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)

2017 Annual Report

* For identification purpose only

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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

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Admiralty
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
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Hong Kong

HKEX STOCK CODE

1142

WEBSITE

http://siberian.todayir.com

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**") of Siberian Mining Group Company Limited (the "**Company**"), I would like to present to the shareholders the annual report with the annual results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 March 2017.

PERFORMANCE AND OPERATIONS

For the year under review, the Group continued to take a rather prudent approach so as to manage its business risks. The Group's turnover reduced slightly to HK$1.7 million (2016: HK$1.8 million). Turnover from scrapped iron trading dropped to HK$0.5 million (2016: HK$0.9 million) due to keen competition, yet trading in paper for newspaper printing contributed a turnover of HK$1.2 million (2016: nil).

For the year under review, the Group achieved a profit before income tax of HK$2,027.3 million (2016: a loss before income tax of HK$465.6 million). The successful turnaround from a loss to a profit was primarily due to the net effects of (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$470.6 million (2016: impairment loss of HK$30.1 million) mainly due to the net effects of substantial increase in coal sales prices of certain types of coals, the appreciation of Russian Rubles to US Dollars and the decrease in post-tax discount rate; (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$1,918.5 million (2016: impairment loss of HK$57.4 million) also mainly due to the net effects of substantial increase in coal sales prices of certain types of coals, the appreciation of Russian Rubles to US Dollars and the decrease in post-tax discount rate; (iii) the successful completion of certain loan capitalizations in February 2017 yielding a fair value gain of HK$25.8 million (2016: nil); (iv) a net exchange gain of HK$11.0 million (2016: a net exchange loss of HK$12.8 million) mainly resulted from the appreciation of Russian Rubles to US Dollars; (v) increase in legal and professional fees to HK$21.1 million (2016: 12.3 million) due to various additional legal proceedings; and (vi) increase in total finance costs to HK$369.4 million (2016: 332.9 million) mainly due to increase in imputed interest on the Third Convertible Note.

The reversal of impairment losses mainly reflected revaluation of other intangible assets and exploration and evaluation assets of the Group, resulting improving financial position of the Group, but the cashflow of the Group would not be accordingly get enhanced as it is non-cash item.

Preparation work to further extend the mining license of Lot 1 from its current expiry date of 1 November 2017 had been almost completed and formal application for extension would be submitted in due course.

Shortly after the sudden withdrawal of the HASS Reports in April 2016, the Company took speedily actions of engaging the New Technical Expert to work on the New Technical Report of Lot 2. By August 2016, the Company was issued the New Technical Report of Lot 2 to confirm the estimated probable coal reserves to be 14.47 million tonnes.

Development work on Lot 2 had been progressing as planned. Mine design of open pit mining of Lot 2 was further fine-tuned, and further exploration drillings for underground mining of Lot 2 had been started during the year, and by mid-June 2017, drillings of total depth of nearly 15,000 metres had been made.

The successful placings of new shares under general mandates in October 2016 and January 2017, coupled with the successful completion of certain loan capitalizations with five creditors in February 2017, the financial position of the Group showed encouraging improvements.

PROSPECTS

Looking ahead, in the midst of US interest rate hikes and new US presidency, the global economic prospects remain uncertain, and the year ahead will remain challenging for the Group. However, the Group will strive to focus on its core businesses of (i) mineral resources, commodities and other trading, and (ii) coal mining, whilst keeping an eye on potential business opportunities for diversification.

CHAIRMAN'S STATEMENT

A prudent and flexible strategy in mineral resources, commodities and other trading business will continue to be adopted so as to manage financial risks of the Group.

It is expected that the further extension of Lot 1 mining license can be achieved during the last quarter of 2017.

Fine-tuning of mine design and related environmental impact assessment for open pit mining of Lot 2 will be continued, and further exploration drillings for underground mining of Lot 2 will be completed in the third quarter of 2017.

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

The signing of a joint venture agreement in June 2017 with an established education group in the People's Republic of China (the "**PRC**") marked an important step of the Group in diversifying its business investments into PRC English kindergartens. As a 40% shareholder in the proposed PRC joint venture company, the Company's proportional contribution to the proposed registered share capital of the PRC joint venture company will be RMB4 million.

To further improve the net liabilities position of the Group as of 31 March 2017, the Company will welcome possible further loan capitalizations with its creditors and will consider potential equity funding as opportunities arise.

In addition, the Company will maintain proper communications with the holder(s) of the Third Convertible Note to explore possible solutions to resolve the alleged disputes in an amicable way, including but not limited to possible conversion of a significant portion of it and/or possible extension of its maturity date.

APPRECIATION

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

Hong Sang Joon
Chairman

Hong Kong, 30 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2017, the Group recorded a total turnover of HK$1.7 million (2016: HK$1.8 million), representing a decrease of approximately 5.5% as compared to last corresponding year. The reduction is mainly due to keen competition in both scrapped iron and steel trading in the Korean market.

During the year under review, the Group recorded a turnover of HK$0.5 million (2016: HK$0.9 million) from scrapped iron trading and no turnover (2016: HK$0.9 million) was recorded from steel trading. The Group diversified to trade also paper for newspaper printing and achieved a turnover of HK$1.2 million (2016: nil).

Other Income

Other income during the year under review mainly represented net exchange gain of HK$11.0 million (2016: net exchange loss of HK$12.8 million) primarily arising from the appreciation of Russian Rubles to US Dollars.

Other Gains and Losses

During the year 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$470.6 million (2016: impairment loss of HK$30.1 million) mainly due to the net effects of substantial increase in coal sales prices of certain types of coals, the appreciation of Russian Rubles to US Dollars and the decrease in post-tax discount rate; (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$1,918.5 million (2016: impairment loss of HK$57.4 million) also mainly due to the net effects of substantial increase in coal sales prices of certain types of coals, the appreciation of Russian Rubles to US Dollars and the decrease in post-tax discount rate; and (iii) the completion of loan capitalizations in February 2017 resulted in a fair value gain of HK$25.8 million (2016: nil).

Administrative Expenses

During the year under review, staff costs (excluding directors' remuneration) were kept at around HK$4.9 million (2016: HK$4.8 million). Legal and professional fees increased from HK$12.3 million to HK$21.1 million as the Company was involved in more legal proceedings.

Other Expenses

During the year under review, amortization of mining rights increased from HK$5.5 million to HK$6.0 million.

Finance Costs

During the year under review, total finance costs increased to HK$369.4 million (2016: HK$332.9 million) mainly resulted from the net effects of (i) the increase in imputed interest of the Third Convertible Note to HK$358.9 million (2016: HK$321.7 million); (ii) no imputed interest on the promissory notes (2016: HK$1.2 million); and (iii) the slight increase in interests on loans from third parties to HK$7.5 million (2016: HK$7.1 million).

Profit Before Income Tax

For the year ended 31 March 2017, the profit before income tax of the Group was HK$2,027.3 million (2016: loss before income tax of HK$465.6 million). The turnaround to a profit from a loss is mainly attributable to the combined effects of the aforementioned factors.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company would like to highlight that (i) the reversal of impairment loss of HK$470.6 million (2016: impairment loss of HK$30.1 million) on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines); (ii) the reversal of impairment loss of HK$1,918.5 million (2016: impairment loss of HK$57.4 million) on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines); and (iii) the fair value gain on loan capitalizations of HK$25.8 million (2016: nil) were just non-cash items arising from year end valuation exercises for accounting purposes, which would not affect the cashflow position of the Group.

OPERATION REVIEW

Mineral Resources and Commodities Trading

For the year under review, trading of paper for newspaper printing and scrapped iron trading were the two contributors to the Group's turnover.

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 work was noted for Lot 1 and Lot 1 Extension for the year under review, as there was no urgency to develop Lot 1 and Lot 1 Extension underground mining alone.

As the mining license of Lot 1 will expire by November 2017, technical design for prolongation of the license has been prepared during second quarter of 2017, which is now under the prior consultation with GKZ (which is the State Committee of Reserves under the Russian Federation Ministry of National Resources) before official submission.

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. Updated coal prices and various operating costs as of third quarter of 2016 have been adopted in those simulations to further fine-tune the mine design of open pit mining in Lot 2.

The Group has engaged LLC "SGP-GEOLOGY" to conduct additional exploration drillings in Lot 2 to facilitate the preparation of detailed and well-supported TEO Conditions for underground mining in Lot 2 (TEO Conditions stands for Technical and Economic Justification of Conditions and is broadly equivalent to the Western pre-feasibility study). A detailed and well-supported TEO Conditions may enable to Group to obtain additional coal reserves approved by GKZ (in respect of underground mining in Lot 2). The drillings have been already commenced. As of mid-June 2017, drillings of total depth of approximately 15,000 metres in a total of 40 boreholes have been completed. The documentation of drilling data was extracted, after the core samples collected and analyzed.

Geographical

In the year under review, the Republic of Korea ("**Korea**") is the Group's sole market segment which accounted for 100% (2016: 100%) of the total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Placing of Shares and Loan Capitalizations

In October 2016, the Company completed the placing of 102.6 million new shares under the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 4 September 2015, with the net proceeds of approximately HK$26.5 million. Further, in January 2017, the Company completed another placing of 123.2 million new shares under the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 15 December 2016, with the net proceeds of approximately HK$25.1 million. Further information of such placing of shares are detailed in Note 29(ii) and (iii).

In February 2017, the Company completed the loan capitalizations of five creditors by issuing 469,227,760 remaining capitalization shares under specific mandates passed by the shareholders on the extraordinary general meeting held on 23 January 2017, with the aggregate amount of loans (and related interests where applicable) of approximately HK$152.5 million being capitalized.

All these contributed to the improvements in financial position of the Group.

PROSPECTS

Looking forward, the year ahead will remain challenging for the Group. In an era of new presidency coupled with interest rate hikes of the United States of America, the continuing recovery of global economy is uncertain, which will make the Group's mineral resources, commodities and other trading businesses remain rather challenging, and would also have impacts on the coal prices.

The Company, apart from focusing on its core businesses, i.e. (i) mineral resources, commodities and other trading; and (ii) coal mining, will also consider diversification into other business areas when opportunities arise.

Mineral Resources, Commodities and Other Trading

The Group will continue to adopt a prudent and flexible approach in mineral resources, commodities and other trading business, and will strive to meet the needs of different customers looking for diversified products in addition to paper for newspaper printing, scrapped iron and steel.

Coal Mining

The official submission of technical design for Lot 1 will be made in due course and the approval process will take around 2 months to complete. Following the official approval of such technical design, the formal application for extension of mining license of Lot 1 will then be made in around September 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, and in parallel, State Environmental Expert Review, which is certain kind of requested environmental impact assessment, will be proceeded. In addition, the Group is considering the acquisition of a plot of land within the boundary of Lot 2 for initial infrastructure and facilities purposes, when sufficient capital expenditure budgeting allows.

In respect of the drilling in Lot 2 for underground mining, the remaining 1 borehole drilling for hydrogeology will be done shortly, which will then mark the overall completion of all exploration works for the entire license area of Lot 2. Core samples collection and analysis will be continued, for compilation and documentation of drilling data.

With all these drilling data being completed, 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 for review with the ultimate objective to obtain protocol on approving the TEO Conditions and the coal reserves for underground mining. Preliminarily, submission of TEO Conditions and geological report will be planned in last quarter of 2017, and protocol approval might be expected during the first half of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Joint Venture in Kindergarten Project

As part of business diversification of the Group, the Company in June 2017 signed a joint venture agreement with an established education group in the People's Republic of China (the "**PRC**"), pursuant to which a proposed PRC joint venture company will be formed to engage in direct operation and franchise of English kindergarten(s) in the PRC. The proposed registered share capital of the PRC joint venture company will be RMB10 million, and by holding a 40% stake in it, the Company's proposed share capital contribution will be amounted to RMB4 million which will be funded by loans and/or equity financing the Company.

Placing of Shares, Loan Capitalizations and The Third Convertible Note

To further improve the financial position, the Company will strive to grasp opportunities in possible further loan capitalizations and potential equity funding such as further placing of new shares. In addition, the Company will maintain proper communications with the holder(s) of the Third Convertible Note to resolve the alleged disputes in an amicable manner, including but not limited to possible conversion of a significant portion of it and/or possible extension of the maturity date.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group had net current liabilities of HK$3,239.5 million (2016: HK$188.9 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 0.46% (2016: 1.08%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 1.83% (2016: 29.00%). Please refer to Note 37(a) for details of maturity profile of the borrowings and other payables.

The Group generally finances its operations with internally generated cash flows, loans from directors and associates, independent third parties, and through the capital market available to listed companies in Hong Kong. Please refer to Note 21 for details of respective interest rates and currencies of the interest-bearing borrowings.

During the year under review, the Group recorded a net cash inflow of HK$21.6 million (2016: net cash outflow of HK$17.7 million), while the total cash and cash equivalents increase to HK$10.8 million (2016: HK$0.3 million) as at the end of reporting year.

The management will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities of the Group as at 31 March 2017. 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. Apart from the loan capitalizations as disclosed in the Company's circular dated 5 January 2017, the Company will take proactive actions to improve the liquidity and financial position of the Group by way of equity fund raising exercises including placement of new shares as well as other pre-emptive offers. The Company will closely monitor the market situation and take prompt actions when such opportunities arise. During the year, the Company has raised several loans of a total HK$47.8 million (2016: HK$13.3 million) for the Group's daily operation and the coal mines development.

In addition to the above measure to improve the liquidity of the Group, the Company also explores way to improve its overall financial position. In particular, the Company has from time to time communicated with the current holder of the Third Convertible Note, with an aim to deal with such major liability of the Group, including but not limited to the possible extension of the maturity date and/or the possible conversion of a significant portion of the outstanding Third Convertible Note. The Company believes that such extension or conversion, if happened, will be beneficial to the Company, its shareholders and other stakeholders of the Company (including the holder of the Third Convertible Note) as whole as the overall gearing of the Group will be improved and the equity base of the Company will be strengthened. The Company may then be able to improve its overall financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

The following is a list of principal risks and uncertainties that are considered to be of significance, as it would have potential significant impacts to the Group's businesses, results of operations and financial conditions. However, this is non-exhaustive as there may be other risks and uncertainties arising from changes in economic and other conditions over time.

(i) The Group derives a significant portion of its turnover from a few customers and sources a significant portion of its purchases from a few suppliers. Such reliance on a small number of customers and suppliers may materially affect the businesses of the Group, if the Group could not secure continuous supports from them.

(ii) Significant fluctuations in international coal prices from year to year will cast corresponding significant fluctuations in year end valuations of intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) as well as exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines), which may have material impacts on the Group's financial results due to the resultant impairment losses or reversal of impairment losses, and also on the Group's total non-current assets.

(iii) The coal mining license of Lot 1 will expire on 1 November 2017, and if such coal mining license could not be further extended, the corresponding carrying amount under the intangible assets may need to be written off, and the overall integrated mining plan for Lot 1, Lot 1 Extension and Lot 2 may be affected.

(iv) The Group's coal mining rights of Lot 1, Lot 1 Extension and Lot 2 are all geographically located in Russia, and such concentration in location may make the Group more sensitive to changes in government policies and regulations in Russia.

(v) The Company and the Group have get involved in various legal proceedings, and the outcomes of the outstanding legal proceedings are still unknown, since the legal procedures are still in progress.

