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)

2018

INTERIM REPORT

* For identification purpose only

Corporate Information

DIRECTORS

Jo Sang Hee *(Chairman)*
Ahn Kibaek
Shin Min Chul (resigned on 8 April 2018)

Independent Non-executive Directors

Chen Dai
Kwok Kim Hung Eddie
Lee Sungwoo

COMPANY SECRETARY

Wong Ngar Lai (appointed on 21 August 2018 and resigned on 13 November 2018)

AUTHORISED REPRESENTATIVES

Jo Sang Hee
Ahn Kibaek

AUDIT COMMITTEE

Kwok Kim Hung Eddie *(Chairman)*
Chen Dai
Lee Sungwoo

REMUNERATION COMMITTEE

Lee Sungwoo *(Chairman)*
Chen Dai
Kwok Kim Hung Eddie

NOMINATION COMMITTEE

Jo Sang Hee *(Chairman)*
Chen Dai
Kwok Kim Hung Eddie

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 IN HONG KONG

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No. 18 Harcourt Road
Admiralty
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HKEX STOCK CODE

1142

WEBSITE

http://siberian.todayir.com

Report on Review of Condensed Consolidated Financial Statements

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

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

INTRODUCTION

We have reviewed the interim financial information of Siberian Mining Group Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 4 to 52, which comprise the condensed consolidated statements of financial position as at 30 September 2018, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accounts (the "**HKICPA**").

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Report on Review of Condensed Consolidated Financial Statements

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BASIS

During the six months ended 30 September 2018, the Group incurred a loss attributable to owners of the Group of HK$589,163,000 and, as at 30 September 2018, the Group had net current liabilities of approximately HK$3,607,391,000 and net liabilities of approximately HK$1,576,408,000. These conditions, along with other matters as set forth in Note 2.1 to the condensed consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Group is in the progress of implementing various measures to improve its liquidity. On the basis that all these measures could be successfully implemented, the Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due and, accordingly, the condensed consolidated financial statements have been prepared on a going concern basis. Our conclusion is not qualified in respect of this matter.

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

JH CPA Alliance Limited
Certified Public Accountants
Hong Kong, 30 November 2018

Fung Kwok Leung
Practising Certificate Number P2357

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Siberian Mining Group Company Limited (the "**Company**") presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 September 2018 together with the comparative figures as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018

	Notes	**2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
Turnover	4	**77,212**	559
Cost of sales		**(76,901)**	(551)
Gross profit		**311**	8
Other income	4	**58**	4,624
Other gains and losses	4	**(528,901)**	(317,729)
Selling and distribution costs		**(179)**	(31)
Administrative and other expenses	6	**(65,500)**	(60,355)
Finance costs		**(4,411)**	(199,084)
Share of results of joint venture	13	**(224)**	—
Loss before income tax	5	**(598,846)**	(572,567)
Income tax	7	**179**	(8,313)
Loss for the period		**(598,667)**	(580,880)
Other comprehensive expenses for the period, net of tax:			
Exchange differences on translation of financial statements of foreign operations		**(68,759)**	(16,058)
Total comprehensive expenses for the period, net of tax		**(667,426)**	(596,938)
Loss for the period attributable to:			
Owners of the Company		**(589,163)**	(572,280)
Non-controlling interests		**(9,504)**	(8,600)
		(598,667)	(580,880)
Total comprehensive expenses attributable to:			
Owners of the Company		**(651,559)**	(588,167)
Non-controlling interests		**(15,867)**	(8,771)
		(667,426)	(596,938)
Loss per share			
Basic (Hong Kong cents)		**(48.75)**	(47.36)
Diluted (Hong Kong cents)		**(48.75)**	(47.36)

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	Notes	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**12,342**	14,901
Other intangible assets	11	**373,237**	522,142
Exploration and evaluation assets	12	**1,827,344**	2,331,014
Investment in a joint venture	13	**4,338**	—
		2,217,261	2,868,057
Current assets			
Trade receivables	14	**14,425**	2,747
Prepayments for acquisition of property, plant and equipment		**3,121**	418
Other receivables, deposits and prepayments		**6,105**	2,983
Cash and cash equivalents		**10,809**	9,611
		34,460	15,759
Current liabilities			
Other payables, accrued expenses and trade deposit received		**18,003**	18,888
Interest-bearing borrowings	15	**26,725**	9,468
Amount due to shareholders	21(d)	**2,285**	1,968
Purchase consideration payable for additional acquisition	16	**3,340**	3,348
Convertible note payables	17	**3,591,498**	3,591,498
		3,641,851	3,625,170
Net current liabilities		**(3,607,391)**	(3,609,411)
Total assets less current liabilities		**(1,390,130)**	(741,354)

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	Notes	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Non-current liabilities			
Amount due to shareholders	21(b)&(c)	**123,690**	106,657
Interest-bearing borrowings	15	**40,133**	37,409
Promissory notes payables	18	**15,600**	15,600
Provision for close down, restoration and environmental costs		**1,379**	1,528
Deferred tax liabilities		**5,476**	6,490
		186,278	167,684
NET LIABILITIES		**(1,576,408)**	(909,038)
CAPITAL AND RESERVES			
Share capital	19	**241,695**	241,695
Reserves		**(1,828,227)**	(1,176,724)
Equity attributable to owners of the Company		**(1,586,532)**	(935,029)
Non-controlling interests		**10,124**	25,991
CAPITAL DEFICIENCIES		**(1,576,408)**	(909,038)

Condensed Consolidated Statement of Change in Equity

For the six months ended 30 September 2018

The Group	Share capital HK$'000 (Note 19)	Share premium HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note b)	Equity-settled share option reserve HK$'000 (Note c)	Capital reserve HK$'000 (Notes a(i) and (ii))	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017 (Audited)	241,695	1,956,517	32,285	322,379	47	23,600	(2,998,097)	(421,574)	27,508	(394,066)
Loss for the period	–	–	–	–	–	–	(572,280)	(572,280)	(8,600)	(580,880)
Other comprehensive expenses for the period	–	–	(15,887)	–	–	–	–	(15,887)	(171)	(16,058)
Total comprehensive expenses for the period	–	–	(15,887)	–	–	–	(572,280)	(588,167)	(8,771)	(596,938)
Waiver of interest on early settlement of amount due to a shareholder (Note 21(f))	–	–	–	–	–	93	–	93	–	93
As at 30 September 2017 (Unaudited)	241,695	1,956,517	16,398	322,379	47	23,693	(3,570,377)	(1,009,648)	18,737	(990,911)
At 1 April 2018 (Audited)	**241,695**	**1,956,517**	**28,170**	**322,379**	**47**	**23,715**	**(3,507,552)**	**(935,029)**	**25,991**	**(909,038)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(589,163)**	**(589,163)**	**(9,504)**	**(598,667)**
Other comprehensive expenses for the period	**–**	**–**	**(62,396)**	**–**	**–**	**–**	**–**	**(62,396)**	**(6,363)**	**(68,759)**
Total comprehensive expenses for the period	**–**	**–**	**(62,396)**	**–**	**–**	**–**	**(589,163)**	**(651,559)**	**(15,867)**	**(667,426)**
Shares issue costs	**–**	**(12)**	**–**	**–**	**–**	**–**	**–**	**(12)**	**–**	**(12)**
Waiver of interest on early settlement of amount due to a shareholder (Note 21(f))	**–**	**–**	**–**	**–**	**–**	**68**	**–**	**68**	**–**	**68**
As at 30 September 2018 (Unaudited)	**241,695**	**1,956,505**	**(34,226)**	**322,379**	**47**	**23,783**	**(4,096,715)**	**(1,586,532)**	**10,124**	**1,576,408**

Notes:

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

b. Other reserve represented the excess of the share of the carrying value of the subsidiary's net assets acquired from the non-controlling interests of a subsidiary over the fair value of the consideration paid on the completion date of the acquisition and the subsequent adjustment to the consideration recognised by the Group upon fulfillment of certain conditions as set out in Note 16.

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

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash outflow from operating activities	**(29,181)**	(10,144)
Net cash outflow from investing activities	**(8,512)**	(9,532)
Net cash inflow from financing activities	**37,387**	16,208
Effect on foreign exchange rate changes	**1,504**	(4,880)
Net increase/(decrease) in cash and cash equivalents	**1,198**	(8,348)
Cash and cash equivalents at beginning of the period	**9,611**	10,846
Cash and cash equivalents at end of the period	**10,809**	2,498
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	**10,809**	2,498

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

These condensed consolidated interim financial statements have been approved for issue by the Board of the Company on 30 November 2018.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2018 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The unaudited interim financial information should be read in conjunction with the Group's audited annual financial statements for the year ended 31 March 2018 as contained in the 2018 Annual Report.

