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 1016 of 2016

As announced by the Company on 18 April 2016, the Company (as the plaintiff) has commenced a legal action against HASS (1st defendant) and Herman Tso (2nd defendant) in the High Court of Hong Kong under action number HCA 1016 of 2016 on 18 April 2016. The Company is seeking various reliefs including, inter alia, a declaration that HASS and Herman Tso are not entitled to withdraw the HASS Reports or to assert the HASS Reports being void, an order that they retract their letters dated 1 April 2016 and 11 April 2016, respectively, for withdrawing the HASS Reports, and an order for payment of the original principal amount of the Third Convertible Note of US\$443,070,000 as damages. Herman Tso in his defence statement made counterclaims of US\$443,070,000 as damages.

The action is still in its early stage and pleadings has yet been closed.

HCB 5395 of 2016

The Company on 28 July 2016 filed with the High Court of Hong Kong a creditor's bankruptcy petition against Zhi Charles (also known as Chi Chang Hyun or Charles Chi or Charles Zhi) for his failure to comply with a statutory demand on payments to the Company of legal costs (plus interests) ordered by the Court amounting to HK\$1,701,744.56.

Zhi Charles has also failed to comply with another statutory demand on payments to a former director of the Company of legal costs (plus interests) ordered by the Court amounting to HK\$514,324.79, hence, the former director of the Company has joined as a supporting creditor in HCB 5395 of 2016. Moreover, Zhi Charles has also been served by the Company another statutory demand on payments to the Company and its directors in relation to the legal costs (plus interests) ordered by the Court amounting to HK\$634,823.

Zhi Charles has taken out an application to strike out the bankruptcy petition on 11 October 2016 on the ground that the bankruptcy petition was, amongst others, commenced by deception.

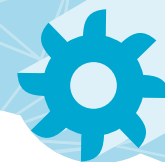
The Court has ordered that the bankruptcy petition and the strike out application be heard together on the same day with 1 day reserved. The parties will soon be fixing the day of the substantive hearing.



Notes to the Unaudited Condensed Consolidated Financial Statements

23. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, certain legal actions have been issued against the Company and/or existing directors of the Company, and certain legal actions against the Company and/or existing directors of the Company have been set aside or struck out or dismissed by the Court. Please refer to Note 22 for details of particular legal cases.
- (b) As announced by the Company on 24 October 2016, completion of the placing of new shares under the general mandate took place on 24 October 2016 in accordance with the terms of the placing agreement signed with Brilliant Norton Securities Company Limited. A total of 102,600,000 placing shares were successfully placed and issued at the placing price of HK\$0.269 per placing share to not less than six placees who and whose ultimate beneficial owner(s) (as the case may be) are not connected persons of the Company and are third parties independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates. The net proceeds from the placing amounted to approximately HK\$26.5 million, which were intended to be utilised for repayment of loans and general working capital of the Group.
- (c) Subsequent to the end of the reporting period, certain repayments of loans to certain independent third parties and certain Director have been made. Please refer to Note 14 and Note 21 for more information.
- (d) On 29 November 2016, certain lenders have agreed to further extend the due dates of the loans, promissory notes payables and coal trading deposit received to 31 December 2018. Please refer to Note 2.1 for more information.



Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

For the six months period ended 30 September 2016, the Group recorded a total turnover of HK\$0.25 million (2015: HK\$1.54 million), representing a decrease of approximately 83.8% as compared to last corresponding period. The decrease was mainly due to keen competition in both scrapped iron trading and steel trading in the Korean market.

During the period under review, the Group recorded a turnover of HK\$0.25 million (2015: HK\$0.58 million) from scrapped iron trading and no turnover was recorded from steel trading (2015: HK\$0.96 million).

Other Income

Other income during the period under review mainly represented net exchange gain of HK\$6.3 million (2015: net exchange loss of HK\$11.9 million) primarily arising from the increase of Russian Rubles to US Dollars.

Other Gains and Losses

During the period under review, (i) the reversal of 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) amounted to HK\$47.5 million (2015: impairment loss of HK\$16.3 million) mainly due to the net effects of the net increase in projected revenue from sales of coals due to increase in coal sales prices of certain types of coals, the increase of Russian Rubbles to US Dollars and the decrease in post-tax discount rate; and (ii) the reversal of impairment loss on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) amounted to HK\$511.1 million (2015 restated: HK\$1.1 million) mainly due to the net effects of the increase in coal sales prices of certain types of coals, the increase of Russian Rubles to US Dollars and the decrease in post-tax discount rate.

Administrative and Other Expenses

During the period under review, amortization of mining rights dropped from HK\$3.6 million to HK\$0.8 million. Staff costs (excluding directors remuneration) maintained more or less the same at HK\$2.2 million, legal and professional fees increased from HK\$4.3 million to HK\$8.7 million as the Company was involved in more and more legal proceedings.