(vi) The creditors, lenders, promissory note holder and the Third Convertible Noteholder(s) of the Company may not extend/ continuously extend the due dates or the maturity dates of the indebtedness, and the Company may not be able to source the required additional fundings from other lenders and/or from equity financing, which may affect the liquidity and financial position of the Company and the Group.

(vii) Please refer to "Exposure to Fluctuation in Exchange Rates and Related Hedges" hereinabove for the foreign exchange risks.

(viii) Please refer to Note 37 to the Financial Statements on pages 117 to 119 for the market risks, credit risks, liquidity risks and other financial risk (if any).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL KEY PERFORMANCE INDICATORS FOR BUSINESS REVIEW

(i) During the year under review, the Group has diversified to trade a new product (paper for newspaper printing), such new product accounted for approximately 70.6% of the Group's yearly turnover (2016: no new product being traded).

(ii) The gross profit ratio (being gross profit to turnover) of trading businesses is 0.9% (2016: 0.7%), which improved slightly from that of last year.

(iii) As coal production in the Group's Russian coal mines has not yet been commenced during the year, financial key performance indicators for coal mining are not applicable.

(iv) The Group's additional exploration drillings have been commenced during the year, and by mid-June 2017, a total depth of approximately 15,000 metres has been made (no additional exploration drillings in last year).

(v) Since current liabilities of the Group as of 31 March 2017 increased significantly due to the inclusion of the outstanding Third Convertible Note, the current ratio (being current assets to current liabilities) for the year under review dropped to 0.5% (2016: 1.1%).

(vi) As the total assets of the Group as of 31 March 2017 increased substantially due to the increase of year end valuations of intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) as well as exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines), the gearing ratio (being total interest-bearing borrowing to total assets) for the year under review dropped significantly to 1.8% (2016: 29.0%).

LITIGATIONS

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

CAPITAL COMMITMENTS

As at 31 March 2017, the Group had capital commitments in respect of the exploration related contracts amounted to HK$8.3 million (2016: HK$0.2 million) and no capital commitments in acquisition of property, plant and equipment (2016: Nil).

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 31 March 2017 or 31 March 2016.

SHARE OPTION SCHEMES

The Group has adopted share option scheme whereby directors, employees and consultants of the Group may be granted options to subscribe for the new shares of the Company. Details of the share option scheme are set out in Note 30 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2017, the Group had approximately 22 (2016: 23) staff in Hong Kong, Russia and Korea. Remuneration policy is reviewed by the management periodically and is determine 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 subsidized training programmes and seminars.

The remuneration policy and packages for directors and senior management of the Company are determined by the Remuneration Committee of the Company with reference to the prevailing market practices, individual qualifications, time devoted by a director, responsibilities of a director, his performance and contribution, etc. The primary objective of the remuneration policy is to enable the Company to retain and motivate directors. Under the policy, a director is not allowed to approve his own remuneration package. Directors are entitled to directors' fee. Share options (in accordance with the requirements of the Listing Rules) and subsidized continued professional development training may be granted to directors.

REPORT OF THE DIRECTORS

The Board of directors (the "**Board**") of Siberian Mining Group Company Limited (the "**Company**") presents their report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

An analysis of the principal activities of the subsidiaries is set out in Note 39 to the financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis section set out on pages 5 to 11 of this Annual Report. Such discussion forms part of this Report of the Directors.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2017 and the state of affairs of the Group and the Company as at 31 March 2017 are set out on pages 31 to 123.

The Board does not recommend the payment of any dividend for the year ended 31 March 2017 (2016: Nil).

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to result by principal activities and geographical segments of operations for the year ended 31 March 2017 is set out in Note 14 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 124.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 March 2017, the Company did not have any reserves for distribution (2016: Nil). Under the laws of the Cayman Islands, a company may make distributions to its members out of the contributed surplus account under certain circumstances. In addition, the Company's share premium account amounted to HK$1,956,517,000 (2016: HK$1,917,558,000) may be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTE PAYABLES

Details of the movements in the Company's share capital, share options and convertible note payables are set out in Notes 29, 30 and 25, respectively, to the financial statements.

REPORT OF THE DIRECTORS

DONATION

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2017.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's two customers accounted for 100% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 68.4% of the Group's total turnover for the year.

Purchases from the Group's three suppliers accounted for 100% of the Group's total purchases for the year, In particular, purchases from the Group's largest supplier accounted for approximately 51.3% of the Group's total purchases for the year.

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

DIRECTORS

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

Executive Directors

Mr. Hong Sang Joon *(Chairman)*
Mr. Su Run Fa

Independent Non-executive Directors

Mr. Jo Sang Hee
Mr. Kwok Kim Hung Eddie
Mr. Lai Han Zhen

In accordance with the Company's articles of association, all the newly appointed directors will hold office until the forthcoming annual general meeting and are then eligible offered themselves for re-election. In addition, all directors are required to retire by rotation, and Mr. Hong Sang Joon and Mr. Kwok Kim Hung Eddie shall retire by rotation in the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

REPORT OF THE DIRECTORS

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

Mr. Hong Sang Joon resigned as an executive director of Forebase International Holdings Limited (stock code: 2310), a company listed on the Main Board of the Stock Exchange, effective from 27 June 2017.

Mr. Kwok Kim Hung Eddie currently has been providing corporate advising services as professional accountant in Hong Kong.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTOR'S INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Hong Sang Joon ("Mr. Hong"), aged 48, was appointed as an executive director of the Company on 5 February 2014. He was also appointed as the executive vice president of the Company in February 2014 and he has been redesignated as the executive president of the Company since March 2016. In addition, he has been appointed as the chairman of the Board and the chairman of the nomination committee of the Company since 31 December 2015, and a director of certain subsidiary companies of the Company. Mr. Hong obtained his bachelor degree in Chinese language and Chinese literature, minoring in business administration from Yonsei University in Korea, and a master degree in business administration from The University of Hong Kong. He is a CFA Charterholder, a Certified FRM, and a U.S. CPA for public practice licensed by Washington State Board of Accountancy in the U.S.A., and he is a regular member of CFA Institute, The Hong Kong Society of Financial Analysts, CFA Korea Society, Global Association of Risk Professionals, and American Institute of CPAs. He had been appointed as an executive director of Forebase International Holdings Limited (stock code: 2310) from 20 January 2012 to 27 June 2017, which is listed on the Main Board of the Stock Exchange. Mr. Hong has over 20 years of experience in investment, restructuring, strategic planning, corporate finance, and financial management and control.

Mr. Su Run Fa ("Mr. Su"), aged 49, was appointed as an executive director of the Company on 5 February 2014. He graduated from Xi'an Jiaotong University, China with a Bachelor Administration Degree in 2000 and received his Master of Business Administration Degree from University of International Business and Economics, China in 2009. He was a Representative of the 14th People's Congress of Dongguan City. Mr. Su has over 21 years' experience in managing factories in Dongguan, China.

REPORT OF THE DIRECTORS

Independent Non-executive Directors

Mr. Jo Sang Hee ("Mr. Jo"), aged 50, was appointed as an independent non-executive director of the Company on 31 December 2015. He is currently also a member of the audit committee and the remuneration committee of the Company. He holds a Bachelor Degree of Metallurgical Engineering from Inha Technical College, Korea. He is currently the president of Artis Investment Co. Ltd. Before joining Artis Investment Co. Ltd. in November 2015, he was the managing director of KC&Partners from 2012 to 2015, and the managing director of Haksan Construction Co. Ltd. from 2007 to 2011, and the president of Impact Holdings Co. Ltd. from 2005 to 2007. Mr. Jo has experience in various industries, especially in investment and management. He has extensive knowledge of investment with 10 years working experience as a top management.

Mr. Kwok Kim Hung Eddie ("Mr. Kwok"), aged 45, was appointed as an independent non-executive director of the Company on 14 February 2014. He is currently also the chairman of the audit committee, a member of the nomination committee and the remuneration committee of the Company. Mr. Kwok currently has been providing corporate advising services as professional accountant in Hong Kong. He has also been appointed as an independent non-executive director of Ningbo WanHao Holdings Company Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), since June 2012. He was previously appointed as financial controller, company secretary and authorised representative of Forebase International Holdings Limited, a company listed on the Main Board of the Stock Exchange. Mr. Kwok is a member of The Hong Kong Institute of Certified Public Accountants. He is also an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. He holds a Master of Professional Accounting Degree from the Hong Kong Polytechnic University, a Master of Corporate Governance Degree from the Open University of Hong Kong and a Honours Diploma in Accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University).

Mr. Lai Han Zhen ("Mr. Lai"), aged 54, was appointed as an independent non-executive director of the Company on 14 February 2014. He is currently also the chairman of the remuneration committee, a member of the audit committee and the nomination committee of the Company. He graduated from Shenzhen University, China with a Bachelor's of Business Administration degree in 1991. He then received his Master of Laws from both Chinese University of Political Science and Law, China, and Macau University of Science and Technology, Macau in 2004 and 2007, respectively, and also received his Doctorate of Laws in 2012 from Macau University of Science and Technology, Macau. Mr. Lai is currently a director for three different mining companies in Fujian Province, China.

Senior Management

Mr. Wong Wing Cheong ("Mr. Wong"), aged 53, joined the Company as the chief financial officer in May 2011. He was also appointed as the company secretary of the Company on 1 August 2012. He graduated from the University of Hong Kong with a Bachelor of Social Sciences degree in Management and Economics, and received his Master of Business Administration degree in Investment and Finance from the University of Hull, United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators, and the Hong Kong Institute of Company Secretaries. Mr. Wong has extensive experience in accounting, corporate finance, and mergers and acquisition projects of local listed companies.

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

As at 31 March 2017, none of the directors or any of their associates or chief executives of the Company (as defined in the Listing Rules) had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which are required to be notified to the Company and the Stock Exchange pursuant to SFO (including interests which they are taken or deemed to have under SFO) or which are, pursuant to Section 352 of the SFO, entered in the register referred to therein or, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

CONNECTED TRANSACTION

The Company did not (i) have any outstanding continuing connected transaction or (ii) enter into any connected transaction for the year ended 31 March 2017.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in Note 30 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such right in any other body corporate.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Laws of the Cayman Islands) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has also arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company.

SHARE OPTION SCHEME

Pursuant to the share option scheme approved and adopted by the Company on 19 October 2002 (the "**Old Scheme**"), share options were granted to subscribe for shares in the Company in accordance with the terms of the Old Scheme. At the annual general meeting of the Company held on 31 August 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "**New Scheme**") and termination of the Old Scheme. The New Scheme is in line with the prevailing requirements of Chapter 17 of the Listing Rules in relation to the share option schemes. Upon termination of the Old Scheme, no further options may be granted but in all other respects the provisions of the Old Scheme shall remain in full force and effect. The outstanding options granted under the Old Scheme shall continue to be valid and exercisable in accordance with the terms of the Old Scheme. Further details of the Old Scheme and the New Scheme are set out in Note 30 to the financial statements.

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

	Number of share options					
Name or category of participant	**As at 1 April 2016**	**Lapse during the year**	**As at 31 March 2017**	**Date of grant of share options**	**Exercise period of share options**	**Exercise price of share options***
						HK$
Employees and consultants other than directors						
— In aggregate	440,000	—	440,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Total	440,000	—	440,000			

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

REPORT OF THE DIRECTORS

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

As at 31 March 2017, the register of interests in shares and short positions required to be kept by the Company under Section 336 of the SFO showed that the following persons (other than the directors or chief executives of the Company) had disclosed to the Stock Exchange and/or the Company an interest of 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company.

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

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Pioneer Centre Limited	Beneficial owner	162,505,317	13.45%
Lucrezia Limited (Note 1)	Beneficial owner	90,030,768	7.45%
Token Century Limited	Beneficial owner	84,000,000	6.95%
Kim Wuju	Beneficial owner	74,400,000	6.16%
Yang Xiaolian (Note 1)	Interest in controlled corporation	90,030,768	7.45%

Note 1: Yang Xiaolian holds 100% interest in Lucrezia Limited. By virtue of the SFO, Yang Xiaolian is deemed to be interested in these 90,030,768 shares which Lucrezia Limited has beneficial interest in.

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

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

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 20 to 25 to the annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and maintaining a good standard of corporate social governance essential for bringing a framework for motivating employees to contribute to our community.

The Group has made continuous efforts in promoting green measures and awareness in daily business operations. The principles of recycling and reducing will always be encouraged to adhere to as much as possible, such as implementing green office practices of double-sided printing and copying, setting up recycling bins and switching off idle lightings and regulating air-conditioning in different zoning.

REPORT OF THE DIRECTORS

WORKING CONDITIONS

The Company has adopted the board diversity policy in accordance with the requirements set up in the Corporate Governance Code, and recognizes the board diversity is one of the essential elements contributing to the sustainable development of the Company. The Group always encourages its employees to participate external seminars and other professional development trainings so as to keep abreast of the changing business environment.

HEALTH AND SAFETY

The Group strives to provide a healthy and safe working environment to its employees, and will constantly evaluate and upgrade tools, office and information technology equipment as and when needed.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is committed to constantly monitor the adherence and compliance with all significant legal and regulatory requirements essential to its business operations. As far as the Company is aware and to the best of the knowledge, information and belief of the Company, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business operations of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Being people-oriented, the Group ensures all employees are reasonably remunerated in line with the prevailing market conditions, continues to encourage development training, and provides favourable career advancement opportunities for its employees.

The Group has always paid good attention to and committed to maintaining a good working relationship with its suppliers and customers, which in the long term will create good value for the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is in the process of finalizing its Environmental, Social and Governance Report for the year ended 31 March 2017, and will be available on websites of the Stock Exchange and the Company in due course after the publication of the 2017 Annual Report.

SIGNIFICANT EVENTS AFTER THE REPORTING YEAR

Details of the significant events after the reporting year of the Group are set out in Note 40 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

CHANGE IN AUDITOR IN ANY OF THE PRECEDING THREE YEARS

As announced by the Company on 15 April 2014, Crowe Horwath (HK) CPA Limited ("**Crowe Horwath**") resigned as auditor of the Group with effect from 11 April 2014, because Crowe Horwath could not reach a consensus on the audit fee with the Company for the year ended 31 March 2013, and Crowe Horwath arrived at this decision after carefully considering the fee level of the engagement commensurate with the amount of time required at various levels of responsibility. The Company proposed, with the recommendation of the Audit Committee, to appoint JH CPA Alliance Limited as the replacement auditor of the Group following the resignation of Crowe Horwath, subject to the approval of the shareholders of the Company at an extraordinary general meeting (the "**EGM**").

As announced by the Company on 8 May 2014, the appointment of JH CPA Alliance Limited as the auditor of the Group to hold office until the conclusion of the next annual general meeting of the Company was approved by the shareholders at the EGM dated 8 May 2014.

AUDITOR

The financial statements have been audited by JH CPA Alliance Limited who retires and, being eligible, offer itself for re-appointment. A resolution for re-appointment of JH CPA Alliance Limited as auditor of the Group will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Hong Sang Joon
Chairman

Hong Kong, 30 June 2017

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

CORPORATE GOVERNANCE PRACTICES

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

(i) Under code provision A.6.7 of the CG Code, independent non-executive directors ("**INEDs**") should attend the general meetings and develop a balanced understanding of the views of shareholders. However, two of existing INEDs of the Company, namely, Mr. Jo Sang Hee and Mr. Lai Han Zhen, were unable to attend the 2016 annual general meeting of the Company held on 15 December 2016 and the extraordinary general meeting of the Company held on 23 January 2017 due to other overseas commitments or other prior business engagements.