The following amendments are mandatory for the financial year beginning 1 April 2018 and have no material impact to these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendment to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendment to HKFRS 15	Clarifications to HKFRS 15
HK(IFRIC) 22	Foreign currency transactions and advance consideration
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014-2016 Cycle

Notes to the Unaudited Condensed Consolidated Financial Statements

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

2.1 Basis of preparation *(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. HKFRS 9 remains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("**FVOCI**") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value changes in other comprehensive income will not be recycled to the profit or loss in the future. For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. Under the new hedge accounting rules, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principle-based approach.

Under HKFRS 9, trade receivables of the Group are likely to be classified as FVOCI instruments with earlier recognition of loss is expected, and amount of relevant impairment provision may be revised when ECL is referenced. Gains or losses realized on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

The Group has assessed the effects of applying the new standard on the consolidated financial statements and has not identified any significant impact to the Group.

Notes to the Unaudited Condensed Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

HKFRS 15, 'Revenue from Contracts with Customers'

This standard 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 recognized when control of a good or service is transferred to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Under HKFRS 15, revenue arising from channel sales of the Group may subject to a different timing of recognition, which may impact the amount of revenue recognized by the Group for a given period.

The Group has assessed the effects of applying the new standard on the consolidated financial statements and has not identified any significant impact to the Group.

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning on 1 April 2018 and have not been early adopted by the Group:

HKFRS 16	Leases
HKFRS 17	Insurance Contracts
Amendment to HKFRS 9	Prepayment Features with Negative Compensation
Amendment to HKFRS 19	Employee Benefits
Amendment to HKFRS 28	Long-term Interest in Associates and Joint Ventures
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Associate or Joint Venture
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015-2017 Cycle
HK(IFRIC) 23	Uncertainty over income tax treatments
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting

Notes to the Unaudited Condensed Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, 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$1,232,000. The Group estimates those related to payments for short-term or low value leases which will be recognised on a straight-line basis as an expense in profit or loss are insignificant.

However, the Group has not yet assessed what other adjustments, if any, are necessary, for example because of the change in the definition of the lease term and the different treatment of variable lease payments, extension and termination options and of sub-lease accounting. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

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.

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.

During the period, the Group had net current liabilities of approximately HK$3,607,391,000 as at 30 September 2018.

Notes to the Unaudited Condensed Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

In preparing the Interim Financial Statements, the Directors have given careful consideration to the future liquidity and financial positions of the Group in light of the conditions described in the preceding paragraph. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Directors are currently implementing the measures as set out below to improve the operating and financial position of the Group:

(i) Continue to exercise cost control to monitor administrative and other expenses by further streamlining the Group's operation.

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

(i) Executed various loan facilities agreements with different independent third parties to provide continuous financial support to the Group. The loan facilities will provide funding to the Group of up to US$105,860,683 (approximately HK$825,713,000) for the 18 months period commencing on 5 June 2018 and 29 June 2018 (as the case may be).

(ii) As set out in Note 15, with regard to Other Loan 1, the lender has agreed not to demand for repayment for the amount due before 31 December 2019. In the opinion of the Directors, a further extension can be done when necessary.

(iii) As set out in Note 15, with regard to Other Loan 3, the lender has agreed not to demand for repayment for the amount due before 31 December 2019. In the opinion of the Directors, a further extension can be done when necessary.

(iv) As set out in Note 15, with regard to Other Loan 4, the lender has agreed not to demand for repayment for the amount due before 31 December 2019. In the opinion of the Directors, a further extension can be done when necessary.

(v) As set out in Note 15, with regard to Other Loan 6, the lender has agreed not to demand for repayment for the amount due before 7 March 2020. In the opinion of the Directors, a further extension can be done when necessary.

(vi) As set out in Note 18, with regard to promissory notes payables, the promissory notes holder has agreed not to demand for repayment for the amount due before 31 December 2019.

(vii) As set out in Notes 21(b) and (c), with regard to amounts due to shareholders, they have agreed not to demand for repayment of the amounts due before 31 December 2019.

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

(ix) The Company has initiated different ways of enhancing the Group's overall financial position including, but not limited to, capital reorganisation and further fund raising from the capital market.

Notes to the Unaudited Condensed Consolidated Financial Statements

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

2.1 Basis of preparation *(Continued)*

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

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

2.2 Principal accounting policies

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

The accounting policies and methods of computation adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2018.

3. 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 Russia and will engage in the exploration and mining of coal.

(ii) Mineral resources, commodities and other trading segment comprises the business of integration module and gasoline trading in the Republic of Korea ("**Korea**").

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

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

Notes to the Unaudited Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the six months ended 30 September 2018 and 2017.

	Six months ended 30 September 2018		
	Mining (Unaudited) HK$'000	Mineral resources, commodities and other trading (Unaudited) HK$'000	Consolidated total (Unaudited) HK$'000
Reportable segment revenue			
Revenue from external customers	**—**	**77,212**	**77,212**
Reportable segment (loss)/profit	**(591,319)**	**99**	**(591,220)**
Impairment loss on other intangible assets	**(27,571)**	**—**	**(27,571)**
Impairment loss on property, plant and equipment	**(905)**	**—**	**(905)**
Impairment loss on exploration and evaluation assets	**(500,425)**	**—**	**(500,425)**
Depreciation	**(28)**	**(1)**	**(29)**
Amortisation of other intangible assets	**(56,145)**	**—**	**(56,145)**

	Six months ended 30 September 2017		
	Mining (Unaudited) HK$'000	Mineral resources, commodities and other trading (Unaudited) HK$'000	Consolidated total (Unaudited) HK$'000
Reportable segment revenue			
Revenue from external customers	—	559	559
Reportable segment loss	(367,903)	(86)	(367,989)
Impairment loss on other intangible assets	(25,029)	—	(25,029)
Impairment loss on property, plant and equipment	(779)	—	(779)
Impairment loss on exploration and evaluation assets	(291,921)	—	(291,921)
Depreciation	(23)	(1)	(24)
Amortisation of other intangible assets	(49,938)	—	(49,938)

Notes to the Unaudited Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

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

	Six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Revenue		
Reportable segment revenue and consolidated revenue	**77,212**	559

	Six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Loss before income tax		
Reportable segment loss	**(591,220)**	(367,989)
Other gains and losses	**1**	—
Unallocated corporate expenses	**(2,992)**	(5,494)
Finance costs	**(4,411)**	(199,084)
Share of results of joint venture	**(224)**	—
Consolidated loss before income tax	**(598,846)**	(572,567)

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Assets		
Reportable segment assets	**2,246,026**	2,876,971
Unallocated corporate assets	**5,695**	6,845
Consolidated total assets	**2,251,721**	2,883,816

Notes to the Unaudited Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Liabilities		
Reportable segment liabilities	**(66,198)**	(47,193)
Unallocated corporate liabilities	**(3,761,931)**	(3,745,661)
Consolidated total liabilities	**(3,828,129)**	(3,792,854)

(b) Geographical information

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

	Revenue from external customers		Specific non-current assets	
	Six months ended 30 September 2018 (Unaudited) HK$'000	Six months ended 30 September 2017 (Unaudited) HK$'000	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Continuing operations				
Russia	**—**	—	**2,212,907**	2,868,057
Korea	**77,212**	559	**17**	—
	77,212	559	**2,212,924**	2,868,057

(c) Information about major customers

For the six months ended 30 September 2018, the four customers of the mineral resources, commodities and other trading segment with revenue of HK$7,826,000, HK$9,907,000, HK$9,925,000 and HK$10,114,000 respectively, each contributed to more than 10% of the Group's revenue.

For the six months ended 30 September 2017, the sole customer of the mineral resources and commodities and other trading segment contributed to all the Group's revenue of HK$559,000.