Finance Costs

During the period under review, total finance costs increased to HK\$179.6 million (2015 restated: HK\$163.6 million) mainly resulted from the net effects of (i) the increase in imputed interest of the Third Convertible Note to HK\$174.1 million (2015 restated: HK\$157.7 million); (ii) no imputed interest on the promissory notes (2015: HK\$1.2 million); and (iii) the increase in interest on loans from third parties to HK\$4.0 million (2015: HK\$3.3 million) due to increase in borrowings.

Profit Before Income Tax

For the six months period ended 30 September 2016, the profit before income tax of the Group was HK\$370.9 million (2015 restated: loss before income tax of HK\$205.9 million). The turnaround to a profit from a loss is mainly attributable to the combined effects of the aforementioned factors.

The Company would like to highlight that both the reversal of impairment loss of HK\$47.5 million (2015: impairment loss of HK\$16.3 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 reversal of impairment loss of HK\$511.1 million (2015 restated: HK\$1.1 million) on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) were just non-cash items arising from period end valuation exercises for accounting purposes, which would not affect the cashflow position of the Group.



Management Discussion and Analysis

OPERATION REVIEW

Mineral Resources and Commodities Trading

For the period under review, scrapped iron trading was the only contributor to the Group's turnover. Geographically speaking, the Korean market was still the Group's sole market segment which accounted for 100% (2015: 100%) of the total revenue.

Coal Mining

Lot 1 and Lot 1 Extension underground mining and Lot 2 underground mining would be developed on an integrated basis due to their geographical proximity and also for the sake of achieving economy of scale. Since coal production on Lot 2 underground mining would be targeted only after the third quarter of 2019, naturally not much development was noted for Lot 1 and Lot 1 Extension for the period under review, as there was no urgency to develop Lot 1 and Lot 1 Extension underground mining alone.

As a response to the sudden withdrawal of HASS Reports in early April 2016, the Company engaged the New Technical Expert to prepare the New Technical Report on Lot 2. The New Technical Expert conducted a physical site visit to the coal mines and performed due diligence on technical data of Lot 2 in May 2016. In August 2016, the New Technical Report was issued and reported the estimated probable coal reserves in merely the open pit mining area in Lot 2 to be 14.47 million tonnes.

LLC "SibGeoProject", a consulting firm engaged by the Group which is capable of providing geological exploration through to mine construction, continued to refine mine design for Lot 2 open pit mining by means of various kinds of simulations so as to optimize the methods of mine development.

A subcontractor, LLC "SGP-GEOLOGY", was engaged to conduct additional exploration drillings for Lot 2 underground mining, and the drillings was targeted to commence in the last quarter of 2016. Following the collection and analysis of core samples from previous boreholes drillings for Lot 2 underground mining, the documentation of drilling data had been commenced.

PROSPECTS

Looking forward, the continuing recovery of global economy is still far from certain, which will make the Group's mineral resources and commodities trading businesses remain rather challenging, and would also have impacts on the coal prices. The Group nevertheless will strive to focus on its core businesses, i.e. (i) mineral resources and commodities trading; and (ii) coal mining.

To improve the net liabilities position of the Group as of 30 September 2016, the Company will strive to grasp opportunities in possible loan capitalizations and potential equity funding such as placing of new shares. In October 2016, the Company completed the placing of 102.6 million new shares under the general mandate with the net proceeds of approximately HK\$26.5 million. The Company will take proactive steps to expedite the proposed loan capitalizations as announced by the Company on 31 August 2016. In addition, the Company will maintain constant communications with the holder of the Third Convertible Note to explore possible solutions to deal with such major liability of the Group, including but not limited to possible conversion of a significant portion of it.

Mineral Resources and Commodities Trading

A prudent and flexible strategy in mineral resources and commodities trading business will continue to be adopted so as to manage financial risks of the Group, and the Group will continue to seek for long-term strategic business partners to further expand the trading business.



Management Discussion and Analysis

Coal Mining

The mining license of Lot 1 will expire in November 2017, preparation and submission of application for extension of the mining license will be conducted in the first half of 2017.

LLC "SibGeoProject" will keep on refining the mine design for Lot 2 open pit mining. Airborne photographic surface survey is planned for certain areas in Lot 2 open pit mining.

Documentation of drilling data after collection and analysis of core samples from previous boreholes drillings for Lot 2 underground mining will be continued. Additional drillings for Lot 2 underground mining up to an aggregated depth of approximately 14,600 metres have just been commenced, and up to November 2017, drillings of total depth of 241 metres in three boreholes have been made. Upon completion of the drillings, preparation for an integrated TEO Conditions (TEO Conditions stands for Technical and Economic Justification of Conditions and is broadly equivalent to the Western pre-feasibility study) covering the underground mining of Lot 1 and Lot 1 Extension, and Lot 2 will be followed, and then geological report will be prepared and submitted to GKZ (which is the State Committee of Reserves under the Russian Federation Ministry of National Resources) for review with the ultimate objective to obtain protocol on approving the TEO Conditions and the coal reserves for underground mining.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2016, the Group had net current liabilities of HK\$209,630,000 (31 March 2016: HK\$188,885,000). The Group's current ratio, being a ratio of current assets to current liabilities, was 1.44% (31 March 2016: 1.08%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 15.45% (31 March 2016: 29.00%).