NON-COMPLIANCE WITH FINANCIAL REPORTING PROVISIONS OF THE LISTING RULES

During the year 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.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

As at 31 March 2017, the Board comprises five directors, of whom two are executive directors and three are INEDs. The Board believes the majority of the Board members are INEDs, the composition of the Board is adequate to provide checks and balances that safeguard the interests of shareholders and the Group.

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

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

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

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

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

Executive Directors:
Hong Sang Joon *(Chairman)*
Su Run Fa

Independent Non-Executive Directors:
Jo Sang Hee
Kwok Kim Hung Eddie
Lai Han Zhen

Brief biographical details of the directors are set out in the "Biographical Details of Directors and Senior Management" section in the Report of the Directors on pages 14 to 15 of this annual report. To the best knowledge of the Company, there are no relationships (including financial, business, family or other material relationships) among the directors.

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

During the year under review, the Board had reviewed the policies and practices on corporate governance of the Company; monitored the continuous professional development trainings of the directors, the company secretary and members of the senior management; monitored the policies and practices of the Company on compliance with legal and regulatory requirements; monitored the compliance of the Model Code applicable to the directors; as well as reviewed the compliance of the Company with the CG Code and the disclosures in the Corporate Governance Report.

During the year under review, the Company held 21 Board meetings, one annual general meeting and one extraordinary general meeting. Details of directors attendance records are as follows:

	Attendance		
Name of Directors	**Board Meeting**	**Annual General Meeting**	**Extraordinary General Meeting**
Executive Directors			
Hong Sang Joon	21/21	1/1	1/1
Su Run Fa	20/21	1/1	0/1
Independent Non-executive Directors			
Jo Sang Hee	12/12	0/1	0/1
Kwok Kim Hung Eddie	12/12	1/1	1/1
Lai Han Zhen	11/12	0/1	0/1

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

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

During the year ended 31 March 2017, the directors' participation in various continuous professional program is summarised as below:

Name of Directors	Attending training course/seminar	Reading materials
Executive Directors		
Hong Sang Joon	✓	✓
Su Run Fa	✓	✓
Independent Non-executive Directors		
Jo Sang Hee	✓	✓
Kwok Kim Hung Eddie	✓	✓
Lai Han Zhen	✓	✓

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy to achieve board diversity through the consideration of a number of factors and measurable objectives, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience. All Board appointments will be based on merit, and candidates will be measured against objective criteria, with due regard for the benefits of diversity on the Board. The Nomination Committee has the delegated responsibilities to monitor the implementation and review the board diversity policy and report to the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005.

During the year under review, the Remuneration Committee was chaired by three INEDs. Mr. Lai Han Zhen is the chairman and two other members are Mr. Jo Sang Hee and Mr. Kwok Kim Hung Eddie.

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

The main works performed by the Remuneration Committee during the year included review of the remuneration policy of the Company and the remuneration of directors for the coming year.

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

Members	Attendance
Lai Han Zhen *(Chairman)*	1/1
Jo Sang Hee	1/1
Kwok Kim Hung Eddie	1/1

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

AUDIT COMMITTEE

During the year under review, the Audit Committee comprised three INEDs, namely Mr. Kwok Kim Hung Eddie (the chairman of the Audit Committee), Mr. Jo Sang Hee and Mr. Lai Han Zhen.

The Committee is responsible for recommending the appointment and re-appointment of external auditor, reviewing the Group's financial information and overseeing the Group's financial reporting system and internal control procedures. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. The management of the Company provides the Audit Committee with all relevant information the Committee needs for it to discharge its responsibilities.

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

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

The main works performed by the Audit Committee during the year included review of the auditor's audit plan, the review of the annual financial statements for the year ended 31 March 2016 and interim financial statements for the six months ended 30 September 2016 with recommendations to the board for approval. It had also reviewed the adequacy and effectiveness of internal control system, including the internal control review report, and recommended the appointment and re-appointment of the auditor. The Audit Committee had also reviewed the audited consolidated results of the Company for the year ended 31 March 2017, including the accounting principles and practice adopted by the Group and recommended to the board for consideration.

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

Members	Attendance
Kwok Kim Hung Eddie *(Chairman)*	2/2
Jo Sang Hee	2/2
Lai Han Zhen	2/2

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

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee was established in March 2012.

During the year under review, the chairman of the Nomination Committee was Mr. Hong Sang Joon and other members included two INEDs, namely Mr. Jo Sang Hee and Mr. Kwok Kim Hung Eddie.

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

The main works performed by the Nomination Committee during the year included review of the structure, size and composition of the board, and making recommendations on the re-appointment of directors.

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

Members	**Attendance**
Hong Sang Joon *(Chairman)*	1/1
Kwok Kim Hung Eddie	1/1
Lai Han Zhen	1/1

AUDITOR'S REMUNERATION

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

Nature of services	HK$
Review fee for interim results	249,000
Audit fee for annual results	1,602,000
Total audit and non-audit services	1,851,000

ACCOUNTABILITY AND INTERNAL CONTROL

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

The Board has overall responsibility for monitoring the internal control of the Group and reviewing its effectiveness. Policies and procedures are in place to ensure that assets are adequately protected against unauthorized use or disposal and that the interests of shareholders are safeguarded. The systems in place are designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT

To enable the Company to discharge its annual review responsibilities pursuant to the code provision of the CG Code, the Company has reviewed the need for an internal audit function and considered it appropriate to adopt the practice of outsourcing the internal audit functions. Accordingly, for the year under review, the Company engaged an external professional certified public accountants firm (the "**Professional CPA Firm**") to provide internal audit services to the Group.

The Professional CPA firm formulated the annual internal audit plan and procedures, conducted yearly independent reviews by rotation on the operations of the Group to identify any material irregularities and significant risks, developed action plans and made recommendations to address risks and key findings (where applicable).

During the year ended 31 March 2017, the Board reviewed and ensured that the internal control process has been properly carried out and experience of staff of the Group's accounting and financial reporting were maintained properly. The Board satisfies that, given the size and activities of the Company, adequate internal control systems have been established and considers continuing reviews of internal controls will be undertaken to ensure its adequacy and effectiveness.

COMPANY SECRETARY

Mr. Wong Wing Cheong has been appointed as the company secretary of the Company since 1 August 2012 and he has taken no less than 15 hours of relevant training as required by the Listing Rules.

SHAREHOLDER RIGHTS

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

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

INVESTOR RELATIONS

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

INDEPENDENT AUDITOR'S REPORT

JH CPA Alliance Limited
晉華會計師事務所有限公司
Certified Public Accountants

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

OPINION

We have audited the consolidated financial statements of Siberian Mining Group Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 31 to 123, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2(b) to the consolidated financial statements which indicates that the Group's current liabilities exceeded its current assets by HK$3,239,524,000. These conditions, along with other matters as set forth in Note 2(b) indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
Exploration and evaluation assets & Other intangible assets — mining right The Group tested the amount of exploration and evaluation assets and other intangible assets for impairment. These impairment tests are significant to our audit because the balance of exploration and evaluation assets and other intangible assets of approximately HK$2,392,398,000 and HK$529,088,000 as at 31 March 2017 respectively are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates. The accounting policies, significant accounting judgements and estimates and disclosures for exploration and evaluation assets and other intangible assets are included in notes 16 & 17 to the consolidated financial statements.	Our audit procedures included, among others: — Assessing the competence, independence and integrity of the external valuer engaged by client; — Obtaining the external valuation reports and discuss with the external valuer and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model; — We engaged a second external expert ourselves to help us to assess the work of the client's valuer; — Assessing the competence, independence and integrity of the second external expert engaged by us; — Obtaining the reports from the second external expert and discuss with them on the reasonableness of the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model adopted by client's valuer; — Assessing the reasonableness of the key assumptions; — Checking key assumptions and input data in the valuation model to supporting evidence; — Assessing the arithmetical accuracy of fair value less costs of disposal as test for impairments; and — Checking the parameters used against supporting evidence.

INDEPENDENT AUDITOR'S REPORT

Accounting for convertible note In prior year, the Third Convertible Note with a principal amount of US$431,190,000 which were included in the consolidated statement of financial position as liability component and derivative component. The liability component was subsequently measured at amortised cost using the effective interest rate method and the derivative component were accounted for as derivative financial liabilities which were measured at fair value with changes in fair value recognised in profit or loss. The Group is required to reassess the fair value of the derivative component at the end of each reporting period. The valuation of the derivative component is based on a valuation model with inputs including discount rates and expected share price volatility. We focused on this area because of the significant judgement involved in determining these inputs of the fair value of the derivative component. Management engaged an external valuation specialist to perform the valuation of the convertible note. The accounting policies, significant accounting judgements and estimates and disclosures for convertible note payables are included in notes 25 to the consolidated financial statements.	Our audit procedures included, among others: — Assessing the competence, independence and integrity of the external valuer engaged by client; — Obtaining the external valuation reports and discuss with the external valuer and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model; — We engaged a second external expert ourselves to help us to assess the work of the client's valuer; — Assessing the competence, independence and integrity of the second external expert engaged by us; — Obtaining the reports from the second external expert and discuss with them on the reasonableness of the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model adopted by client's valuer; — Assessing the reasonableness of the key assumptions; — Checking key assumptions and input data in the valuation model to supporting evidence; — Assessing the arithmetical accuracy of fair value less costs of disposal as test for impairments; and — Checking the parameters used against supporting evidence.
Accounting for Extinguishing financial liabilities with equity instruments On 20 February 2017, certain loan capitalisation agreement were executed with various creditors. Pursuant to the agreement, the creditors have agreed to, among other things, subscribe new shares by applying the entire outstanding principals and interests amount in respect of the loan as subscription monies at a price of HK$0.325 per capitalisation share. According to the terms of loan capitalisation agreement, this capitalisation constituted an extinguish of financial liabilities with equity instruments under HK(IFRIC)-Int 19. Therefore, a gain or loss is recognised in profit or loss which is measured as the different between the carrying amount of the financial liability and the fair value of the equity instruments issued. We focused on this area because of the amount being significant to the consolidated financial statements. The accounting policies and relative disclosures are included in the consolidated financial statements.	Our audit procedures included, among others: — Obtained and examined the entire loan capitalisation agreements; — Determine the proper application of HK(IFRIC)-Int 19; — Check the correctness of the outstanding amount principals and accrued interest of the loans; — Assess the reasonableness of the fair value adopted on the equity instruments; — Assessing the arithmetical accuracy of the gain or loss on the extinguish of the financial liabilities with equity instruments; and — Check corresponding proper record of share capital and reserve movements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

JH CPA Alliance Limited
Certified Public Accountants
Hong Kong, 30 June 2017

Fung Kwok Leung
Practising Certificate Number P2357

Consolidated Statement of Profit or Loss

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Turnover	6	**1,673**	1,824
Cost of sales		**(1,658)**	(1,811)
Gross profit		**15**	13
Other income	6	**11,004**	76
Other gains and losses	6	**2,426,960**	(88,458)
Selling and distribution costs		**(47)**	(59)
Administrative expenses		**(35,234)**	(38,749)
Other expenses	8	**(6,037)**	(5,498)
Finance costs	7	**(369,369)**	(332,898)
Profit/(Loss) before income tax	8	**2,027,292**	(465,573)
Income tax	10	**3**	(2)
Profit/(Loss) for the year		**2,027,295**	(465,575)
Attributable to:			
Owners of the Company	11	**1,978,002**	(459,930)
Non-controlling interests		**49,293**	(5,645)
		2,027,295	(465,575)
Earnings/(Loss) per share			
Basic (Hong Kong cents)	13	**313**	(90)
Diluted (Hong Kong cents)	13	**313**	(90)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Profit/(Loss) for the year	**2,027,295**	(465,575)
Other comprehensive income for the year, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**47,767**	5,308
Total comprehensive income/(expense) for the year, net of tax	**2,075,062**	(460,267)
Attributable to:		
Owners of the Company	**2,021,682**	(455,146)
Non-controlling interests	**53,380**	(5,121)
	2,075,062	(460,267)

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	13,898	385
Prepayments for acquisition of property, plant and equipment		—	289
Other intangible assets	16	529,088	9,745
Exploration and evaluation assets	17	2,392,398	465,492
		2,935,384	475,911
Current assets			
Trade receivables	18	1,282	—
Other receivables, deposits and prepayments		2,774	1,719
Cash and cash equivalents	19	10,846	337
		14,902	2,056
Current liabilities			
Trade payables	20	1,282	—
Other payables, accrued expenses and trade deposit received		17,689	26,042
Interest-bearing borrowings	21	39,072	87,710
Amount due to a director	22(a)	—	3,058
Amount due to an ex-director	22(b)	5,957	14,344
Amount due to a related party	22(c)	—	32,279
Coal trading deposit received	23	—	24,180
Purchase consideration payable for additional acquisition	24	3,315	3,328
Convertible note payables	25	3,187,111	—
		3,254,426	190,941
Net current liabilities		(3,239,524)	(188,885)
Total assets less current liabilities		(304,140)	287,026

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Amount due to an ex-director	22(b)	**5,910**	—
Amount due to a related party	22(c)	**33,897**	—
Amount due to a shareholder	22(d)	**33,039**	32,677
Convertible note payables	25	**—**	2,828,189
Promissory notes payables	26	**15,600**	72,160
Provision for close down, restoration and environmental costs	27	**1,474**	1,166
Deferred tax liabilities	28	**6**	8
		89,926	2,934,200
NET LIABILITIES		**(394,066)**	(2,647,174)
CAPITAL AND RESERVES			
Share capital	29	**241,695**	102,690
Reserves		**(663,269)**	(2,723,992)
Equity attributable to owners of the Company		**(421,574)**	(2,621,302)
Non-controlling interests		**27,508**	(25,872)
CAPITAL DEFICIENCIES		**(394,066)**	(2,647,174)

These financial statements were approved and authorised for issue by the Board of Directors on 30 June 2017.