Notes to the Unaudited Condensed Consolidated Financial Statements

4. TURNOVER, OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Turnover		
Mineral resources, commodities and other trading	77,212	559
Other income		
Exchange gain	—	4,618
Sundry income	58	6
	58	4,624
Other gains and losses		
Impairment loss on other intangible assets (Note 11)	(27,571)	(25,029)
Impairment loss on exploration and evaluation assets (Note 12)	(500,425)	(291,921)
Impairment loss on property, plant and equipment (Note 10)	(905)	(779)
	(528,901)	(317,729)

5. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Loss before income tax is arrived at after charging:—		
Amortisation of other intangible assets		
— Mining right	56,145	49,938
Depreciation	29	24

Notes to the Unaudited Condensed Consolidated Financial Statements

6. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest expenses on		
Loan from third parties	**1,557**	1,563
Loan from a related party	**—**	810
Loan from an ex-director	**—**	240
Loan from shareholders	**2,807**	243
Imputed interest on convertible note (Note 17)	**—**	196,197
	4,364	199,053
Bank charges	**47**	31
	4,411	199,084

7. INCOME TAX

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Deferred tax	**(179)**	8,313

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

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

Notes to the Unaudited Condensed Consolidated Financial Statements

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

The calculation of diluted loss per share for the period is based on the loss for the period attributable to the owners of the Company, adjusted to reflect the change in fair value of convertible note. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

	Six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Loss		
Loss attributable to the owners of the Company, used in the basic and diluted loss per share	**(589,163)**	(572,280)

	Number of shares	
	30 September 2018	30 September 2017
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculation	**1,208,475,523**	1,208,475,523

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with total cost of HK$273,000 (31 March 2018: HK$1,111,000) and disposal of property, plant and equipment with total of HK$16,000 (31 March 2018: HK$25,000). An impairment loss for property, plant and equipment was recognised during the period. Details are set out in Notes 4 and 11.

Notes to the Unaudited Condensed Consolidated Financial Statements

11. OTHER INTANGIBLE ASSETS

	Mining rights HK$'000
Cost	
At 1 April 2017	1,737,411
Exchange realignments	(8,705)
At 31 March 2018 and 1 April 2018 (Audited)	1,728,706
Exchange realignments	(223,706)
At 30 September 2018 (Unaudited)	**1,505,000**
Accumulated amortisation and impairment loss	
At 1 April 2017	1,208,323
Charge for the year	97,581
Reversal of impairment loss	(93,951)
Exchange realignments	(5,389)
At 31 March 2018 and 1 April 2018 (Audited)	1,206,564
Charge for the period	56,145
Impairment loss (Note 4)	27,571
Exchange realignments	(158,517)
At 30 September 2018 (Unaudited)	**1,131,763**
Net carrying amount	
At 30 September 2018 (Unaudited)	**373,237**
At 31 March 2018 (Audited)	522,142

Mining rights

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

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

Notes to the Unaudited Condensed Consolidated Financial Statements

11. OTHER INTANGIBLE ASSETS *(Continued)*

Mining rights *(Continued)*

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

(i) Cash flow projection is determined for a period of 16 years up to 2033 (31 March 2018: a period of 16 years up to 2033) with the first year of production taken to be from year 2023 (31 March 2018: first year of production from year 2023) based on the senior management's current best estimated production plan.

(ii) The post-tax discount rate applied to the cash flow projection is 22.77% (31 March 2018: 19.89%).

(iii) Coal sales prices used in the DCF in the current and prior periods are determined with reference to current market information of the respective valuation dates, which remain unchanged or increase of approximately 7.14% (depends on different type of coals) when compared to that of 31 March 2018.

(iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2018: 3% p.a.), which is in line with the comparable market information.

(v) The exchange rate for US Dollars ("**US$**") to Russian Rubles ("**RUB**") with reference to the approximate spot rate as of 30 September 2018 is taken to be 1.00 US$ to 65.55 RUB (31 March 2018: 1.00 US$ to 57.13 RUB).

(vi) The inflation rate on operating costs is 3% p.a. (31 March 2018: 3% p.a.).

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

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (ii), (iii) and (v) mentioned above, other major assumptions used in the DCF analysis in current period, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that of 31 March 2018.

The Directors of the Company are of the opinion that based on the valuation, the mining right was impaired by HK$27,571,000 (31 March 2018: reversal of impairment loss of HK$93,951,000) compared with its carrying value as at 30 September 2018. The impairment loss is mainly attributable to the effects of the increase of the relevant coal sales prices of certain types of coals, depreciation of Russian Rubles to US Dollars and the increase in post-tax discount rate during the current period as compared with that of 31 March 2018, 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 impairment loss when compared with that of depreciation of Russian Rubles to US Dollars and post-tax discount rate increase.

The Directors of the Company are also of the opinion that based on the valuation above, property, plant and equipment associated with the mining right was partially impaired compared with their recoverable amounts as at 30 September 2018. Impairment loss of HK$905,000 (31 March 2018: reversal of impairment loss of HK$6,000) was recognised for property, plant and equipment associated with the mining right during the current period.

Notes to the Unaudited Condensed Consolidated Financial Statements

11. OTHER INTANGIBLE ASSETS *(Continued)*

Mining rights *(Continued)*

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

Intangible assets	Locations	Expiry date
Mining rights		
Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russian Federation	1 July 2025

12. EXPLORATION AND EVALUATION ASSETS

	Total HK$'000
Cost	
At 1 April 2017	3,636,206
Additions	8,044
Exchange realignments	39
At 31 March 2018 and 1 April 2018 (Audited)	3,644,289
Additions	565
Exchange realignments	(4,080)
At 30 September 2018 (Unaudited)	**3,640,774**
Accumulated amortisation and impairment loss	
At 1 April 2017	1,243,808
Impairment loss	69,428
Exchange realignments	39
At 31 March 2018 and 1 April 2018 (Audited)	1,313,275
Impairment loss (Note 4)	500,425
Exchange realignments	(270)
At 30 September 2018 (Unaudited)	**1,813,430**
Net carrying amount	
At 30 September 2018 (Unaudited)	**1,827,344**
At 31 March 2018 (Audited)	2,331,014

Notes to the Unaudited Condensed Consolidated Financial Statements

12. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

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

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

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

(i) Cash flow projection is determined for a period of 12 years up to 2029 (31 March 2018: a period of 12 years up to 2029) with the first year of production taken to be from year 2020 (31 March 2018: first year of production from year 2020) based on the senior management's current best estimated production plan.

(ii) The post-tax discount rate applied to the cash flow projection is 22.77% (31 March 2018: 19.89%).

(iii) Coal sales prices used in the DCF in the current and prior periods are determined with reference to current market information of the respective valuation dates, which remain unchanged (depends on different type of coals) when compared to that of 31 March 2018.

(iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2018: 3% p.a.), which is in line with the comparable market information.

(v) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 30 September 2018 is taken to be 1.00 US Dollar to 65.55 Rubles (31 March 2018: 1.00 US Dollar to 57.13 Rubles).

(vi) The inflation rate on operating costs is 3% p.a. (31 March 2018: 3% p.a.).

Apart from the changes in parameters for the major assumptions in the DCF analysis for items and (v) mentioned above, other major assumptions used in the DCF analysis in current period, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that of 31 March 2018.

The Directors of the Company are of the opinion that based on the valuation, the mining right was impaired by HK$500,425,000 (31 March 2018: impairment loss of HK$69,428,000) compared with its carrying value as at 30 September 2018. The impairment loss is mainly attributable to the effects of the depreciation of Russian Rubles to US Dollars and the increase in post-tax discount rate during the current period as compared with that of 31 March 2018, 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 impairment loss when compared with that of depreciation of Russian Rubles to US Dollars and post-tax discount rate increase.

Notes to the Unaudited Condensed Consolidated Financial Statements

12. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

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

13. INVESTMENT IN A JOINT VENTURE

Details of the Group's material joint venture at the end of the reporting period are as follows:

Name of company	Principal activities	Place of incorporation/ operation	Proportion of ownership interest and voting right held by the Group	
			30/09/2018	**31/03/2018**
上海惟奉教育科技有限公司 (Shanghai Weifeng Education and Technology Co., Ltd)	Education Technology	People's Republic of China ("**PRC**")	40%	—

The above joint venture is accounted for using the equity method in these condensed consolidated financial statements.

The aggregate financial information related to the Group's share of the joint venture is as follows:

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Current assets	**10,852**	—
Current liabilities	**(8)**	—
	10,844	—

Notes to the Unaudited Condensed Consolidated Financial Statements

13. INVESTMENT IN A JOINT VENTURE *(Continued)*

	Six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Revenue	**—**	—
Loss and total comprehensive expenses for the period	**(561)**	—

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Net asset of joint venture	**10,844**	—
Proportion of the Group's ownership interest in the joint venture	**40%**	—
Carrying amount of the Group's interest in the joint venture	**4,338**	—

14. TRADE RECEIVABLES

Trade receivables at the end of each reporting period 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.