The Group generally finances its operations with internally generated cash flows, loans from related parties, independent third parties, and through the capital market available to listed companies in Hong Kong. During the period under review, the Group recorded a net cash inflow of HK\$1,349,000 (2015: inflow of HK\$2,271,000), with its total cash and cash equivalents increased to HK\$1,686,000 (2015: increased to HK\$7,316,000) as at 30 September 2016.

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 2016. 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.

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.



Management Discussion and Analysis

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 22 to the financial statements.

CAPITAL COMMITMENTS

Details of capital commitments of the Group as at 30 September 2016 as disclosed in Note 20 to the financial statements.

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 30 September 2016 or 31 March 2016.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2016, the Group had approximately 22 (31 March 2016: 23) staff in Hong Kong, Korea and Russia. 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. Employees benefit plans provided by the Group include provident fund scheme, medical insurance and subsidised training programmes and seminars.



Other Information

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

As at 30 September 2016, 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 Securities and Futures Ordinance (the "SFO")), which are required to be notified to the Company and the Stock Exchange pursuant to the SFO (including interests which they are taken or deemed to have under the SFO) or which are, pursuant to Section 352 of the SFO, entered in the register referred to therein or, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies 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 2016 annual report of the Company.

During the six months ended 30 September 2016, no option has been granted under the New Scheme. No option has been granted under the New Scheme since its adoption date to the date of this report.

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

Name or category of participant	Number of shares options			As at 30 September 2016	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$
	As at 1 April 2016	Exercised during the period	Lapsed during the period				
Employees and consultants other than directors							
In aggregate	440,000	—	—	440,000	30/01/2012	30/01/2012 to 29/01/2022	0.355

* 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 2016, the Company had 440,000 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 2016, result in the issue of 440,000 additional ordinary shares of HK\$0.2 each of the Company, additional share capital of HK\$88,000 and share premium of approximately HK\$68,200 (before issue expenses). In addition, amount attributable to the related share options approximately HK\$47,000 would be transferred from equity-settled share option reserve to the share premium.



Other Information

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

As at 30 September 2016, the register of interests in shares and short positions required to be kept by the Company under Section 336 of the SFO showed that the following persons (other than the Directors or chief executives of the Company disclosed under the heading "Directors' interests and short positions in shares and underlying shares of the Company" above) had disclosed to the Company and/or the Stock Exchange an interest of 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company:

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

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
ACME Perfect Limited (Note 1)	Beneficial owner	50,000,000	9.74%
Pang Sum Fung (Note 1)	Interest in controlled corporation	50,000,000	9.74%
Xia Chun Qiu (Note 1)	Interest in controlled corporation	50,000,000	9.74%

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

Name of shareholders	Capacity	Number underlying Shares held	Percentage of the shareholding
N/A	N/A	N/A	N/A

Note 1: 40.91% and 36.36% of the issued share capital of ACME Perfect Limited are beneficially owned by Pang Sum Fung and Xia Chun Qiu, respectively. By virtue of the SFO, Pang Sum Fung and Xia Chun Qiu are deemed to be interested in these 50,000,000 shares which ACME Perfect Limited has beneficial interest in.

Save as disclosed above, the Company had not received any notices of disclosure of interests filing on any other relevant interests or short positions in the shares and underlying shares of the Company as at 30 September 2016, and 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 as at 30 September 2016.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



Other Information

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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (for the six months ended 30 September 2015: nil).

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**”).

Non-compliance with Provisions of the Listing Rules

During the period under review, the Company has the following non-compliance with provisions of the Listing Rules: —

- (i) The 2016 annual results for the year ended 31 March 2016 cannot be published on or before 30 June 2016, because the Company required more time to provide information requested by the Company's auditor (JH CPA Alliance Limited), and more time was needed for the auditor to complete all relevant audit procedures in connection with the assessments on the valuation of the Russian coal mines of the Group and the verification of the evidence on the loan facilities of the Company. As such, the Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (a) announcing the annual results for the financial year ended 31 March 2016 on or before 30 June 2016; and (b) publishing the 2016 annual report for the year ended 31 March 2016 on or before 31 July 2016.
- (ii) Due to the delay in publishing the 2016 annual report mentioned hereinabove, the Company was not able to timely comply with the provision under the Listing Rules in laying its annual financial statements for the year ended 31 March 2016 before its members at its annual general meeting within the period of six months after the end of the financial year to which the annual financial statements relate, i.e. to hold its 2016 annual general meeting on or before 30 September 2016.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) consists of three Independent Non-executive Directors of the Company, chaired by Mr. Kwok Kim Hung Eddie and the other two members are Mr. Jo Sang Hee and Mr. Lai Han Zhen. The unaudited condensed Interim Financial Statements for the six months ended 30 September 2016 have been reviewed by the Audit Committee.



Other Information

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
Hong Sang Joon
Chairman

Hong Kong, 30 November 2016

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