Hong Sang Joon
Director

Kwok Kim Hung Eddie
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

Group	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Equity-settled share option reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 April 2015	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 year	—	—	—	—	—	—	(459,930)	(459,930)	(5,645)	(465,575)
Other comprehensive income for the year	—	—	4,784	—	—	—	—	4,784	524	5,308
Total comprehensive expenses for the year	—	—	4,784	—	—	—	(459,930)	(455,146)	(5,121)	(460,267)
Issue of shares upon conversion of convertible note (Note 25)	1,001	195,155	—	—	—	—	—	196,156	—	196,156
Waiver of interest on early settle of amounts due to shareholders	—	—	—	—	—	11	—	11	—	11
At 31 March 2016	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 year	—	—	—	—	—	—	1,978,002	1,978,002	49,293	2,027,295
Other comprehensive income for the year	—	—	43,680	—	—	—	—	43,680	4,087	47,767
Total comprehensive income for the year	—	—	43,680	—	—	—	1,978,002	2,021,682	53,380	2,075,062
Issue of shares upon loan capitalisation (Note 29 (iv))	93,845	32,323	—	—	—	—	—	126,168	—	126,168
Issue of shares upon new placement (Note 29 (ii) & (iii))	45,160	6,636	—	—	—	—	—	51,796	—	51,796
Waiver of interest on early settle of amounts due to shareholders	—	—	—	—	—	82	—	82	—	82
At 31 March 2017	241,695	1,956,517	32,285	322,379	47	23,600	(2,998,097)	(421,574)	27,508	(394,066)

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Cash flow from operating activities		
Profit/(Loss) before income tax expenses	2,027,292	(465,573)
Adjustments for:		
Provision of doubtful debt/(Bad debt recovery)	13	(20)
Depreciation	43	46
Amortisation of other intangible assets	6,037	5,498
Finance costs	369,369	332,898
Loss on disposal of property, plant and equipment	—	40
Fair value gain on capitalisation of loans	(25,808)	—
Provision for close down, restoration and environmental costs	59	74
Reversal of impairment loss/(Impairment loss) on other intangible assets	(470,567)	30,118
Reversal of impairment loss/(Impairment loss) on property, plant and equipment	(12,110)	990
Reversal of impairment loss/(Impairment loss) on exploration and evaluation assets	(1,918,475)	57,350
Operating loss before working capital changes	(24,147)	(38,579)
(Increase)/Decrease in trade receivables	(1,295)	2,111
(Increase)/Decrease in other receivables, deposits and prepayments	(1,055)	1,948
Increase/(Decrease) in trade payables	1,282	(2,104)
(Decrease)/Increase in other payables, accrued expenses and trade deposits received	(8,353)	5,416
Decrease in coal trade deposit received	(24,180)	—
Cash used in operating activities	(57,748)	(31,208)
Interest and bank charges paid	(10,447)	(10,048)
Net cash used in operating activities	(68,195)	(41,256)

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Cash flow from investing activities		
Advance for acquisition of property, plant and equipment	—	(289)
Purchases of property, plant and equipment	(32)	(22)
Capitalised expenses of exploration and evaluation assets	(5,550)	(109)
Deposit refund from acquisition of property, plant and equipment	289	—
Net cash used in investing activities	(5,293)	(420)
Cash flow from financing activities		
Loan received from a director of the Company	—	4,000
Loan received from a related party of the Company	—	28,561
Loan received from a shareholder of the Company	790	22,321
Repayment of loan from a director of the Company	(2,000)	(2,000)
Repayment of loan from a shareholder of the Company	(868)	(23,561)
Repayment of loan from an ex-director of the Company	(3,000)	—
Repayment of loan from a related party of the Company	—	(22,321)
(Decrease)/Increase in amount due to a director	(1,058)	1,058
Increase in amount due to an ex-director	523	631
Increase/(Decrease) in amount due to a related party	1,618	(6,077)
Increase in amount due to a shareholder	522	8,074
Repayment of loans	(96,438)	—
Proceeds from borrowings	47,800	13,320
Repayment of principal of promissory notes	(56,560)	—
Proceeds from placement of new shares	51,796	—
Proceeds from loan capitalisation	151,976	—
Net cash generated from financing activities	95,101	24,006
Net increase/(decrease) in cash and cash equivalents	21,613	(17,670)
Cash and cash equivalents at beginning of year	337	5,045
Effect of exchange rate changes on cash and cash equivalents	(11,104)	12,962
Cash and cash equivalents at end of year	10,846	337
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	10,846	337

Notes to the Financial Statements

For the year ended 31 March 2017

1. ORGANISATION AND OPERATIONS

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

The Company engages in investment holding. The principal activities of its principal subsidiaries are set out in Note 39.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumptions

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

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

During the year, the Group's current liabilities exceeded its current assets by approximately HK$3,239,524,000 (2016: HK$188,885,000) and a capital deficiency of HK$394,066,000 (2016: HK$2,647,174,000) as at 31 March 2017. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

— Continue to exercise cost control in administrative and other expenses by further streamlining the Group operation.

2. BASIS OF PREPARATION *(Continued)*

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

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

(i) Obtained a loan facilities agreement from the independent third party to provide continuous financial support to the Group. The loan facility provides up to HK$100,000,000 to the Group for the 18 months period commencing from 13 June 2017.

(ii) As set out in Note 21, 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 21, with regard to Other Loan 3, the lender has agreed not to demand for repayment for the amount due before 31 December 2018.

(iv) As set out in Note 21, with regard to Other Loan 4, the lender has agreed not to demand for repayment for the amount due before 31 December 2017.

(v) As set out in Note 26, with regard to promissory notes, the promissory notes holder has agreed not to demand for repayment of the amount due before 31 December 2018.

(vi) With regard to amounts due to an ex-director, he has agreed not to demand for repayment of the US dollar amount due before 31 August 2017 and Hong Kong dollar amount due before 31 December 2018.

(vii) With regard to amounts due to 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 issued new shares of the Company.

(ix) The Company has obtained additional loan facilities sufficient to support the continual normal operation of the Group for at least 12 months after year end.

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 financial statements on a going concern basis.

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) The accounting policies and basis of preparation adopted in the preparation of the consolidated financial statements are the same as those used in the consolidated financial statements for the year ended 31 March 2016, except in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current year's financial statements as explained in (b).

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New and revised HKFRSs effective in current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual improvements 2012-2014 Cycle

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

(c) New and revised HKFRSs issued but not yet effective:

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 7 (Amendment)	Disclosure Initiative [1]
HKAS 12 (Amendment)	Income Taxes — Recognition of Deferred Tax Assets for Unrealised Losses [1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycle [5]
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions [2]
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [2]
HKFRS 9	Financial Instruments [2]
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
HKFRS 15	Revenue from Contracts with Customers [2]
HKFRS 16	Leases [4]
HKAS 40 (Amendment)	Transfers of Investment Property [2]
HK(IFRIC) — Int 22 (New)	Foreign Currency Transactions and Advance Consideration [2]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective date not yet been determined
[4] Effective for annual periods beginning on or after 1 January 2019
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(c) New and revised HKFRSs issued but not yet effective: *(Continued)*

HKFRS 9, 'Financial Instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: recognition and measurement' and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(c) New and revised HKFRSs issued but not yet effective: *(Continued)*

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial statement, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

A preliminary assessment by the Group indicates that the standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$3,036,000 (Note 31). The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated profit or loss and other comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Amendments to HKAS 7 'Disclosure initiative'

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 March 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application. Except as disclosed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

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

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

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

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

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

Non-controlling interest in subsidiaries are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Non-controlling interest in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's ownership interests in existing subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

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

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

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

— deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

(b) Business Combination

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business Combination *(Continued)*

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

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

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

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

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date the control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries *(Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interest and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

(d) Property, plant and equipment

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Construction in progress

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

(f) Intangible assets excluding goodwill

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

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

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

Mining Rights

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

(h) Exploration and evaluation assets

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

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

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

— the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

— substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

— exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

— sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

(i) Financial Instruments

Financial assets and financial liabilities are recognised when a group entity become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(ii) Impairment loss on financial assets

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

Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— a ranting concession to a debtor because of debtor's financial difficulty; or

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

(iii) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(iii) Financial liabilities (Continued)

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

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

(iv) Convertible notes

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

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

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

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

(v) Effective interest method

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

(vi) Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(vii) Extinguishing Financial Liabilities with Equity Instruments

Where the terms of a financial liability are renegotiated and the equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

(j) Cash and cash equivalents

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

(k) Operating lease

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

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

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

(l) Provision, contingent liabilities and contingent assets

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

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

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

Provision for close down, restoration and environmental costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(m) Foreign currencies

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Taxation

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employees' benefits

(i) Short-term benefits

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

(ii) Pension obligations

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

The Group operates the MPF Scheme for all Hong Kong employees, which is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employers and their employees are required to make monthly contributions to the plan computed at 5% each on the employees' monthly relevant income, subject to the statutory cap of HK$1,500 monthly contribution. Apart from the mandatory 5% contributions, the employees will not make monthly voluntary contributions and the employers will also not make monthly voluntary contribution. Mandatory contributions to the plan will vest immediately. Where there are employees leaving the Group prior to vesting fully in such contributions by the employers resulted in forfeited contributions, the contributions payable by the Group will be reduced by the amount of forfeited contributions. Please refer to Note 9 for the amounts so utilized in the course of the year (if any) and available at the date of statement of financial position for such use (if any).

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

(iii) Share-based payments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Borrowing costs

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

(q) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Company's parent.

(2) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition

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

(i) Revenue from the sale of products is recognised when the Group has delivered products to the customers, the customers have accepted the products; and

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the effective interest rate applicable.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

Amortisation of mining right

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

These consolidated financial statements have been prepared on a going concern basis and the details are explained in note 2(b) to the consolidated financial statements.

(b) Key sources of estimation uncertainty

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

Equity-settled share option expense

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

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

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

Impairment of non-financial assets and goodwill

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

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

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

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

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

Reserve estimates

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

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

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

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

Reserve estimates (Continued)

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

(i) Asset carrying values may be affected due to changes in estimated future cash flows.

(ii) Depreciation, depletion and amortisation charged to profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

(iii) Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

(iv) The carrying value of deferred tax may change as a result of changes in the asset carrying values as discussed above.

Provision for close down, restoration and environmental costs

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

Exploration and evaluation expenditure

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

Income taxes

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

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

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

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

	2017 HK$'000	2016 HK$'000
Turnover		
Trading of mineral resources and commodities	1,673	1,824
Other income		
Exchange gain	10,966	—
Sundry income	38	76
	11,004	76
Other gains and losses		
Fair value gain on capitalisation of loans (Note 29 (iv))	25,808	—
Reversal of impairment loss/(Impairment loss) on other intangible assets (Note 16)	470,567	(30,118)
Reversal of impairment loss/(Impairment loss) on property, plant and equipment (Note 15 & 16)	12,110	(990)
Reversal of impairment loss/(Impairment loss) on exploration and evaluation assets (Note 17)	1,918,475	(57,350)
	2,426,960	(88,458)

7. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest expenses on		
Loan from a related party	1,618	1,475
Loan from a director	94	221
Loan from an ex-director	620	632
Loan from third parties	7,509	7,113
Loan from a shareholder	550	571
Imputed interest on promissory notes (Note 26)	—	1,186
Imputed interest on convertible note (Note 25)	358,922	321,664
	369,313	332,862
Bank charges	56	36
	369,369	332,898

8. PROFIT/(LOSS) BEFORE INCOME TAX

	2017 HK$'000	2016 HK$'000
Profit/(Loss) before income tax is arrived at after charging/(crediting):—		
Employees benefit expenses (excluding directors' remuneration):—		
Wages and salaries	4,584	4,475
Pension fund contributions	303	296
	4,887	4,771
Other expenses		
Amortisation of other intangible assets-mining right (Note 16)	6,037	5,498
Provision of doubtful debt/(bad debt recovered)	13	(20)
Depreciation (Note 15)	43	46
Auditor's remuneration		
— Group	1,580	1,500
— Overseas subsidiaries	96	188
Provision for close down, restoration and environmental costs (Note 27)	59	74
Minimum lease payments in respect of premises under operating leases	1,824	1,817
Net exchange (gain)/losses	(10,966)	12,773
Cost of inventories sold	1,658	1,811

9. EMPLOYEE BENEFITS EXPENSES

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name of directors	Fees		Salaries and allowances		Pension fund contributions		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Executive directors								
Jang Sam Ki	—	90	—	—	—	—	—	90
Hong Sang Joon	240	240	2,340	1,020	18	18	2,598	1,278
Su Run Fa	120	120	—	—	—	—	120	120
	360	450	2,340	1,020	18	18	2,718	1,488
Independent non-executive directors								
Jo Sang Hee	120	30	—	—	—	—	120	30
Kwok Kim Hung, Eddie	120	120	—	—	—	—	120	120
Lai Hen Zhen	120	120	—	—	—	—	120	120
Park Kun Ju	—	90	—	—	—	—	—	90
	360	360	—	—	—	—	360	360
Total	720	810	2,340	1,020	18	18	3,078	1,848

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

9. EMPLOYEE BENEFITS EXPENSES *(Continued)*

(b) Five highest paid individuals (including senior management)

The five highest paid individuals during the year included one director (2016: one directors), details of whose remuneration are set out in Note (a) above. Details of the remuneration of the remaining four (2016: four) non-directors (including senior management), highest paid individuals for the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**3,210**	2,929
Pension fund contribution	**36**	30
	3,246	2,959

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

	2017	2016
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**—**	—
HK$2,500,001 to HK$3,000,000	**—**	—
	4	4

The Group has arranged for its employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group's subsidiaries (the employer) and its employees make monthly contributions to the scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employees are subject to a maximum contribution of HK$1,500 (2016: HK$1,500) per month and thereafter contributions are voluntary. The Group has no further obligation for post-retirement benefits beyond the contributions.

For the year ended 31 March 2017, the amount of the Group's employer contributions to defined contribution plans was HK$321,000 (2016: HK$314,000). During the current and prior years, no contributions have been forfeited to the MPF Scheme which has not been utilised for the year ended 31 March 2017. As at 31 March 2017, contribution payable to the MPF Scheme amounted to HK$6,400 (2016: HK$6,700).

10. INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Group:		
Current — Hong Kong		
Charge for the year	—	—
Current — Russia and other overseas		
Deferred tax (Note 28)	(3)	2
	(3)	2

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

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

	2017 HK$'000	2016 HK$'000
Profit/(Loss) before income tax expenses	2,027,292	(465,573)
Tax credit calculated at the weighted average statutory tax rate	334,740	(77,428)
Tax effect of expenses not deductible for taxation purposes	78,929	77,866
Tax effect of income not taxable for taxation purposes	(414,351)	(438)
Tax effect of tax losses not recognised	679	2
Income tax (credit)/charge for the year	(3)	2

11. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit from ordinary activities attributable to owners of the Company for the year ended 31 March 2017 includes a profit of HK$1,978,002,000 (2016: loss of HK$459,930,000) which has been dealt with in the financial statements of the Company.

12. DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 March 2017 (2016: Nil).

13. 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 year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings/(loss) per share was based on the profit/(loss) for the year attributable to the owners of the Company, adjusted to reflect the imputed interests on convertible notes and the change in fair value of convertible note, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(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 have an anti-dilutive effect to the basic earnings/(loss) per share calculation for the current and prior years, the conversion of the outstanding share options and convertible note is therefore not assumed in the computation of diluted earnings/(loss) per share for the current and prior years. Therefore, the basic and diluted earnings/(loss) per share calculations for the respective years are the same.

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

	2017 **HK$'000**	2016 HK$'000
Profit/(Loss)		
Profit/(Loss) attributable to the owners of the Company, used in the basic and diluted earnings/(loss) per share	**1,978,002**	(459,930)

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share	**632,179,024**	512,695,646

14. SEGMENT INFORMATION

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

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

(i) Mining segment comprises holding mining and exploration rights of coal mines in the Russia and will be engaged in the exploration and mining of coal.

(ii) Mineral resources, commodities and other trading segment comprises the business of scrapped iron and paper for newspaper printing trading to the Republic of Korea ("**Korea**").

14. SEGMENT INFORMATION *(Continued)*

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

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

(a) Reportable segments

The following table presents revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the years ended 31 March 2017 and 2016.