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Trade receivables	**14,425**	2,747
Less: Allowance for doubtful debts	**—**	—
	14,425	2,747

Notes to the Unaudited Condensed Consolidated Financial Statements

14. TRADE RECEIVABLES *(Continued)*

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 period for which the Group has 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 Group 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 Group to the counterparty. The average age of these receivables is currently due (31 March 2018: 15 days).

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

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Neither past due nor impaired	**14,425**	2,747

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 follows:

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
At beginning of period/year	**–**	13
Reversal of impairment loss recognised during the period/year	**–**	(13)
At end of period/year	**–**	–

As of previous year end of 31 March 2018, 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

15. INTEREST-BEARING BORROWINGS

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Other loan 1 (Note a)	**5,148**	5,148
Other loan 2 (Note b)	**4,508**	9,468
Other loan 3 (Note c)	**28,561**	28,561
Other loan 4 (Notes b and d)	**4,960**	—
Other loan 5 (Note e)	**—**	1,480
Other loan 6 (Note f)	**1,464**	2,220
Other loan 7 (Note g)	**22,217**	—
	66,858	46,877

Notes:

a. Fixed rate loan with an independent third party amounted to US$660,000 (equivalent to approximately HK$5,148,000) (31 March 2018: US$660,000 (equivalent to approximately HK$5,148,000)) ("**Other Loan 1**"). Other Loan 1 is bearing interest at 7% per annum and repayable after 6 months from the date of drawdown or on demand. The lender had agreed to extend the repayment date to 31 December 2019.

b. As of previous year of 31 March 2018, fixed rate loans from an independent third party amounted to HK$9,468,000 ("**Previous Other Loan 2**"). Pervious Other Loan 2 is bearing interest at 5% per annum and repayable upon maturity or on demand.

During the period, part of the Previous Other Loan 2 (including its interest payable) has been assigned to another independent third party which amounting to HK$4,960,000 ("**Other Loan 4**"), who is an independent third party of the Company, and all the terms of the loan remained unchanged.

Therefore, the remaining unsettled Previous Other Loan 2 would be in aggregate amount of US$590,385 (equivalent to approximately HK$4,508,000) (31 March 2018: US$590,385 (equivalent to approximately HK$4,508,000)) ("**Other Loan 2**"). Other Loan 2 is interest-bearing at 5% per annum and repayable upon maturity or on demand.

Notes to the Unaudited Condensed Consolidated Financial Statements

15. INTEREST-BEARING BORROWINGS *(Continued)*

Notes: *(Continued)*

c. Fixed rate loan with an independent third party amounted to US$3,020,641 (equivalent to approximately HK$23,561,000) and HK$5,000,000 (31 March 2018: US$3,020,641 (equivalent to approximately HK$23,561,000) and HK$5,000,000) ("**Other Loan 3**"). Other Loan 3 is bearing interest at 5%-6% per annum and has no fixed term of repayment or on demand.

d. During the period, part of the Other Loan 2 was assigned to another independent third party (lender of Other Loan 4) in an aggregate amount of HK$4,960,000, who is an independent third party of the Company. Other Loan 4 was bearing interest at 5% per annum and repayable upon maturity or on demand. The lender had agreed to extend the repayment date to 31 December 2019.

e. During the period, the aggregate amount of HK$1,480,000 ("**Other Loan 5**") had been fully settled.

f. Fixed rate loan with an independent third party amounted to KRW300,000,000 (equivalent to approximately HK$2,220,000) (31 March 2018: KRW300,000,000 (equivalent to approximately HK$2,220,000)) ("**Other Loan 6**"). Other Loan 6 is unsecured bearing interest at 5 % per annum and repayable after 12 months from the date of drawdown or on demand. During the period, an amount of KRW100,000,000 (equivalent to approximately HK$756,000) of Other Loan 6 had been settled. The lender had agreed to extend the repayment date to 7 March 2020.

g. During the period, a new loan amount of KRW3,120,000,000 (equivalent to approximately HK$22,217,000) was obtained from an independent third party ("**Other Loan 7**"). Other Loan 7 is unsecured, bearing interest at 4.6 % per annum and repayable after 12 months from the date of drawdown or on demand.

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Carrying amount repayable:—		
Within one year or on demand	**26,725**	9,468
Over one year	**40,133**	37,409
	66,858	46,877

Notes to the Unaudited Condensed Consolidated Financial Statements

16. PURCHASE CONSIDERATION PAYABLE FOR ADDITIONAL ACQUISITION

Pursuant to the sales and purchases agreement dated 23 November 2009, Langfeld, a 90% indirectly owned subsidiary of the Company, acquired the remaining 30% equity interest in LLC "Shakhta Lapichevskaya" ("**Lapi**") held by three Russians for a consideration of US$9,490,600 (equivalent to approximately HK$74,027,000) to be satisfied by payment of cash in four stages (the "**Additional Acquisition**"). The first and second stages of payments in aggregate amount of US$4,095,300 (equivalent to approximately HK$31,943,000) were made before 31 March 2010. The remaining consideration payable on the Additional Acquisition would 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 obtained 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 would be only payable as and when the Group obtained 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, and the remaining balance of the 4th Adjusted Consideration is US$426,600 (equivalent to approximately HK$3,340,000 (31 March 2018: HK$3,348,000)).

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

17. CONVERTIBLE NOTE PAYABLES

The Group and the Company

(i) Convertible note

In prior year, the Third Convertible Note with a principal amount of US$443,070,000 (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**") (now known as Newborn Global Energy Limited) and Herman Tso withdrew the First HASS Report and the Supplemental HASS Report (collectively the "**HASS Reports**").

In order to re-assess and support the issuance of the Third Convertible Note, the Company then engaged the New Technical Expert to perform another technical report (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.

17. CONVERTIBLE NOTE PAYABLES *(Continued)*

The Group and the Company *(Continued)*

(i) Convertible note *(Continued)*

The New Technical Expert reported a slightly different estimate of the probable coal reserves in the open pit mining area in Lot 2 of the Mine and, as a result, prior year adjustments on the Third Convertible Note were made to restate the balance in respective years concerned, being HK$2,127,088,000 (as restated 31 March 2013), HK$2,398,314,000 (as restated 31 March 2014) and HK$2,702,681,000 (as restated 31 March 2015). 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 (the "**CN holder(s)**") 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 (equivalent to approximately HK$3,455,946,000) to US$431,190,000 (equivalent to approximately HK$3,363,282,000) and accordingly, the principal amount of US$412,270,000 (equivalent to approximately HK$3,215,706,000) of the Third Convertible Note held by Daily Loyal Limited would also be reduced by US$11,880,000 (equivalent to approximately HK$92,664,000) to US$400,390,000 (equivalent to approximately HK$3,123,042,000). Daily Loyal Limited agreed not to request any compensation from any of the other parties for such reduction.

On 13 April 2017, the Company announced that Daily Loyal and the Company entered into an undated amendment agreement (the "**Amendment Agreement**") which provided, 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 of the Company 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 original 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 (a former 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. For details, please refer to Note 22 in relation to the legal action HCA 1071 of 2017.

Notes to the Unaudited Condensed Consolidated Financial Statements

17. CONVERTIBLE NOTE PAYABLES *(Continued)*

The Group and the Company *(Continued)*

(ii) *Measurement of convertible note*

The fair value of the derivative components of the Third Convertible Note was determined based on a professional valuation performed by Access Partner using the Hull model at the date of issue, and there was no change in the fair value of convertible note (31 March 2018: 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% (31 March 2018: 12.01%).

	At 30 September 2018	At 31 March 2018
Expected volatility	**Nil**	20.47%
Expected life	**Nil**	0.01 years
Risk-free rate	**Nil**	0.72%
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 note		
	Liabilities component HK$'000	**Derivative component** HK$'000	**Total** HK$'000
At 1 April 2017 (Audited)	3,187,111	—	3,187,111
Imputed interest charged during the year	404,387	—	404,387
At 31 March 2018 and 1 April 2018 (Audited)	3,591,498	—	3,591,498
Imputed interest charged during the period (Note 6)	—	—	—
At 30 September 2018 (Unaudited)	**3,591,498**	**—**	**3,591,498**

Notes to the Unaudited Condensed Consolidated Financial Statements

18. PROMISSORY NOTES PAYABLES

	HK$'000
At 1 April 2017 (Audited)	15,600
Imputed interest charged	—
Less: Repayment by way of loan capitalisation	—
At 31 March 2018 and 1 April 2018 (Audited)	15,600
Imputed interest charged	—
At 30 September 2018 and included in non-current liabilities (Unaudited)	**15,600**

In prior years, three unsecured promissory notes in the aggregate principal amount of US$35,000,000 (equivalent to approximately HK$273,000,000) ("**Modified PN**") were issued by the Company to Cordia, a shareholder of the Company, pursuant 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 PN Holders**").

In January 2013, Cordia transferred part of the Modified PN to the then another two independent third parties (the "**Two PN Holders**").

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

On 20 February 2017, certain loan capitalisation agreements were signed with the Two PN Holders. Pursuant to the agreements, the Two PN Holders have agreed to, among other things, subscribe new shares of the Company by applying the entire outstanding principals of the promissory notes as subscription monies at a price of HK$0.325 per capitalisation share.

During the period and pervious year ended 31 March 2018, no imputed interest was charged to profit or loss. The remaining outstanding Modified PN is classified as non-current liabilities and carried on the amortised cost basis until extinguished on redemption. As at the end of the reporting period, the carrying amount of the Modified PN was HK$15,600,000 (31 March 2018: HK$15,600,000).

On 12 June 2018, the remaining promissory notes holder of the Modified PN has agreed to extend the maturity date of the promissory notes to 31 December 2019.

Notes to the Unaudited Condensed Consolidated Financial Statements

19. SHARE CAPITAL

	Number of shares		Nominal value	
Ordinary shares of HK$0.2 each:	**As at 30 September 2018 (Unaudited)**	As at 31 March 2018 (Audited)	**As at 30 September 2018 (Unaudited) HK$'000**	As at 31 March 2018 (Audited) HK$'000
Authorised:	**5,000,000,000**	5,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning and at end of the period/year	**1,208,475,523**	1,208,475,523	**241,695**	241,695

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

20. CAPITAL COMMITMENTS

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

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Exploration related contracts	**2,316**	2,247

Notes to the Unaudited Condensed Consolidated Financial Statements

21. RELATED PARTY TRANSACTIONS

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

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

Name of Company	Relationship	Nature of transaction	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Cordia Global Limited	Shareholder	Interest expenses thereto	**218**	243
Space Hong Kong Enterprise Limited (formerly known as "**Pioneer Centre Limited**")	Shareholder	Interest expenses thereto	**2,500**	–
First Glory Limited	Shareholder	Interest expenses thereto	**89**	–
Lim Ho Sok	Ex-director	Interest expenses thereto	**–**	240
Goldwyn Management Limited	Related party	Interest expenses thereto	**–**	810

(b) The amount due to a shareholder is unsecured and bears interest at the rate of 0%-8% per annum and is repayable within three years after the drawdown date. The shareholder had agreed not to demand for repayment of amounts due before 31 December 2019.

(c) During the period, the amount due to a shareholder (31 March 2018: an independent third party) amounting to HK$89,930,000 is unsecured and bears interest at the rate of 6%-10% per annum. During the period, agreements were entered into with the same shareholder for new loans in the amount of HK$1,200,000 and US$1,700,000 which bear interest at 6% to 10% per annum and repayable after 1 year from the date of drawdown or on demand. The shareholder agreed to extend the repayment date to 31 December 2019.

On 20 February 2017, the amount due to a shareholder (including accrued interest payable) with an amount US$6,771,000 (equivalent to HK$52,814,000) had been capitalised. Pursuant to the loan capitalisation agreement, the shareholder agreed to, among other things, subscribe the new shares of the Company by applying the entire outstanding principal and interests on maturity as subscription monies at a price of HK$0.325 per capitalisation share.

Notes to the Unaudited Condensed Consolidated Financial Statements

21. RELATED PARTY TRANSACTIONS *(Continued)*

(d) During the period, the amount due to shareholders (31 March 2018: an independent third party) amounting to HK$2,057,000 is unsecured, bears interest at the weighted average effective interest rate of 10% per annum and repayable upon maturity on 31 December 2018 or on demand.

On 20 February 2017, the amount due to a shareholder (including accrued interest payable) totalling HK$18,945,000 had been capitalised. Pursuant to the loan capitalisation agreement, the shareholder agreed to, among other things, subscribe for new shares of the Company by applying the entire outstanding loan principal and interests on maturity as subscription monies at a price of HK$0.325 per capitalisation share.

(e) In the previous period, the amount due to an ex-director is unsecured, was bearing interest at 5% per annum and had no fixed term of repayment. During the year 2018, the lender (a director of a subsidiary who resigned during 2017) was considered as an independent third party of the Company.

Therefore, the outstanding amount was re-classified as interest-bearing borrowings. For more detail, please refer to Note 15(b).

(f) During the period, Cordia has agreed to waive a portion of the interest charged US$9,000 (equivalent to approximately HK$68,000) (30 September 2017: US$12,000 (equivalent to approximately HK$93,000)) on the amount due in view of the early settlement on the principal loan due to Cordia. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company in the current period.

(g) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Directors' remuneration		
— Executive directors	**122**	1,279
— Independent non-executive directors	**181**	180
	303	1,459

Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS

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

(i) The Company/Its Subsidiary as the Defendant

Legal Proceedings Taken By Former Shareholders of a Russian Subsidiary

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

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

The Group and the Second Claimant entered into an amicable agreement dated 11 July 2013 to settle the Second Claim by three instalments. In February 2014, US$100,000 (approximately HK$780,000) was paid. The Second Claimant threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the remaining outstanding amount of the Second Claim. As of 30 September 2018, 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 30 September 2018, the outstanding amount of the Third Claim is US$238,000 (approximately HK$1,856,400), which had also been fully provided for since 31 March 2013.

Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

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 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 certain parties, including the Company. The plaintiff is seeking various orders on the 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 (the "**Restrictive Court Order On Zhi Charles**"). Pursuant to such Restrictive Court Order On Zhi Charles, the Court ordered that, inter alia, (i) 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 Restrictive Court Order On Zhi Charles and the reasons therefor, and (ii) a stay be granted on certain legal actions against the Company by Zhi Charles. Hence, there has been a stay of all further proceedings as against the Company in action HCA 584 of 2016.

Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 584 of 2016 (Continued)

As announced by the Company on 5 May 2017, the Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016 (the "**Bankruptcy Order Against Zhi Charles**"). 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, Zhi Charles does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Company's Directors in normal circumstances.

Hearing for strike out application by the Company has 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 certain parties, including the Company. The plaintiff is seeking various orders on the 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, pursuant to the Restrictive Court Order On Zhi Charles under action number HCMP 443 of 2015, and hence, 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 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 of 2016, Zhi Charles does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Company's Directors in normal circumstances, unless permitted by the Official Receiver. Hence, there was no substantial development on this legal action since April 2017.

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 certain parties, including the Company. The plaintiff is seeking various orders on the 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.

As announced by the Company on 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 of 2016, Zhi Charles does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Company's Directors in normal circumstances, unless permitted by the Official Receiver.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

22. 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 two 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 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 an existing Director of the Company in HCA 2137 of 2016.

As announced by the Company on 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 of 2016, Zhi Charles does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Company's Directors in normal circumstances, unless permitted by the Official Receiver.

Strike out application by an 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 two 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 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 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 of 2016, Zhi Charles does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Company's Directors in normal circumstances, unless permitted by the Official Receiver.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 2397 of 2016

As announced by the Company on 27 September 2016, the Company received on 20 September 2016 a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong under action number HCA 2397 of 2016 to certain parties, including two 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 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 of 2016, Zhi Charles does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Company's Directors in normal circumstances, unless permitted by the Official Receiver.

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

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. 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 19 June 2017, the Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017 (the "**Bankruptcy Order Against Kim Sungho**"). 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, Kim Sungho does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Company's Directors in normal circumstances.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

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 two 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 transactions as disclosed in the Company's announcement of 1 December 2015.

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 3148 of 2016.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 of 2017, Kim Sungho does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Directors of the Company in normal circumstances, unless permitted by the Official Receiver.