For the year ended 31 March 2017

	Mining HK$'000	Mineral resources, commodities and other trading HK$'000	Consolidated total HK$'000
Reportable segment revenue			
Revenue from external customers	—	1,673	1,673
Reportable segment profit/(loss)	2,399,684	(22)	2,399,662
Reversal of impairment loss on other intangible assets	470,567	—	470,567
Reversal of impairment loss on property, plant and equipment	12,110	—	12,110
Reversal of impairment loss on exploration and evaluation assets	1,918,475	—	1,918,475
Depreciation	(41)	(2)	(43)
Allowance for doubtful trade receivables	—	(13)	(13)
Amortisation of other intangible assets	(6,037)	—	(6,037)
Reportable segment assets	2,947,833	1,335	2,949,168
Additions to non-current assets	5,582	—	5,582
Reportable segment liabilities	(34,918)	(1,242)	(36,160)

14. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

For the year ended 31 March 2016

	Mining HK$'000	Mineral resources and commodities trading HK$'000	Consolidated total HK$'000
Reportable segment revenue			
Revenue from external customers	—	1,824	1,824
Reportable segment loss	(112,797)	(166)	(112,963)
Impairment loss on other intangible assets	(30,118)	—	(30,118)
Impairment loss on property, plant and equipment	(990)	—	(990)
Impairment loss on exploration and evaluation assets	(57,350)	—	(57,350)
Depreciation	(42)	(4)	(46)
Allowance for doubtful trade receivables	—	20	20
Amortisation of other intangible assets	(5,498)	—	(5,498)
Loss on written-off of property, plant and equipment	(40)	—	(40)
Reportable segment assets	476,798	290	477,088
Additions to non-current assets	131	—	131
Reportable segment liabilities	(58,958)	(109)	(59,067)

14. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Revenue		
Reportable segment revenue and consolidated revenue	**1,673**	1,824

	2017 HK$'000	2016 HK$'000
Profit/(loss) before income tax		
Reportable segment profit/(loss)	**2,399,662**	(112,963)
Other gains and losses	**25,808**	—
Unallocated corporate expenses	**(28,809)**	(19,712)
Finance costs	**(369,369)**	(332,898)
Consolidated profit/(loss) before income tax	**2,027,292**	(465,573)

	2017 HK$'000	2016 HK$'000
Assets		
Reportable segment assets	**2,949,168**	477,088
Unallocated corporate assets	**1,118**	879
Consolidated total assets	**2,950,286**	477,967

	2017 HK$'000	2016 HK$'000
Liabilities		
Reportable segment liabilities	**(36,160)**	(59,067)
Unallocated corporate liabilities	**(3,308,192)**	(3,066,074)
Consolidated total liabilities	**(3,344,352)**	(3,125,141)

14. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

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

	Revenue from external customers		Specific non-current assets	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Russia	**—**	—	**2,935,382**	475,907
Korea	**1,673**	1,824	**2**	4
	1,673	1,824	**2,935,384**	475,911

(c) Information about major customers

For the year ended 31 March 2017, two customers of the mineral resources and commodities trading segment with revenue of HK$529,000 and HK$1,144,000 respectively, each contributed to more than 10% of the Group's revenue.

For the year ended 31 March 2016, two customers of the mineral resources and commodities trading segment with revenue of HK$944,000 and HK$880,000 respectively, each contributed to more than 10% of the Group's revenue.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Freehold land HK$'000	Furniture and fixture HK$'000	Equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2015	11,713	1,742	122	153	202	13,932
Additions	—	—	11	11	—	22
Disposals	(40)	—	—	(31)	—	(71)
Exchange realignments	(1,755)	(261)	(15)	(1)	(30)	(2,062)
At 31 March 2016	9,918	1,481	118	132	172	11,821
Additions	—	—	3	29	—	32
Exchange realignments	2,082	310	17	1	36	2,446
At 31 March 2017	**12,000**	**1,791**	**138**	**162**	**208**	**14,299**
Accumulated depreciation and impairment						
At 1 April 2015	10,396	1,548	105	103	124	12,276
Charge for the year (Note 8)	—	—	6	21	19	46
Impairment loss (Note 6)	860	130	—	—	—	990
Written back on disposal	—	—	—	(31)	—	(31)
Exchange realignments	(1,575)	(234)	(15)	(1)	(20)	(1,845)
At 31 March 2016	9,681	1,444	96	92	123	11,436
Charge for the year (Note 8)	—	—	7	17	19	43
Reversal of impairment loss (Note 6)	(10,539)	(1,571)	—	—	—	(12,110)
Exchange realignments	858	127	18	1	28	1,032
At 31 March 2017	**—**	**—**	**121**	**110**	**170**	**401**
Net carrying value						
At 31 March 2017	**12,000**	**1,791**	**17**	**52**	**38**	**13,898**
At 31 March 2016	237	37	22	40	49	385

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

16. OTHER INTANGIBLE ASSETS

	Mining right HK$'000
Cost	
At 1 April 2015	1,689,464
Exchange realignments	(253,608)
At 31 March 2016 and 1 April 2016	1,435,856
Exchange realignments	301,555
At 31 March 2017	**1,737,411**
Accumulated amortisation and impairment losses	
At 1 April 2015	1,637,296
Charge for the year (Note 8)	5,498
Impairment loss (Note 6)	30,118
Exchange realignments	(246,801)
At 31 March 2016 and 1 April 2016	1,426,111
Charge for the year (Note 8)	6,037
Reversal of impairment loss (Note 6)	(470,567)
Exchange realignments	246,742
At 31 March 2017	**1,208,323**
Net carrying value	
At 31 March 2017	**529,088**
At 31 March 2016	9,745

Mining right

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

In performing the impairment test for current year, the directors of the Company have engaged Access Partner Consultancy & Appraisals Limited ("**Access Partner**"), an independent firm of professional valuer in determining the recoverable amount of the mining right which is the higher of the asset's fair value less costs to sell and its value in use. Given the current development status of the mining right, the directors have determined the fair value less costs of disposal 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.

16. OTHER INTANGIBLE ASSETS *(Continued)*

Mining right *(Continued)*

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

(i) Cash flow projection is determined for a period of 15 years up to 2031 (2016: a period of 15 years up to 2030) with the first year of production taken to be from year 2021 (2016: first year of production from year 2020) based on the senior management's current best estimated production plan.

(ii) Cost of production (including royalties) on average is taken as 49.44% (2016:76.68%) of revenue.

(iii) The post-tax discount rate applied to the cash flow projection is 19.71% (2016: post-tax discount rate of 22.03%).

(iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (2016: increment of 3% p.a.), which is in line with the comparable market information.

(v) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show a decrease of approximately 9% and increase of approximately 85% (depends on different type of coals) when compared to that of last year.

(vi) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 31 March 2017 is taken to be 1.00 US Dollar to 56.24 Russian Rubles (2016: 1.00 US Dollar to 66.90 Russian Rubles).

(vii) The inflation rate on operating costs is 3% p.a. (2016: 3% p.a.)

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

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

The directors of the Company are of the opinion that based on the valuation, the mining right was evaluated upward and thus would result in reversal of impairment loss of HK$470,567,000 (2016: impaired by HK$30,118,000) compared with its carrying value as at 31 March 2017. The reversal of impairment loss is mainly attributable to the net effects of the increase of the relevant coal prices, the appreciation of Russian Rubles to US Dollars and the decrease in post-tax discount rate during the current year as compared to previous year, and the changes in parameters for the other major assumption in the DCF analysis for item (i) mentioned above do not have material impacts on the resultant reversal of impairment loss when compared with that of coal prices increase, Russian Rubles to US Dollars appreciation and post-tax discount rate decrease.

The directors of the Company are also of the opinion that based on the valuation above, property, plant and equipment associated with the mining right were evaluated upward compared with their recoverable amounts as at 31 March 2017. The resultant reversal of impairment loss of HK$12,110,000 (2016: impaired by HK$990,000) (Note 15) was recognised for property, plant and equipment associated with the mining right during the current year.

16. OTHER INTANGIBLE ASSETS *(Continued)*

Mining right *(Continued)*

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

Intangible assets	Locations	Expiry Date
Mining right		
Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russian Federation	1 November 2017

17. EXPLORATION AND EVALUATION ASSETS

	Total HK$'000
Cost	
At 1 April 2015	3,629,436
Additions	109
Exchange realignments	(2,493)
At 31 March 2016 and 1 April 2016	3,627,052
Additions	5,550
Exchange realignments	3,604
At 31 March 2017	**3,636,206**
Accumulated impairment losses	
At 1 April 2015	3,105,873
Impairment loss (Note 6)	57,350
Exchange realignments	(1,663)
At 31 March 2016 and 1 April 2016	3,161,560
Reversal of impairment loss (Note 6)	(1,918,475)
Exchange realignments	723
At 31 March 2017	**1,243,808**
Net carrying value	
At 31 March 2017	**2,392,398**
At 31 March 2016	465,492

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.

17. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

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

(i) Cash flow projection is determined for a period of 12 years up to 2028 (2016: a period of 12 years up to 2027) with the first year of production taken to be from year 2019 (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 19.71% (2016: 22.03%).

(iii) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show an increase of approximately 6% to 85% (depends on different type of coals) when compared to that of last year.

(iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (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 31 March 2017 is taken to be 1.00 US Dollar to 56.24 Russian Rubles (2016: 1.00 US Dollar to 66.90 Russian Rubles).

(vi) The inflation rate on operating costs is 3% p.a. (2016: 3% p.a.).

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (i), (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 the last year.

The directors of the Company are of the opinion that based on the valuation, the exploration and evaluation asset was evaluated upward and thus would result in reversal of impairment loss of HK$1,918,475,000 (2016: impaired by HK$57,350,000) compared with its carrying value as at 31 March 2017. The reversal of impairment loss is mainly attributable to the net effects of the increase of the relevant coal prices, the appreciation of Russian Rubles to US Dollars and the decrease in post-tax discount rate during the current year as compared to previous year, and the changes in parameters for the other major assumption in the DCF analysis for item (i) mentioned above do not have material impacts on the resultant reversal of impairment loss when compared with that of coal prices increase, Russian Rubles to US Dollars appreciation and post-tax discount rate decrease.

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

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

18. TRADE RECEIVABLES

Trade receivables at the end of each reporting year comprise mainly amounts receivable from third parties. The amounts are repayable on demand.

For trade receivables, the Group does not have specific credit term to trade customers and no interest is charged.

	2017 HK$'000	2016 HK$'000
Trade receivables	1,295	—
Less: Allowance for doubtful debts	(13)	—
	1,282	—

Included in the Group's accounts receivables are debtors (see below for aged analysis) which are past due as at the end of each reporting year for which the Company have not provided for allowance of doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right to offset against any amounts owed by the Company to the counterparty. The average age of these receivables is 30 days (2016: Nil).

Ageing of trade receivables which are past due but not impaired were as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	1,282	—

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

The movement in the allowance for doubtful debt on trade receivables is as follow:

	2017 HK$'000	2016 HK$'000
At beginning of year	—	22
Impairment loss recognised during the year	13	(20)
Written-off of uncollectible amounts	—	—
Exchange realignments	—	(2)
At end of year	13	—

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

19. CASH AND CASH EQUIVALENTS

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

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents were denominated in:		
Russian Ruble ("**RUB**")	31	1
Korean Won ("**KRW**")	46	87
United States Dollars ("**US$**")	19	8
Euro ("**EUR**")	8	17
Hong Kong Dollars ("**HK$**")	10,742	224
Total	10,846	337

20. TRADE PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	1,282	—

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2017 HK$'000	2016 HK$'000
0 to 30 days	1,282	—

21. INTEREST-BEARING BORROWINGS

	2017 HK$'000	2016 HK$'000
Other loan 1 (Note a)	14,500	14,500
Less: Repayment by way of loan capitalisation	(12,728)	—
	1,772	14,500
Other loan 2 (Note b)	—	3,400
Other loan 3 (Note c)	53,710	69,810
Less: Repayment by way of loan capitalisation	(46,410)	—
	7,300	69,810
Other loan 4 (Note d)	30,000	—
	39,072	87,710

	2017 HK$'000	2016 HK$'000
Carrying amount repayable:—		
Within one year or on demand	39,072	87,710

Note:

a. Fixed rate loan with independent third party amounted to HK$1,772,000 (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.

   On 20 February 2017, part of Other Loan 1 (including its interest payable) have been capitalised which amounting to HK$18,945,000. Pursuant to the loan capitalisation agreement, the lender of Other Loan 1 agreed to, among other things, subscribe new shares by applying the entire outstanding principals and interests amount in respect of the loan on maturity as subscription monies at a price of HK$0.325 per capitalisation share.

b. During the year ended 31 March 2017, other loan 2 in aggregate amount of HK$3,400,000 (including its interest payable) has been fully settled during the year.

c. As of previous year of 31 March 2016, fixed rate loans from an independent third party amounted to HK$69,810,000 ("**Previous Other Loan 3**"). During the year 2017, new loan agreements were entered with the same independent third party in the amount of HK$17,800,000 bearing interest at 10% per annum and repayable after 1 year from the date of drawdown or on demand.

   On 20 February 2017, part of Previous Other Loan 3 (including its interest payable) has been capitalised which amounting to US$6,771,000 (equivalent to HK$52,814,000). Pursuant to the loan capitalisation agreement, the lender of Previous Other Loan 3 agreed to, among other things, subscribe new shares by applying the entire outstanding principals and interests amount in respect of the loan on maturity as subscription monies at a price of HK$0.325 per capitalisation share.

   Therefore, the remaining unsettled Previous Other Loan 3 in aggregate amount of HK$7,300,000 (2016: US$8,950,000 (equivalent to approximately HK$69,810,000)) was due to the independent third party ("**Other Loan 3**"). Other Loan 3 is interest-bearing at 10% per annum and repayable after 1 year from the date of drawdown or on demand and the lender agreed to extend the repayment date of all loans (including the new addition loan) to 31 December 2018.

d. During the year 2017, 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 and the lender had agreed to extend the repayment date to 31 December 2017.

22. AMOUNT DUE TO A DIRECTOR/AN EX-DIRECTOR/A SHAREHOLDER/A RELATED PARTY

(a) During the year ended 31 March 2017, the amount due to a director has been fully settled.

(b) 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 not to demand for repayment of the US dollar amount due before 31 August 2017 and the Hong Kong dollar amount due before 31 December 2018.

(c) The amount due to a related party is unsecured and bears interest at the rate of 5%-6% per annum and has no fixed term of repayment. The related party had agreed not to demand for repayment of amounts due before 31 December 2018.

(d) 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 not to demand for repayment of amounts due before 31 December 2018.

23. COAL TRADING DEPOSIT RECEIVED

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

On 20 February 2017, a loan capitalisation agreement was completed with the Coal Deposit Holder. Pursuant to the agreement, the Coal Deposit Holder has agreed to, among other things, subscribe new shares by apply the entire outstanding principals and interests amount in respect of the coal trade deposit as subscription monies at a price of HK$0.325 per capitalisation share.

24. 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$3,315,000 (2016: HK$3,328,000)).

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

25. CONVERTIBLE NOTE PAYABLES

(i) Convertible note

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

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

On 17 June 2015, the outstanding Third Convertible Note was transferred to a new independent third party, Daily Loyal Limited, at the request of Cordia.

In April 2016, HASS Natural Resources Limited ("**HASS**") and Herman Tso withdrew the First HASS Report and the Supplemental 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 results prior year adjustments were made to restate the balance in respective years concerned. The Company had also re-performed the yearly valuation to determine the recoverable amounts of the exploration and evaluation assets for the years ended 31 March 2013, 2014, 2015 and 2016. Based on the re-performed results, impairment tests for the years ended 31 March 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 years.

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.

On 13 April 2017, Daily Loyal and the Company entered into the undated Amendment Agreement, among other things, to (i) extend the maturity dates of the Outstanding Third Convertible Note for at least another two years before the Outstanding Third Convertible Note becomes current liability of the Company; (ii) convert the Outstanding Third Convertible Note except for the principal amount of US$60,000,000 (equivalent to approximately HK$468,000,000) at the conversion price of HK$48 per Share within three business days upon signing of the Amendment Agreement; and (ii) agree on no demand of the remaining outstanding principal amount of the Outstanding Third Convertible Note on the maturity dates.