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

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 two 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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 of 2017, Kim Sungho does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Directors of the Company in normal circumstances, unless permitted by the Official Receiver.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

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 an existing Director 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 existing Director of the Company in the legal action HCA 3190 of 2016.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 of 2017, Kim Sungho does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Directors of the Company in normal circumstances, unless permitted by the Official Receiver.

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

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 has taken out a strike out application and will proceed to fix the date for substantive hearing.

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. 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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 of 2017, Kim Sungho does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Directors of the Company in normal circumstances, unless permitted by the Official Receiver.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

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, a former 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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 of 2017, Kim Sungho does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Directors of the Company in normal circumstances, unless permitted by the Official Receiver.

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.

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. 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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 of 2017, Kim Sungho does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Directors of the Company in normal circumstances, unless permitted by the Official Receiver.

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

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 a former 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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 of 2017, Kim Sungho does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Directors of the Company in normal circumstances, unless permitted by the Official Receiver.

Grandvest International Limited is taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

Notes to the Unaudited Condensed Consolidated Financial Statements

22. 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, 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.

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 (a former 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 1071 of 2017 (Continued)

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 filed the defence and counterclaim on 18 July 2017. The plaintiff filed the reply and defence to counterclaim on 9 November 2017.

As announced by the Company on 12 March 2018, the Company received a demand letter from Daily Loyal's legal advisers on 6 March 2018 where Daily Loyal demanded the Company to repay US$297,390,000 (approximately HK$2,319,642,000) (which was alleged by Daily Loyal to be the current outstanding principal amount of the portion of the Third Convertible Note held by Daily Loyal) together with any interest accrued in full and in cash on or before 3 April 2018. Up to the date of this report, Daily Loyal has not taken any steps further after 3 April 2018 in respect of its alleged demand for repayment.

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

HCA 1521 of 2017

As announced by the Company on 10 July 2017, the Company received a writ of summons issued by Lim Hang Young (as plaintiff) in the Court of First Instance of the High Court of Hong Kong under action number HCA 1521 of 2017 on 28 June 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 and will take out a strike out application in due course.

Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

HCA 1777 of 2017

As announced by the Company on 8 August 2017, the Company received a writ of summons issued by Kim Jinyoung (as the plaintiff) in the Court of First Instance of the High Court of Hong Kong under the action number HCA 1777 of 2017 on 31 July 2017 to certain parties, including the Company, two subsidiaries of the Company (namely, Grandvest International Limited and SMG Development Limited) and an existing Director of the Company. The plaintiff is seeking various court orders in respect of, inter alia, certain technical reports and certain valuations on the Company's Russian coal mines, the convertible notes issued by the Company and the loan capitalisations conducted by the Company in February 2017.

The Company, two subsidiaries of the Company and the three existing Director of the Company are taking legal advice in respect of such legal action and will take out a strike out application in due course.

HCA 2501 of 2017

As announced by the Company on 14 November 2017, the Company on 3 November 2017 received a writ of summons issued by China Panda Limited (as the 1st plaintiff) and Gold Ocean (as the 2nd plaintiff) in the Court of First Instance of the High Court of Hong Kong under action number HCA 2501 of 2017 to certain parties, including the Company. The plaintiffs are seeking various court orders and declarations in respect of certain portions of the Third Convertible Note issued by the Company in April 2013, including the court order for the Company to issue certificates for those portions of the Third Convertible Note to the plaintiffs.

The Company filed the defence on 11 January 2018. Daily Loyal (as the defendant) filed the defence and counterclaim on 9 February 2018. The plaintiffs filed the reply and defence to counterclaim of Daily Loyal on 12 June 2018.

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

Fourth Party Notices in Relation to HCA 51 of 2017

As announced by the Company on 7 February 2017, the Company took 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) as the 2nd defendant under action number HCA 51 of 2017. 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 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 mines.

As announced by the Company on 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 of 2016, Zhi Charles does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Company's Directors in normal circumstances, unless permitted by the Official Receiver.

Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

Fourth Party Notices in Relation to HCA 51 of 2017 *(Continued)*

Grandvest International Limited is taking legal advice in respect of such legal action by Zhi Charles, 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 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 mines.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 of 2017, Kim Sungho does not have locus and ceases to have any right to represent in any of the proceedings against the Company and the Directors of the Company in normal circumstances, unless permitted by the Official Receiver.

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

HCA 2520 of 2018

As announced by the Company on 2 November 2018, the Company received on 26 October 2018 a writ of summons issued by Daily Loyal Limited (as the plaintiff) in the Court of First Instance of the High Court of Hong Kong under action number HCA 2520 of 2018 to certain parties, including the Company. The plaintiff is seeking various declaratory reliefs and orders against the defendants in respect of, inter alia, the transfers of convertible notes, the amendments of convertible note instrument and the conversion notices as disclosed in the Company's announcement on 19 October 2018, and the conversion shares as disclosed in the Company's announcement on 22 October 2018.

As disclosed by the Company on 23 November 2018, in contravention of the Rules of the High Court, Daily Loyal Limited has failed to file and serve its statement of claim on the Company within the statutory stipulated time period. Further, it has not made any application for an extension of time to file and serve its statement of claim. Accordingly, the Company on 23 November 2018 has taken out an application with the High Court to dismiss such legal action HCA 2520 of 2018.

As disclosed by the Company on 27 November 2018, Daily Loyal Limited on 26 November 2018 applied to the High Court for an extension of time of 28 days to file its statement of claim. Such extension of time application will be heard on 3 December 2018 together with the Company's application to dismiss such legal action HCA 2520 of 2018.

The Company is taking legal advice and intends to defend vigorously.

Notes to the Unaudited Condensed Consolidated Financial Statements

22. 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

22. LITIGATIONS *(Continued)*

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

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) *(Continued)*

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.

On 10 October 2017, upon the application by the Company, the Court ordered that, inter alia, the case management conference hearing on HCA 706 of 2010 be fixed and heard on 24 April 2018.

An order was made by the Court on the 24 April 2018 case management conference hearing that (i) the case be referred to the Listing Judge for further direction; and (ii) all parties be at the liberty to arrange the second mediation before the next case management conference.

Second mediation was conducted on 18 September 2018, but no settlement arrangement could be reached. The next case management conference hearing has been scheduled on 8 May 2019.

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 Natural Resources Limited ("**HASS**") (now known as "Newborn Global Energy Limited") as the 1st defendant and Herman Tso (also known as Tso Chi Ming) as the 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 manner.

Notes to the Unaudited Condensed Consolidated Financial Statements

22. 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 mines (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 will proceed with its usual manner.

23. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, certain legal action has been issued against the Company and the Company has made an application to the Court to dismiss such legal action. Please refer to Note 22 for details of such legal case.

(b) Subsequent to the end of the reporting period, financial supports have been obtained from a substantial shareholder of the Company and certain loan facilities of HK$3.44 million have been granted to the Company.

(c) As disclosed in the Company's announcement dated 13 August 2018, the Company intended to implement (i) the proposed capital reorganisation which involving the proposed share consolidation, the proposed capital reduction and the proposed share sub-division; and (ii) the proposed change in board lot size for trading in the shares of the Company. As disclosed in the Company's announcement dated 2 October 2018, having regard to the anticipated timing for completion of the proposed capital reorganisation and the proposed change in board lot size, which was longer than the time originally anticipated by the Company, it was decided that the Company would not proceed with such proposed capital reorganisation and change in board lot size.

Notes to the Unaudited Condensed Consolidated Financial Statements

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

(d) As disclosed in the Company's announcement dated 19 October 2018, the Company received transfer documents and note certificates of the Third Convertible Note (the "**Original Notes**"), with instructions to transfer (i) US$226,170,000 (approximately HK$1,764,126,000) in aggregate principal amount of the Original Notes from Daily Loyal Limited to China Panda Limited; and (ii) US$83,100,000 (approximately HK$648,180,000) in aggregate principal amount of the Original Notes from Daily Loyal Limited to Gold Ocean (collectively, the "**Transferred Notes**"). The Company accordingly registered the transfers of the Transferred Notes in the Register of Noteholders of the Company. Subsequently, the Company also received transfer documents and note certificates in respect of an aggregate principal amount of US$20,000,000 (approximately HK$156,000,000) with instructions to transfer such US$20,000,000 (approximately HK$156,000,000) in notes from China Panda Limited to Gold Ocean. The Company accordingly registered the transfer of such notes in the Register of Noteholders of the Company. On 19 October 2018, the Company and holders of not less than 75% in aggregate principal amount of the Original Notes amended the Note Instrument of the Third Convertible Note dated 3 April 2013 (the "**Original Note Instrument**") by entering into the Amended and Restated Note Instrument Constituting Convertible Notes in the Principal Amount of US$400,390,000 (approximately HK$3,123,042,000) (the "**Amended Note Instrument**"). In consequence of such amendment, the Amended Note Instrument has amended, superseded and replaced the Original Note Instrument in its entirety, and the convertible notes reconstituted under Amended Note Instrument (the "**Amended Notes**") have replaced the Original Notes in their entirety. Please refer to the Company's announcement dated 19 October 2018 for the principal changes made by the Amended Note Instrument. Immediately following the Amended Note Instrument becoming effective, the Company exercised its right to require conversion of US$340,390,000 (approximately HK$2,655,042,000) in principal amount of the notes at a conversion price of HK$48 per Conversion Share, by delivering conversion notices to all the noteholders. The conversion of the notes thereby effected would result in the issuance of 55,313,376 Conversion Shares, and would leave US$60,000,000 (approximately HK$468,000,000) in principal amount of the Amended Notes outstanding.

(e) As disclosed in the Company's announcement dated 22 October 2018, the Company allotted 55,313,376 Conversion Shares on 22 October 2018, of which 27,656,688 Conversion Shares were allotted to China Panda Limited, 14,640,844 Conversion Shares were allotted to Gold Ocean and 13,015,844 Conversion Shares were allotted to Daily Loyal Limited, and relevant share certificates had been issued in name of each of them accordingly. The outstanding principal amount of the Amended Notes after the conversion would be US$60,000,000 (equivalent to approximately HK$468,000,000).

(f) At the request of the Company, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited had been halted with effect from 9:53 a.m. on 23 October 2018 pending the release of an announcement in relation to the partial conversion of convertible notes as disclosed in the announcement of the Company dated 22 October 2018.

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover

For the six months period ended 30 September 2018, the Group recorded a total turnover of HK$77.2 million (2017: HK$0.56 million), representing an increase of approximately 13,685.7% as compared to last corresponding period. The increase in turnover from trading of integration module and gasoline directly contributed to the increase in turnover for the period under review.

As already mentioned in the Company's 2018 Annual Report, apart from trading of integration module, the Group would explore further business opportunities in trading of gasoline and other petroleum related products. The Group in September 2018 started the trading of gasoline in Korea. During the period under review, the Group recorded a turnover of HK$71.7 million (2017: nil) from trading of gasoline, and a turnover of HK$5.5 million (2017: nil) from trading of integration module, while no turnover was recorded for trading of paper for newspaper printing (2017: HK$0.56 million).

Other Income

Other income during the period under review mainly represented interest income from bank deposits and other sundry income of HK$0.06 million, while other income of last corresponding period represented primarily net exchange gain of HK$4.6 million arising from the appreciation of Russian Rubles to US Dollars.

Other Gains and Losses

During the period under review, (i) the impairment loss on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) amounted to HK$27.5 million (2017: HK$25.0 million) mainly due to the net effects of increase in post-tax discount rate, increase in coal sales prices of certain types of coals and depreciation of Russian Rubles to US Dollars; and (ii) the 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$500.4 million (2017: HK$291.9 million) also mainly due to increase in post-tax discount rate and depreciation of Russian Rubles to US Dollars.

Administrative and Other Expenses

During the period under review, amortization of mining rights increased from HK $49.9 million to HK$56.1 million, since the net carrying value of the mining rights under other intangible assets as at last year end of 31 March 2018 had not reduced upon reversal of impairment loss from year end valuation. Staff costs (excluding directors remuneration) increased from HK$2.4 million to HK$3.1 million mainly due to severance payment to a former executive director. Legal and professional fees dropped from HK$4.0 million to HK$1.8 million as quite a substantial number of legal proceedings involving the Company experienced little development during the period under review.

Finance Costs

During the period under review, total finance costs decreased substantially to HK$4.4 million (2017: HK$199.1 million) mainly resulted from the net effects of (i) no more imputed interest of the Third Convertible Note after 3 April 2018 (2017: HK$196.2 million); and (ii) increase in loan interests to HK$4.4 million (2017: HK$2.9 million) due to increase in interest-bearing loans.

Loss Before Income Tax

For the six months period ended 30 September 2018, the loss before income tax of the Group was HK$598.8 million (2017: HK$572.6 million), representing an increase of approximately 4.6%. The slight increase of loss is mainly attributable to the combined effects of the aforementioned factors.

Management Discussion and Analysis

The Company would like to highlight that both the impairment loss of HK$27.5 million (2017: HK$25.0 million) on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) and the impairment loss of HK$500.4 million (2017: HK $291.9 million) on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) were just non-cash items arising from period end valuation exercises for accounting purposes, which would not affect the cashflow position of the Group.

OPERATION REVIEW

Mineral Resources, Commodities and Other Trading

For the period under review, apart from trading of integration module, the Group established its new gasoline trading business in September 2018, and as a result, the Group experienced a remarkable growth in turnover of almost 13,685.7% as compared to last corresponding period. Geographically speaking, the Korean market was still the Group's sole market segment which accounted for 100% (2017: 100%) of the total revenue.

Coal Mining

Lot 1 and Lot 1 Extension underground mining and Lot 2 underground mining would be developed on an integrated basis due to their geographical proximity and also for the sake of achieving economy of scale. Since coal production on Lot 2 underground mining would be targeted only after 2020, naturally not much development was noted for Lot 1 and Lot 1 Extension for the period under review, as there was no urgency to develop Lot 1 and Lot 1 Extension underground mining alone.

In respect of open pit mining in certain area of Lot 2, LLC "SibGeoProject", a consulting firm engaged by the Group which is capable of providing geological exploration through to mine construction, continued to fine tune the technical proposals and work on the mine design. Technical specifications to develop open pit mining were developed. Airborne photographic surface survey covering all licensed areas including both Lot 1 and Lot 2 started in May 2018 and was completed in August 2018. In addition, LLC "SibGeoProject" has also been engaged to proceed with the State Environmental Expert Review (a certain kind of requested environmental impact assessment) and the preparation of TEO Conditions (TEO Conditions stands for Technical and Economic Justification of Conditions and is broadly equivalent to the Western pre-feasibility study) and the geological report for subsequent submission to GKZ (which is the State Committee of Reserves under the Russian Federation Ministry of National Resources) for expert review.

In respect of underground mining of Lot 2, the Group is proceeding with the preparation of detailed and well-supported TEO Conditions to enable the Group to obtain additional coal reserves approved by GKZ.

LLC "SibGeoProject" had also been engaged to prepare an integrated TEO Conditions and the geological report covering the underground mining of Lot 1 and Lot 1 Extension, and Lot 2 as a whole. All relevant data including borehole geophysical studies, laboratory tests, core samples and drilling data in respect of Lot 2 underground mining were transferred to LLC "SibGeoProject" to start the preparation work.

Joint Venture in Kindergarten Project

The Company has in early April 2018 completed its capital contribution of RMB4.0 million into the PRC joint venture company "上海惟奉教育科技有限公司", and the PRC joint venture partner is proceeding with the required procedures and applications for the establishment of its kindergarten.

Management Discussion and Analysis

PROSPECTS

Looking forward, the continuous interest rate hikes of the United States of America and adverse impacts from possible trade wars initiated by the President of the United States of America would cause the continuing recovery of global economy rather 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 focus on development of gasoline trading, while it will also strive to meet the needs of different customers looking for diversified products, and it will not hesitate to further diversify its trading business into other products when opportunities arise.