However, Daily Loyal (as the plaintiff) subsequently alleged that its sole director (Mr. Chan Chun Wah) signed the Amendment Agreement in August 2016 (leaving the document undated, the "**Undated Amendment Agreement**") based on an understanding that such document only served as a memorandum for discussion purpose only and was not intended to be binding, and that the Company and Hong Sang Joon (an existing director of the Company) would not fill in the date of the document. Besides, Daily Loyal was of the view that the validity of the Undated Amendment Agreement was contrary to the Additional Agreement entered into by it with Cordia Global Limited ("**Cordia**"), Choi Sungmin, Grandvest International Limited (a subsidiary of the Company) and the Company on 22 August 2016.

25. CONVERTIBLE NOTE PAYABLES *(Continued)*

(i) Convertible note *(Continued)*

Daily Loyal also alleged that (i) the placing and issue of new Shares by the Company as announced by the Company on 24 October 2016; (ii) the placing and issue of new Shares by the Company as announced by the Company on 24 January 2017; and (iii) the issue of new Shares upon loan capitalizations as announced by the Company on 20 February 2017 were conducted without the prior consent or authorization of Daily Loyal and were in breach of a convertible note agreement (the "**Convertible Note Agreement**") dated 3 April 2013 between the Company and Cordia in relation to the Third Convertible Note. For details please refer to Note 34 in relation to HCA 1071 of 2017.

(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 (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 31 March 2017	At 31 March 2016
Expected volatility	**43.47%**	44.10%
Expected life	**1.01 years**	2.01 years
Risk-free rate	**0.62%**	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.

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

	Convertible notes		
	Liabilities component HK$'000	**Derivative component** HK$'000	**Total** HK$'000
At 1 April 2015	2,702,681	—	2,702,681
Conversion of convertible note (Note 29(i))	(196,156)	—	(196,156)
Imputed interest charged during the year (Note 7)	321,664	—	321,664
At 31 March 2016 and 1 April 2016	2,828,189	—	2,828,189
Imputed interest charged during the year (Note 7)	358,922	—	358,922
At 31 March 2017	**3,187,111**	**—**	**3,187,111**

26. PROMISSORY NOTES PAYABLES

	2017 HK$'000	2016 HK$'000
At beginning of the year	**72,160**	70,974
Imputed interest charged (Note 7)	**—**	1,186
Less: Repayment by way of loan capitalisation	**(56,560)**	—
At the end of year and included in non-current liabilities	**15,600**	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, an ex-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.

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 during year ended 31 March 2013.

On 20 February 2017, certain loan capitalisation agreements were completed with two other promissory notes holders (the "**Other PN Holders**"). Pursuant to the agreements, the Other PN Holders have agreed to, among other things, subscribe new shares by apply the entire outstanding principals of the promissory notes as subscription monies at a price of HK$0.325 per capitalisation share.

During the year, no imputed interest (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 year, the carrying amount of the Modified PN was HK$15,600,000 (2016: HK$72,160,000).

On 29 November 2016, the remaining promissory notes holder has agreed to extend the maturity date of the promissory notes to 31 December 2018.

27. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	2017 HK$'000	2016 HK$'000
At beginning of year	**1,166**	1,291
Provision during the year (Note 8)	**59**	74
Exchange realignments	**249**	(199)
At end of year	**1,474**	1,166

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

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

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

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

28. DEFERRED TAXATION

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

	HK$'000
At 1 April 2015	7
Charge to the consolidated financial statements (Note 10)	2
Exchange realignments	(1)
At 31 March 2016 and 1 April 2016	8
Charge to the consolidated financial statements (Note 10)	(3)
Exchange realignments	1
At 31 March 2017	**6**

At 31 March 2017, the Group had unused tax losses of HK$53,757,000 (2016: HK$49,637,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2017 and 2016 in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group entities. There was no other significant unrecognised deferred tax as at 31 March 2017 and 2016.

29. SHARE CAPITAL

	Number of shares		Nominal value	
	2017	2016	**2017 HK$'000**	2016 HK$'000
Authorised:				
Ordinary shares of HK$0.2 each (2016: HK$0.2 each)	**5,000,000,000**	5,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of year	**513,447,763**	508,442,763	**102,690**	101,689
issue of shares on partial conversion of the Convertible Note (Note(i))	**—**	5,005,000	**—**	1,001
issue of shares upon new placement (Note (ii) & (iii))	**225,800,000**	—	**45,160**	—
Issue of shares upon capitalisation of loan (Note (iv))	**469,227,760**	—	**93,845**	—
At end of year	**1,208,475,523**	513,447,763	**241,695**	102,690

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

Note:

(i) As set out in Note 25, 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) on 22 May 2015. A total of 5,005,000 Conversion shares with nominal value of HK$0.2 each were issued and allotted at the conversion price of HK$48 per share, of which HK$1,001,000 was credited to share capital and the remaining balance of HK$195,156,000 was credited to the share premium account.

(ii) For repayment of loans and general working capital of the Group, on 24 October 2016, an aggregate of 102,600,000 new ordinary shares at nominal value of HK$0.2 each were issued at subscription price of HK$0.269 each to the then independent third parties of no less than six individual investors of the Group. The aggregate nominal value was HK$27,599,400. The closing market price as of 30 September 2016 was HK$0.335 as when the relevant placing agreement was entered into. The aggregate consideration was approximately HK$26,315,000 (net of issue expenses i.e. net price of approximately HK$0.256 per share) of which HK$20,520,000 was credited to share capital and HK$5,795,000 was credited to share premium. The net proceeds were utilised for repayment of loans and general working capital of the Group.

(iii) For repayment of loans and general working capital of the Group, on 24 January 2017, an aggregate of 123,200,000 new ordinary shares at nominal value of HK$0.2 each were issued at subscription price of HK$0.217 each to the then independent third parties of no less than six individual investors of the Group. The aggregate nominal value was HK$26,734,400. The closing market price as of 3 January 2017 was HK$0.270 as when the relevant placing agreement was entered into. The aggregate consideration was approximately HK$25,481,000 (net of issue expenses i.e. net price of approximately HK$0.207 per share) of which HK$24,640,000 was credited to share capital and HK$841,000 was credited to share premium. The net proceeds were utilised for repayment of loans and general working capital of the Group.

(iv) On 20 February 2017, completion of five loan capitalisation agreements with five creditors took place. Pursuant to the agreements, the creditors have agreed to, among other things, subscribe new shares by apply the outstanding principals and interests amount in respect of the loan as subscription monies. An aggregate of 469,227,760 capitalisation shares at nominal value of HK$0.2 each were issued at subscription price at HK$0.325 each to the then creditors to settle the loans and accrued interests. The fair value of the shares on 20 February 2017 was HK$0.27 per share, therefore the aggregate consideration was approximately HK$151,976,000 (net of issue expenses) of which HK$93,845,000 was credited to share capital and HK$32,323,000 was credited to share premium. The remaining balance amount to HK$25,808,000 was recognised as gain on extinguish of financial liability with equity instruments in profit or loss.

30. SHARE OPTION SCHEME

The Company has two share option schemes.

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

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

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

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

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

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

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

At the annual general meeting of the Company held on 31 August 2012, the shareholders of the Company resolved to terminate the Old Scheme. During the year ended 31 March 2014 and up to its termination, no option has been granted under the Old Scheme.

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

30. SHARE OPTION SCHEME *(Continued)*

Share option scheme approved and adopted by the Company on 19 October 2002 (the "Old Scheme") *(Continued)*

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2017:

Name or category of participant	Number of share option			Date of grant of share options	Exercise period of share options	Exercise price of share options
	As at 1 April 2016	Lapse during the year	As at 31 March 2017			HK$
Employees and consultants other than directors						
— In aggregate	440,000	—	440,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	440,000	—	440,000			

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2016:

Name or category of participant	Number of share option			Date of grant of share options	Exercise period of share options	Exercise price of share options
	As at 1 April 2015	Lapse during the year	As at 31 March 2016			HK$
Employees and consultants other than directors						
— In aggregate	440,000	—	440,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	440,000	—	440,000			

Note:

The exercise price of share options outstanding at the end of the year was HK$0.355 (2016: HK$0.355) and their weighted average remaining contractual life was 4.83 years (2016: 5.83 years).

The total number of share options outstanding as at 31 March 2017 was 440,000 (2016: 440,000) all of which were exercisable as at that date.

The weighted average share price at the date of exercise of share options exercised during the current year was HK$Nil (2016: HK$Nil).

At 31 March 2017, the Company had 440,000 (2016: 440,000) share options outstanding under the Old Scheme, representing 0.04% (2016: 0.08%) of the Company's issued share capital. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 31 March 2017, result in the issue of 440,000 (2016: 440,000) additional ordinary shares of HK$0.2 (2016: HK$0.2) each of the Company, additional share capital of HK$88,000 (2016: HK$88,000) and additional share premium of approximately HK$68,000 (2016: HK$68,000) (before issue expense). In addition, amount attributable to the related share options of HK$47,000 (2016: HK$47,000) would be transferred from equity-settled share option reserve to the share premium account.

30. SHARE OPTION SCHEME *(Continued)*

Valuation of share options

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

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

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

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

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

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

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

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

During the years ended 31 March 2017 and 2016, no option has been granted under the New Scheme since the adoption date to the date of this report.

31. OPERATING LEASE COMMITMENTS

The Group leases its office premises and staff quarters under operating lease arrangements. Leases of these properties are negotiated for a terms all within two years. None of the leases includes contingent rentals.

At the end of the reporting year, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	1,759	2,516
In the second to fifth years, inclusive	1,277	450
Over five years	—	—
	3,036	2,966

32. CAPITAL COMMITMENTS

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

	2017 HK$'000	2016 HK$'000
Exploration related contracts	8,285	228

33. RELATED PARTY TRANSACTIONS

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

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

The amount drawn by the Group under the above loan facilities amounted to approximately HK$33,039,000 as at 31 March 2017 (2016: approximately HK$32,677,000). In a letter to the Company dated 15 June 2017, Cordia undertook not to demand payment of any of the loans to the Group before 31 December 2018. Accordingly, this amount has been classified as a non-current liability as at 31 March 2017 and 2016. The balance is unsecured and bears interest at the rate of 0%-8% per annum.

During the year, Cordia has agreed to waive a portion of the interest charged US$11,000 (equivalent to approximately HK$82,000) (2016: US$1,400 (equivalent to approximately HK$11,000)) on the amount due in view of the early settlement on the principal loan due to Cordia. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company in the current year (Note 38b).

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

Name of Company	**Relationship**	**Nature of transaction**	**2017 HK$'000**	2016 HK$'000
Cordia Global Limited	Shareholder	Interest expenses thereto	**550**	571
Lim Ho Sok	Ex-director	Interest expenses thereto	**620**	632
Hong Sang Joon	Director	Interest expenses thereto	**94**	221
Goldwyn Management Limited	Related party	Interest expenses thereto	**1,618**	1,475

(iii) Members of key management personnel during the year comprised only of the executive directors of the Company whose remuneration is set out in Note 9(a).

34. 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 2017, the outstanding amount of the Second Claim is US$188,600 (approximately HK$1,471,080), which had been fully provided for since 31 March 2013.

The Group and the Third Claimant entered into an amicable agreement dated 13 May 2013 to settle the Third Claim by three instalments. In February 2014, US$100,000 (approximately HK$780,000) was paid. The Third Claimant also threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the remaining outstanding amount of the Third Claim. As of 31 March 2017, 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.

34. LITIGATIONS *(Continued)*

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

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.

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.

34. LITIGATIONS *(Continued)*

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

HCA 1821 of 2015 (Continued)

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.

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 September 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.

34. LITIGATIONS *(Continued)*

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

HCCW 392 of 2015 and CACV 49 of 2017

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 continued the petition on his own.

As announced by the Company on 27 January 2017, at a Court hearing held on 25 January 2017, the petition made by Zhi Charles to wind up the Company was struck out by the Court with costs payable by Zhi Charles on an indemnity basis.

As announced by the Company on 31 March 2017, the Company received a Notice of Appeal from Zhi Charles on 22 February 2017 to appeal at the Court of Appeal of the High Court of Hong Kong under action number CACV 49 of 2017 against the order given by the Court of First Instance on 25 January 2017 to strike out his petition to wind up the Company. The Court on 28 March 2017 confirmed that the appeal of Zhi Charles under CACV 49 of 2017 would not fall within the scope of the Court Order in respect of the Company's legal action against him given under HCMP 443 of 2015 (details of such Court Order was announced by the Company on 29 June 2016).

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this CACV 49 of 2017), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company and the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 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.

34. 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.

34. 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.

34. LITIGATIONS *(Continued)*

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

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.

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.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 584 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company and the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

Hearing for strike out application by the Company and the existing director of the Company has thus been pending on the views of the Official Receiver.

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.

34. LITIGATIONS *(Continued)*

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

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.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 1160 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

Hearing for strike out application by the existing director of the Company has thus been pending on the views of the Official Receiver.

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.

As announced by the Company on 23 March 2017, the plaintiff wholly discontinued his actions against the existing director of the Company in HCA 1195 of 2016.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 1195 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company and the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

34. LITIGATIONS *(Continued)*

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

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.

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.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 1618 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

Strike out application by the Company is being considered, pending on the views of the Official Receiver.

34. LITIGATIONS *(Continued)*

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

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.

As announced by the Company on 13 February 2017, the plaintiff wholly discontinued his actions against four existing directors of the Company in HCA 2137 of 2016.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 2137 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

Strike out application by the existing director of the Company is being considered, pending on the views of the Official Receiver.

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.

As announced by the Company on 13 February 2017, the plaintiff wholly discontinued his actions against an existing director of the Company in HCA 2380 of 2016.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 2380 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

Strike out application by the existing directors of the Company is being considered, pending on the views of the Official Receiver.

34. 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.

As announced by the Company on 13 February 2017, the plaintiff wholly discontinued his actions against an existing director of the Company in HCA 2397 of 2016.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 2397 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

Hearing for strike out application by the existing directors of the Company has thus been pending on the views of the Official Receiver.

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.

As announced by the Company on 21 February 2017, at a Court hearing held on 10 February 2017, the plaintiff's claim against the two existing directors of the Company and Grandvest International Limited in the action HCA 2398 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff.

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.

As announced by the Company on 16 March 2017, the plaintiff had previously discontinued his action against an existing director of the Company in HCA 2631 of 2016, and at a Court hearing held on 8 March 2017, the plaintiff's claim against the Company and the other four existing directors in the action HCA 2631 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff.

34. LITIGATIONS *(Continued)*

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

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.

As announced by the Company on 16 March 2017, the plaintiff wholly discontinued his actions against an existing director of the Company in HCA 2633 of 2016.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 2633 of 2016), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the Company's directors in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company and the other existing director of the Company are taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

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.

As announced by the Company on 8 March 2017, at a Court hearing held on 1 March 2017, the plaintiff's claim against the Company and the three existing directors of the Company in the action HCA 2634 of 2016 was struck out by the Court with costs payable by the plaintiff.

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.

As announced by the Company on 16 January 2017, at a Court hearing held on 4 January 2017, the plaintiff's claim against the Company in action HCA 2636 of 2016 was struck out by the Court with costs payable by the plaintiff and the action was dismissed.

34. LITIGATIONS *(Continued)*

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

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.

As announced by the Company on 3 March 2017, at a Court hearing held on 22 February 2017, the plaintiff's claim against the Company and an existing director of the Company in the action HCA 2677 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff.

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.

As announced by the Company on 3 March 2017, at a Court hearing held on 22 February 2017, the plaintiff's claim against the Company in the action HCA 2704 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff.

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.

As announced by the Company on 7 February 2017, at a Court hearing held on 20 January 2017, the plaintiff's claim against the Company and the two existing directors of the Company in the action HCA 2810 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff on the ground that the plaintiff's claim disclosed no reasonable cause of 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.

As announced by the Company on 16 March 2017, the plaintiff wholly discontinued his actions against an existing director of the Company in HCA 2811 of 2016.

As announced by the Company on 29 March 2017, pursuant to the Order made by the Court dated 16 March 2017 (which was received by the Company on 21 March 2017), the plaintiff's claim against the Company in the action HCA 2811 of 2016 was dismissed by the Court with costs payable by the plaintiff to the Company.

34. LITIGATIONS *(Continued)*

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

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.

As announced by the Company on 28 February 2017, the plaintiff had previously already discontinued his action against an existing director of the Company in HCA 2829 of 2016, and at a Court hearing held on 17 February 2017, the plaintiff's claim against the Company in the action HCA 2829 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff.

HCA 3148 of 2016

As announced by the Company on 14 December 2016, the Company received on 1 December 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 3148 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, certain alleged transfers of funds for alleged payments of expenses in relation to the resumption of trading in the Company's shares on The Stock Exchange of Hong Kong Limited and the Company's proposed Loan Capitalizations.

As announced by the Company on 13 February 2017, the Company received a notice of discontinuance on 2 February 2017 from the plaintiff that he wholly discontinued his actions against the five existing directors of the Company in the legal action HCA 3148 of 2016.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 3148 of 2016), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company is taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

34. LITIGATIONS *(Continued)*

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

HCA 3160 of 2016

As announced by the Company on 14 December 2016, the Company received on 2 December 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 3160 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, certain accounting information and certain valuation reports used by the Company.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 3160 of 2016), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company and the five existing directors of the Company are taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

HCA 3172 of 2016

As announced by the Company on 13 December 2016, the Company received on 5 December 2016 a writ of summons issued by Joung Jong Hyun (as the plaintiff) in the High Court of Hong Kong under action number HCA 3172 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, the Company's proposed Loan Capitalizations.

As announced by the Company on 23 May 2017, pursuant to the Order made by the Court on 12 May 2017, the plaintiff's claim against the Company and the existing director of the Company in the action HCA 3172 of 2016 was struck out by the Court with costs payable by the plaintiff to the Company.

HCA 3190 of 2016

As announced by the Company on 14 December 2016, the Company received on 6 December 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 3190 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 use of certain technical and valuation reports by the Company.

As announced by the Company on 13 February 2017, the Company received a notice of discontinuance on 2 February 2017 from the plaintiff that he wholly discontinued his actions against the two existing directors of the Company in the legal action HCA 3190 of 2016.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 3190 of 2016), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company is taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

34. LITIGATIONS *(Continued)*

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

HCA 3192 of 2016

As announced by the Company on 13 December 2016, the Company received on 6 December 2016 a writ of summons issued by Lee Moonkyu (as the plaintiff) in the High Court of Hong Kong under action number HCA 3192 of 2016 to certain parties, including the Company and two existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain technical reports issued for the Company.

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

HCA 3324 of 2016

As announced by the Company on 29 December 2016, the Company received on 16 December 2016 a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong under action number HCA 3324 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 transfers of funds.

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

HCA 3366 of 2016

As announced by the Company on 29 December 2016, the Company received on 21 December 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 3366 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 transfers of funds and the Company's transactions with a creditor.

As announced by the Company on 23 May 2017, pursuant to the Order made by the Court on 12 May 2017, the plaintiff's claim against the Company in the action HCA 3366 of 2016 was struck out by the Court with costs payable by the plaintiff to the Company.

HCA 3367 of 2016

As announced by the Company on 29 December 2016, the Company received on 21 December 2016 a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong under action number HCA 3367 of 2016 to certain parties, including the Company and four existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the competency of the directors of the Company.

As announced by the Company on 3 March 2017, at a Court hearing held on 24 February 2017, the plaintiff's claim against the Company and the four existing directors of the Company in the action HCA 3367 of 2016 was dismissed by the Court with costs payable by the plaintiff.

34. LITIGATIONS *(Continued)*

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

HCA 47 of 2017

As announced by the Company on 16 January 2017, the Company received on 9 January 2017 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 47 of 2017 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 reports on the Company's Russian coal mines, the First Convertible Note and the Third Convertible Note.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 47 of 2017), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company and the existing director of the Company are taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

HCMP 701 of 2017

As announced by the Company on 16 May 2017, the Company received on 2 May 2017 originating summons issued by Kim Sungho, Cho Seong Woo, Kim Kyungsoo, Lim Hang Young and Joung Jong Hyun (as the plaintiffs) in the High Court of Hong Kong under action number HCMP 701 of 2017 on 27 March 2017 to certain parties, including the Company, an existing director of the Company and Grandvest International Limited (a subsidiary of the Company). The plaintiffs are seeking Court orders for the Company to produce to them, inter alia, information about the new technical report issued to the Company on 11 August 2016.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 47 of 2017), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company, the existing director of the Company and Grandvest International Limited are taking legal advice in respect of such legal action, and in respect of the actions taken by Kim Sungho pending on the views of the Official Receiver.

34. LITIGATIONS *(Continued)*

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

HCA 724 of 2017

As announced by the Company on 5 April 2017, the Company received on 27 March 2017 a writ of summons issued by Hwang Dong Jin (as the plaintiff) in the High Court of Hong Kong under action number HCA 724 of 2017 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 shareholdings of the Company and certain loan capitalizations of the Company.

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

HCA 808 of 2017

As announced by the Company on 20 April 2017, the Company received on 3 April 2017 a writ of summons issued by Lee Jaeseong (as the plaintiff) in the High Court of Hong Kong under action number HCA 808 of 2017 to certain parties, including the Company and five existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, a prior loan facility made available to the Company.

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

HCA 809 of 2017

As announced by the Company on 20 April 2017, the Company received on 3 April 2017 a writ of summons issued by Desmond Ouma Ogalo (as the plaintiff) in the High Court of Hong Kong under action number HCA 809 of 2017 to certain parties, including the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain loans and certain shares issued pursuant to the Loan Capitalizations of the Company.

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

HCA 814 of 2017

As announced by the Company on 20 April 2017, the Company received on 5 April 2017 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 814 of 2017 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, a technical report issued to the Company and certain shares issued pursuant to certain loan capitalizations of the Company.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 814 of 2017), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company and the existing director of the Company are taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

34. LITIGATIONS *(Continued)*

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

HCA 815 of 2017

As announced by the Company on 20 April 2017, the Company received on 5 April 2017 a writ of summons issued by Iqbal Singh Nagi (as the plaintiff) in the High Court of Hong Kong under action number HCA 815 of 2017 to certain parties, including the Company and two existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain shares issued pursuant to certain loan capitalization of the Company.

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

HCA 853 of 2017

As announced by the Company on 20 April 2017, the Company received on 11 April 2017 a writ of summons issued by Jeremiah Kiprotich (as the plaintiff) in the High Court of Hong Kong under action number HCA 853 of 2017 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, the Third Convertible Note issued by the Company.

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

HCA 1004 of 2017

As announced by the Company on 5 May 2017, the Company received on 26 April 2017 a writ of summons issued by Bose Shankar (as the plaintiff) in the High Court of Hong Kong under action number HCA 1004 of 2017 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, the Third Convertible Note issued by the Company.

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

HCA 1050 of 2017

As announced by the Company on 16 May 2017, the Company received on 2 May 2017 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 1050 of 2017 to certain parties, including Grandvest International Limited (a subsidiary of 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 report issued to the Company.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 1050 of 2017), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

Grandvest International Limited and the existing director of the Company are taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

34. LITIGATIONS *(Continued)*

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

HCA 1071 of 2017

As announced by the Company on 12 May 2017, the Company received on 26 April 2017 a writ of summons issued by Daily Loyal Limited ("**Daily Loyal**") (as the plaintiff) in the High Court of Hong Kong under action number HCA 1071 of 2017 to two parties, namely, the Company and an existing director 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.

As announced by the Company on 13 April 2017, Daily Loyal and the Company entered into the undated Amendment Agreement, among other things, to (i) extend the maturity dates of the Outstanding Third Convertible Note for at least another two years before the Outstanding Third Convertible Note becomes current liability of the Company; (ii) convert the Outstanding Third Convertible Note except for the principal amount of US$60,000,000 (equivalent to approximately HK$468,000,000) at the conversion price of HK$48 per Share within three business days upon signing of the Amendment Agreement; and (iii) agree on no demand of the remaining outstanding principal amount of the Outstanding Third Convertible Note on the maturity dates.

However, Daily Loyal (as the plaintiff) subsequently alleged that its sole director (Mr. Chan Chun Wah) signed the Amendment Agreement in August 2016 (leaving the document undated, the "**Undated Amendment Agreement**") based on an understanding that such document only served as a memorandum for discussion purpose only and was not intended to be binding, and that the Company and Hong Sang Joon (an existing director of the Company) would not fill in the date of the document. Besides, Daily Loyal was of the view that the validity of the Undated Amendment Agreement was contrary to the Additional Agreement entered into by it with Cordia Global Limited ("**Cordia**"), Choi Sungmin, Grandvest International Limited (a subsidiary of the Company) and the Company on 22 August 2016.

Daily Loyal also alleged that (i) the placing and issue of new Shares by the Company as announced by the Company on 24 October 2016; (ii) the placing and issue of new Shares by the Company as announced by the Company on 24 January 2017; and (iii) the issue of new Shares upon loan capitalizations as announced by the Company on 20 February 2017 were conducted without the prior consent or authorization of Daily Loyal and were in breach of a convertible note agreement (the "**Convertible Note Agreement**") dated 3 April 2013 between the Company and Cordia in relation to the Third Convertible Note.

Daily Loyal (as the plaintiff) is seeking, among other things, (i) damages for breach of the Convertible Note Agreement and/or the Additional Agreement; (ii) a declaration that the Undated Amendment Agreement and the dated Amendment Agreement were null and void ab initio; and (iii) alternatively, a declaration that the dated Amendment Agreement and/or the Undated Amendment Agreement has been rescinded.

As announced by the Company on 16 June 2017, the Company received a letter from Daily Loyal's legal advisers on 9 June 2017. In that letter, Daily Loyal alleged that it had sold the Outstanding Third Convertible Note as to an aggregate principal amount of US$103,000,000 (approximately HK$803,400,000) and therefore it currently held the Outstanding Third Convertible Note as to a principal amount of US$297,390,000 (approximately HK$2,319,642,000) (the "**Alleged Current Outstanding Amount**"). Further, Daily Loyal also demanded the Company to (i) repay the Alleged Current Outstanding Amount within 14 days from 9 June 2017; (ii) pay any interest accrued in full; and (iii) indemnify Daily Loyal for all costs and expenses incurred, among other things, for collection of the Alleged Current Outstanding Amount and the enforcement of the Convertible Note Agreement. The primary ground relied upon by Daily Loyal was that the Company did not obtain its prior consent or authorization in the previous placing and issue of new Shares and the issue of new Shares upon loan capitalizations, that was one of Daily Loyal's allegations set out in the announcement of 12 May 2017.

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

34. LITIGATIONS *(Continued)*

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

HCA 1163 of 2017

As announced by the Company on 23 May 2017, the Company received on 17 May 2017 a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong under action number HCA 1163 of 2017 to certain parties, including 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 is 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.

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 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.

Zhi Charles on 9 December 2016 discontinued his claim in the Third Party notice as against the existing director of the Company.

34. LITIGATIONS *(Continued)*

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

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 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.

As announced by the Company on 21 February 2017, at a Court hearing held on 10 February 2017, upon the applications made by Herman Tso (as the 2nd defendant) and Zhi Charles (as the third party), the Court granted the Orders that (1) leave for Herman Tso (as the 2nd defendant) to withdraw his Third Party Notice as against Zhi Charles; (2) leave to Zhi Charles (as the third party) to withdraw his Fourth Party Notice against various fourth parties including the existing director of the Company; and (3) as a consequence of such, leave for the Company (as the plaintiff) to withdraw its summons to set aside Herman Tso's Third Party Notice.

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. 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.

As announced by the Company on 28 February 2017, at a Court hearing held on 17 February 2017, the Court allowed Zhi Charles to withdraw his Fourth Party Notice against the four existing directors.

34. LITIGATIONS *(Continued)*

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

Fourth Party Notices in Relation to HCA 51 of 2017

As announced by the Company on 7 February 2017, under legal action number HCA 51 of 2017 taken by the Company against Newborn Global Energy Limited (formerly known as HASS Natural Resources Limited) ("**Newborn Global**") as the 1st defendant and Tso Chi Ming (also known as Herman Tso). Subsequently, Kim Sungho and Zhi Charles were purportedly joined as the third parties to such legal action by Herman Tso.

As announced by the Company on 7 February 2017, by a Fourth Party Notice dated 16 January 2017, Zhi Charles purported to join 9 parties as the fourth parties and such fourth parties include an existing director of the Company and Grandvest International Limited (a wholly-owned subsidiary of the Company). In such Fourth Party Notice, Zhi Charles is seeking various declarations against these fourth parties in respect of, inter alia, the HASS Report on the Company's Russian coal mine.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this Fourth Party Notice under HCA 51 of 2017), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

The Company and Grandvest International Limited are taking legal advice in respect of such action, pending on the views of the Official Receiver.

As announced by the Company on 13 February 2017, the Company on 6 February 2017 received a Fourth Party Notice dated 25 January 2017 from Kim Sungho whereby he purported to join 10 parties as the fourth parties and such parties include the Company, an existing director of the Company and Grandvest International Limited in the same legal action HCA 51 of 2017. In such Fourth Party Notice, Kim Sungho is seeking various declarations against those 10 parties in respect of, inter alia, the HASS Report on the Company's Russian coal mine.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this Fourth Party Notice under HCA 51 of 2017), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company, the existing director of the Company and Grandvest International Limited are taking legal advice in respect of such action, pending on the views of the Official Receiver.

34. LITIGATIONS *(Continued)*

(ii) The Company/the Company's Director as the Plaintiff

HCA 706 of 2010 (Civil Proceedings Taken by the Company Against Three Former Directors of the Company) and HCMP 762 of 2017 (Related Intended Appeal Action by Cheung Keng Ching and Chou Mei)

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. Hearing on the application of the Company to obtain leave to amend the Indorsement of Claim and Statement of Claim was held on 26 January 2017 with reserved judgment, and the related judgment was handed down on 10 February 2017, pursuant to which leave be granted to the Company to amend the Indorsement of Claim and Statement of Claim. Accordingly, the Amended Indorsement of Claim and Amended Statement of Claim had been filed.

The application of Cheung Keng Ching (as the first defendant) and Chou Mei (as the second defendant) for leave to appeal against the Ruling dated 10 February 2017 (regarding leave be granted to the Company to amend the Indorsement of Claim and Statement of Claim) was dismissed by the Court on 17 March 2017.

On 31 March 2017, the Company was informed by the legal adviser of Cheung Keng Ching (as the first defendant) and Chou Mei (as the second defendant) on an intended appeal action under HCMP 762 of 2017 for leave to appeal against the Ruling dated 10 February 2017 and also the Ruling dated 17 March 2017. At a Court hearing in the Court of Appeal held on 14 June 2017, the application for leave to appeal under HCMP 762 of 2017 was dismissed by the Court with costs payable by Cheung Keng Ching and Chou Mei to the Company.

34. LITIGATIONS *(Continued)*

(ii) The Company/the Company's Director 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 against him was then withdrawn.

34. LITIGATIONS *(Continued)*

(ii) The Company/the Company's Director 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 will proceed in its usual mannar.

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. Subsequent to the issue of the bankruptcy petition, three further costs orders totaling HK$813,774.67 have been granted in favour of the Company against Zhi Charles.

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.

As announced by the Company on 5 May 2017, the Company obtained a bankruptcy order against Zhi Charles (also known as "CHI CHANG HYUN", "CHANG HYUN CHI", "ZHI CHARLES", "CHARLES ZHI", "CHARLES CHI") at the Court hearing held on 26 April 2017 under the bankruptcy proceedings commenced by the Company at the Court of First Instance of the High Court of Hong Kong under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. The Company will in due course seek the views of the Official Receiver in respect of their position on the various proceedings Zhi Charles has brought against the Company and the directors of the Company. Until and unless the Official Receiver gives such consent to Zhi Charles to continue with any of the proceedings, Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances.

34. LITIGATIONS *(Continued)*

(ii) The Company/the Company's Director as the Plaintiff *(Continued)*

HCA 51 of 2017

As announced by the Company on 7 February 2017, the Company (as the plaintiff) commenced a legal action against Newborn Global Energy Limited (formerly known as HASS Natural Resources Limited) ("**Newborn Global**") as the 1st defendant and Tso Chi Ming (also known as Herman Tso) ("**Tso**") as the 2nd defendant in the Court of First Instance of the High Court of Hong Kong under action number HCA 51 of 2017 on 10 January 2017. Tso was one of the directors of Newborn Global at all material times.

In such action, the Company pointed out, among other things, that Tso misrepresented to the Company that he was a "Competent Person" as defined in Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited when the Company entered into an agreement with Newborn Global in 2013 to engage Newborn Global to provide a technical report on the Company's Russian mine (i.e. the HASS Report). The Company is therefore seeking the repayment of the sums made to Newborn Global under such agreement and damages for misrepresentation from both Newborn Global and Tso.

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

HCB 377 of 2017

An existing director of the Company, Hong Sang Joon, on 18 January 2017 filed with the High Court of Hong Kong a creditor's bankruptcy petition against Kim Sung Ho (also known as Kim Sungho) for his failure to comply with a statutory demand on payments to him of legal costs (plus interests) ordered by the Court amounting to HK$171,408.88.

As announced by the Company on 19 June 2017, the Company obtained a bankruptcy order against Kim Sungho (also known as "KIM SUNG HO") at the Court hearing held on 7 June 2017 under the bankruptcy proceedings commenced by the existing director of the Company at the Court of First Instance of the High Court of Hong Kong under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. The Company will in due course seek the views of the Official Receiver in respect of their position on the various proceedings Kim Sungho has brought against the Company and the directors of the Company. Until and unless the Official Receiver gives such consent to Kim Sungho to continue with any of the proceedings, Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances.

35. CAPITAL RISK MANAGEMENT

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

35. CAPITAL RISK MANAGEMENT *(Continued)*

The Group monitors its capital position by monitoring its gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated statement of financial position, including amounts due to shareholders, amounts due to related parties and promissory notes payable. Total capital is calculated as "equity attributable to owners of the Company", as shown in the consolidated statement of financial position, plus borrowings. The gearing ratios of the Group at 31 March 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000
Total borrowings	**133,475**	242,228
Equity	**421,574**	2,621,302
Total capital	**555,049**	2,863,530
Gearing ratio	**24.0%**	8.5%

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

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

36. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

	2017 HK$'000	2016 HK$'000
Financial assets		
Loan and receivables		
Financial assets included in trade receivables, other receivables, deposits and prepayments	**4,056**	1,719
Cash and cash equivalents	**10,846**	337
	14,902	2,056
Financial liabilities		
Trade payables	**1,282**	—
Other payables, accrued expenses and trade deposit received	**17,689**	26,042
Coal trading deposit received	**—**	24,180
Interest-bearing borrowings	**39,072**	87,710
Amount due to a director	**—**	3,058
Amount due to an ex-director	**11,867**	14,344
Amount due to a shareholder	**33,039**	32,677
Purchase consideration payable for additional acquisition	**3,315**	3,328
Amount due to a related party	**33,897**	32,279
Convertible note payables	**3,187,111**	2,828,189
Promissory notes payables	**15,600**	72,160
	3,342,872	3,123,967

37. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade receivables, other receivables, deposits and prepayments and cash and cash equivalents, trade payables, other payables, accrued expenses and trade deposit received, interest-bearing borrowings, amount due to an ex-director/a shareholder/a related party, purchase consideration payable for additional acquisition, promissory notes payables, convertible note payables and provision for close down, restoration and environmental cost. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Financial risk management objectives and policies

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

Market risk

(i) Foreign currency risk

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

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

(ii) Cash flow and fair value interest rate risk

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

Credit risk

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

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group's policy to manage liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from lenders and shareholders to meet its liquidity requirements in the short and longer term. The Group relies on borrowings as a significant source of liquidity as set out in Note 2(b).

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

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than 3 months HK$'000	More than 3 months but less than 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000
At 31 March 2017							
Trade payables	1,282	1,282	1,282	—	—	—	—
Other payables and accrued expenses	17,689	17,689	17,689	—	—	—	—
Amount due to a related party	33,897	36,734	—	—	—	36,734	—
Amounts due to a shareholder	33,039	34,021	—	—	—	34,021	—
Amount due to an ex-director	11,867	12,399	—	—	6,054	6,345	—
Promissory notes payables	15,600	15,600	—	—	—	15,600	—
Convertible notes payables	3,187,111	3,591,584	—	—	—	3,591,584	—
Purchase consideration payables for additional acquisition	3,315	3,315	3,315	—	—	—	—
Interest-bearing borrowings	39,072	42,019	42,019	—	—	—	—
	3,342,872	3,754,643	64,305	—	6,054	3,684,284	—
At 31 March 2016							
Other payables and accrued expenses	26,042	26,042	26,042	—	—	—	—
Amount due to a related party	32,279	35,116	35,116	—	—	—	—
Amounts due to a shareholder	32,677	33,672	—	—	—	33,672	—
Amount due to a director	3,058	3,246	3,246	—	—	—	—
Amount due to an ex-director	14,344	15,446	15,446	—	—	—	—
Promissory notes payables	72,160	72,160	—	—	—	72,160	—
Convertible notes payables	2,828,189	3,591,584	—	—	—	3,591,584	—
Coal trading deposit received	24,180	24,180	24,180	—	—	—	—
Purchase consideration payables for additional acquisition	3,328	3,328	3,328	—	—	—	—
Interest-bearing borrowings	87,710	103,089	103,089	—	—	—	—
	3,123,967	3,907,863	210,447	—	—	3,697,416	—

37. FINANCIAL RISK MANAGEMENT *(Continued)*

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

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

- Level 1: (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair value measured using quoted price in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3: (lowest level): fair values measured using valuation techniques in which any significant input in not based on observable market data.

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

At 31 March 2017 and 2016, the only financial instruments of the Group carried at fair value were other intangible assets, exploration and evaluation assets and prepayment for acquisition of exploration and mining rights and convertible notes payables. These instruments fall into Level 2 of the fair value hierarchy described above.

(c) Offsetting financial assets and financial liabilities

As at 31 March 2017 and 2016, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	a	**1,374**	1,682
Current assets			
Other receivables, deposits and prepayments		**1,105**	864
Cash and cash equivalents		**14**	16
		1,119	880
Current liabilities			
Other payables and accrued expenses		**13,637**	21,619
Interest-bearing borrowings		**39,072**	87,710
Amount due to a director		**—**	2,059
Amount due to an ex-director		**6,055**	14,344
Amount due to a related party		**—**	32,279
Coal trading deposit received		**—**	24,180
Conversion note payables		**3,187,111**	—
		3,245,875	182,191
Net current liabilities		**(3,244,756)**	(181,311)
Total assets less current liabilities		**(3,243,382)**	(179,629)
Non-current liabilities			
Amount due to an ex-director		**5,910**	—
Amount due to a related party		**33,897**	—
Amount due to a shareholder		**4,845**	5,648
Conversion note payables		**—**	2,828,189
Promissory notes payables		**15,600**	72,160
		60,252	2,905,997
NET LIABILITIES		**(3,303,634)**	(3,085,626)
CAPITAL AND RESERVES			
Share capital		**241,695**	102,690
Reserves	b	**(3,545,329)**	(3,188,316)
CAPITAL DEFICIENCIES		**(3,303,634)**	(3,085,626)

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note a: Investment in subsidiaries

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

Note b: Reserves

	Share premium HK$'000	Equity-settled share option reserve (Note i) HK$'000	Capital reserve (Note ii & iii) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	1,722,403	47	23,507	(4,773,676)	(3,027,719)
Total comprehensive expenses for the year	—	—	—	(355,763)	(355,763)
Issue of shares upon conversion of convertible note	195,155	—	—	—	195,155
Waiver of interest on early settle of amounts due to shareholders	—	—	11	—	11
At 31 March 2016 and 1 April 2016	**1,917,558**	**47**	**23,518**	**(5,129,439)**	**(3,188,316)**
Total comprehensive expenses for the year	**—**	**—**	**—**	**(396,054)**	**(396,054)**
Issue of shares upon loan capitalisation	**32,323**	**—**	**—**	**—**	**32,323**
Issue of shares upon new placement	**6,636**	**—**	**—**	**—**	**6,636**
Waiver of interest on early settle of amounts due to shareholders	**—**	**—**	**82**	**—**	**82**
At 31 March 2017	**1,956,517**	**47**	**23,600**	**(5,525,493)**	**(3,545,329)**

Note:

At the end of reporting period, the equity-settled share option reserve and capital reserve of the Company represents respectively (i) the fair value of the outstanding share options of the Company at the respective grant dates; (ii) the amount of interest charged on amount due to an shareholder of the Company that was waived as a result of early settlement on the principal balance of the amount due to that shareholder of the Company. The amount waived was considered as a contribution from the equity participant of the Company; and (iii) the carrying amount of the Modified PN that was converted to equity and utilised to settle purchase consideration as set out in Note 26 as a result of early settlements on the principal balance of the Modified PN, which were considered as contributions from equity participant of the Company.

39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

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

Note:

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

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

40. SIGNIFICANT EVENTS AFTER THE REPORTING YEAR

(a) Subsequent to the end of the reporting year, 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 struck out or dismissed by the Court. Please refer to Note 34 for details of particular legal cases.

(b) As announced by the Company on 5 May 2017, a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016 was obtained. Until and unless the Official Receiver (now being the provisional trustee of the property of Zhi Charles) gives consent to Zhi Charles to continue with any of his proceedings, Zhi Charles does not have locus and cease to have any right to represent in any of his proceedings against the Company and the Company's directors in normal circumstances. Please refer to Note 34 for details of bankruptcy order under HCB 5395 of 2016.

(c) As announced by the Company on 19 June 2017, a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017 was obtained. Until and unless the Official Receiver (now being the provisional trustee of the property of Kim Sungho) gives consent to Kim Sungho to continue with any of his proceedings, Kim Sungho does not have locus and cease to have any right to represent in any of his proceedings against the Company and the Company's directors in normal circumstances. Please refer to Note 34 for details of bankruptcy order under HCB 377 of 2017.

40. SIGNIFICANT EVENTS AFTER THE REPORTING YEAR *(Continued)*

(d) As announced by the Company on 13 April 2017, the Company, inter alia, proposed to extend the maturity date of the remaining outstanding Third Convertible Note for at least two years to 3 April 2020, and has been in the process of preparing the related circular. For more details, please refer to the Company's announcements on 9 May 2017, 29 May 2017, 14 June 2017, and 23 June 2017, respectively. As announced by the Company on 12 May 2017, the Company received on 26 April 2017 a writ of summons issued by Daily Loyal (as the plaintiff) under action number HCA 1071 of 2017 in relation to, among other matters, the proposed extension of the maturity date of the remaining outstanding Third Convertible Note. As announced by the Company on 16 June 2017, the Company received a letter from Daily Loyal's legal advisers on 9 June 2017, demanding the Company, among other matters, to repay the Alleged Current Outstanding Amount of US$297,390,000 (approximately HK$2,319,642,000) within 14 days from 9 June 2017. Please refer to Note 34 for details of the legal case HCA 1071 of 2017.

(e) On 28 June 2017 and 29 June 2017, certain lenders have agreed to further extend the due dates of the loans (and the related interests payables where applicable) to 31 December 2018. Please refer to Note 2(b) for more information.

(f) On 13 June 2017, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to HK$100,000,000.

(g) On 28 June 2017, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US$30,450,000 (approximately HK$237,510,000).

(h) On 28 June 2017, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US$24,900,000 (approximately HK$194,220,000).

(i) On 28 June 2017, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US$13,400,000 (approximately HK$104,520,000).

(j) On 28 June 2017, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US$31,600,000 (approximately HK$246,480,000).

(k) On 26 June 2017, the Company signed a joint venture agreement with an established education group in the PRC, pursuant to which a proposed PRC joint venture company will be formed to engage in direct operation and franchise of English kindergarten(s) in the PRC. The proposed registered share capital of the PRC joint venture company will be RMB10 million, and by holding a 40% stake in it, the Company's proposed share capital contribution will be amounted to RMB4 million.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2017.

Financial Summary

For the year ended 31 March 2017
(Expressed in Hong Kong dollars)

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2017.

RESULTS

	Year ended 31 March				
	2017 HK$'000	2016 HK$'000	2015 HK$'000 (Restated)	2014 HK$'000 (Restated)	2013 HK$'000 (Restated)
Turnover	**1,673**	1,824	2,227	5,874	9,498
Profit/(loss) before tax and non-controlling interests	**2,027,292**	(465,573)	(613,566)	(674,439)	(2,119,245)
Income Tax	**3**	(2)	(10)	460	(400)
Profit/(loss) after tax and before non-controlling interests	**2,027,295**	(465,575)	(613,576)	(673,979)	(2,119,645)
Non-controlling interests	**(49,293)**	5,645	12,229	13,834	62,411
Profit/(loss) attributable to owners of the Company	**1,978,002**	(459,930)	(601,347)	(660,145)	(2,057,234)

ASSETS AND LIABILITIES

	Year ended 31 March				
	2017 HK$'000	2016 HK$'000	2015 HK$'000 (Restated)	2014 HK$'000 (Restated)	2013 HK$'000 (Restated)
Non-current assets	**2,935,384**	475,911	577,387	869,184	1,258,404
Current assets	**14,902**	2,056	10,803	6,347	2,596
Current liabilities	**(3,254,426)**	(190,941)	(164,195)	(126,991)	(61,175)
Non-current liabilities	**(89,926)**	(2,934,200)	(2,807,069)	(2,496,069)	(2,237,367)
Non-controlling interests	**(27,508)**	25,872	20,751	6,391	(11,129)
Equity attributable to owners of the Company	**(421,574)**	(2,621,302)	(2,362,323)	(1,741,138)	(1,048,671)