Coal Mining

In respect of open pit mining in certain area of Lot 2, LLC "SibGeoProject" will continue to fine tune the technical proposals, the mine design and technical specifications. In addition, LLC "SibGeoProject" is also assisting in State Environmental Expert Review (a certain kind of requested environmental impact assessment) and the preparation of TEO Conditions and the geological report for subsequent submission to GKZ for expert review. The Group has engaged LLC "Monitor 21" in July 2018 to conduct forestry survey using cameral interpretation method involving the acquisition of satellite images and analysis of specially protected forest areas and categories of protecting forests. It is expected that the forestry survey will be completed in July 2019 and the surveying documentation materials will be submitted for approval by local Russian government authorities, including the approval of changed boundaries of specially protected forest areas and green belt by the Federal Forestry Agency. In parallel, it is expected that archeological studies, and state historical and cultural study will be completed before the end of 2018. Besides, 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 underground mining of Lot 2, the Group is proceeding with the integrated TEO Conditions and the geological report covering the underground mining of Lot 1 and Lot 1 Extension, and Lot 2 as a whole. It is expected that the integrated TEO Conditions and the geological report will be submitted to GKZ for review and approval in due course. The Group targets to obtain protocol on approving additional coal reserves by GKZ in 2019. The Group is also considering a plan for preparation of a new technical report on an integrated basis which will cover both open pit mining and underground mining of Lot 2, as well as underground mining of Lot 1 and Lot 1 Extension, when sufficient capital expenditure budgeting allows.

Joint Venture in Kindergarten Project

The PRC joint venture company will expand into English kindergarten franchise operation by introducing British International Kindergarten ("**BIK**") (http://www.bikchina.com/) which was founded by Orbital Education in the United Kingdom and now runs and manages international schools around the globe. BIK has truly become a global brand and is synonymous with providing world class English based curriculums. As the PRC economy and living standards continue to improve, the PRC families have inclined to invest heavily in the kindergarten education of their children by taking English curriculums with leading international education providers. Additionally, as the PRC's "one child policy" is retracting, the expected baby boom in the PRC in the years to come will definitely fuel the promising prospects of kindergarten operation.

Management Discussion and Analysis

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, potential equity funding such as placing of new shares, and potential issuance of new convertible bonds.

As disclosed in the Company's announcement dated 19 October 2018, the Company effected the transfers of the Third Convertible Note (the "**Original Notes**") to China Panda Limited and Gold Ocean. The Company and holders of not less than 75% in aggregate principal amount of the Original Notes then amended the Note Instrument of the Third Convertible Note dated 3 April 2013 (the "**Original Note Instrument**") by entering into the Amended and Restated Note Instrument Constituting Convertible Notes in the Principal Amount of US$400,390,000 (approximately HK$3,123,042,000) (the "**Amended Note Instrument**"). Please refer to the Company's announcement dated 19 October 2018 for the principal changes made by the Amended Note Instrument. Immediately following the Amended Note Instrument becoming effective, the Company exercised its right to require conversion of US$340,390,000 (approximately HK$2,655,042,000) in principal amount of the notes at a conversion price of HK$48 per Conversion Share, by delivering conversion notices to all the noteholders. Please refer to the Company's announcement dated 19 October 2018 for more details.

As disclosed in the Company's announcement dated 22 October 2018, upon conversion, 55,313,376 Conversion Shares were allotted and issued on 22 October 2018, and thus it would leave US$60,000,000 (approximately HK$468,000,000) in principal amount of the Amended Notes outstanding, and the maturity date of which has been extended to 19 October 2019. Please refer to the Company's announcement dated 22 October 2018 for more details.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group had net current liabilities of HK$3,607.4 million (31 March 2018: HK$3,609.4 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 0.95% (31 March 2018: 0.43%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 6.90% (31 March 2018: 4.22%).

The Group generally finances its operations with internally generated cash flows, loans from shareholders, independent third parties, and through the capital market available to listed companies in Hong Kong.

During the period under review, the Group recorded a net cash inflow of HK $1.2 million (2017: net cash outflow of HK$8.3 million), while the total cash and cash equivalents increased to HK$10.8 million (2017: decreased to HK$2.5 million) as at the end of reporting period.

The management will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities of the Group as at 30 September 2018. 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. 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 period, the Company has raised several loans amounting to HK$36.4 million (31 March 2018: HK$68.7 million) in total for the Group's daily operation and the mine development.

Management Discussion and Analysis

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 had effected the conversion of US$340,390,000 (approximately HK$2,655,042,000) in the principal amount of the convertible notes at a conversion price of HK$48 per Conversion Share, and thus resulted in the issuance of 55,313,376 Conversion Shares on 22 October 2018. Please refer to Notes 23(d) and (e) for more details. The Company believes that such conversion, would be beneficial to the Company, its shareholders and other stakeholders of the Company as a whole as the overall gearing of the Group will be improved and the equity base of the Company will be strengthened. The Company could then be able to improve its overall financial position.

CAPITAL STRUCTURE

The capital of the Company comprises of ordinary shares and other reserves. As at 30 September 2018, the Company's issued share capital was HK$241,695,000 (31 March 2018: HK$241,695,000) and the number of issued ordinary shares was 1,208,475,523 (31 March 2018: 1,208,475,523) of HK$0.2 each.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

LITIGATIONS

During the period and up to the date of this report, the Group has been involved in a number of legal proceedings. Details of the litigations are set out in Note 22 to the Interim Financial Statements.

CAPITAL COMMITMENTS

As at 30 September 2018, the Group had capital commitments in respect of the exploration related contracts of HK$2.3 million (31 March 2018: HK$2.2 million) and no capital commitments in acquisition of property, plant and equipment (31 March 2018: nil).

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 30 September 2018 and 31 March 2018.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed above, during the reporting period, the Group was neither involved in any significant investment, nor any material acquisitions and disposals of any subsidiaries.

The Company in early 2018 completed its capital contribution of RMB4.0 million into the PRC joint venture Company "上海惟奉教育科技有限公司".

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2018, the Group had approximately 21 (31 March 2018: 19) staff in Hong Kong, Russia and Korea. Remuneration policy is reviewed by the management periodically and is determined by reference to industry practice, company performance, and individual qualifications and performance. Remuneration packages comprised salary, commissions and bonuses based on individual performance. Share options may also be granted to eligible employees of the Group. Employees benefit plans provided by the Group include provident fund scheme, medical insurance and subsidised training programmes and seminars.

Other Information

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

As at 30 September 2018, none of the Directors or any of their associates or chief executives of the Company (as defined in the Listing Rules) had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which are required to be notified to the Company and the Stock Exchange pursuant to the SFO (including interests which they are taken or deemed to have under the SFO) or which are, pursuant to Section 352 of the SFO, entered in the register referred to therein or, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

Pursuant to the share option scheme approved and adopted by the Company on 19 October 2002 (the "**Old Scheme**"), share options were granted to subscribe for shares in the Company in accordance with the terms of the Old Scheme. At the annual general meeting of the Company held on 31 August 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "**New Scheme**") and termination of the Old Scheme. The New Scheme is in line with the prevailing requirements of Chapter 17 of the Listing Rules in relation to the share option schemes. Upon termination of the Old Scheme, no further options may be granted but in all other respects the provisions of the Old Scheme shall remain in full force and effect. The outstanding options granted under the Old Scheme shall continue to be valid and exercisable in accordance with the terms of the Old Scheme. The detailed terms of the Old Scheme and the New Scheme were disclosed in the 2018 Annual Report of the Company.

During the six months ended 30 September 2018, no option has been granted under the New Scheme. No option has been granted under the New Scheme since its adoption date to the date of this report.

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

	Number of share options						
Name or category of participant	**As at 1 April 2018**	**Exercised during the period**	**Lapse during the period**	**As at 30 September 2018**	**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.

Each option gives the holder the right to subscribe for one share of the Company. For details of the share option schemes, please refer to the Company's 2018 Annual Report. As at 30 September 2018, the Company had no share options outstanding (31 March 2018: 440,000 share options outstanding) under the Old Scheme.

Other Information

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

As at 30 September 2018, 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 (now known as "Space Hong Kong Enterprise 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: nil).

CORPORATE GOVERNANCE

Corporate Governance Code

During the period under review, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 INEDs of the Company (Ms. Chen Dai and Mr. Lee Sungwoo) were unable to attend the 2018 annual general meeting of the Company held on 30 August 2018 due to other overseas commitments or other prior business engagements.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors of the Company, chaired by Mr. Kwok Kim Hung Eddie and the other members are Ms. Chen Dai and Mr. Lee Sungwoo. The unaudited condensed Interim Financial Statements for the six months ended 30 September 2018 have been reviewed by the Audit Committee.

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

Mr. Shin Min Chul resigned as an executive Director of the Company with effect from 8 April 2018.

As notified by Mr. Ahn Kibaek to the Company in October 2018, Mr. Ahn Kibaek has been appointed as a registered director of E Investment&Development Co Ltd, a company listed on the Stock Exchange of Korea, since March 2018.

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 period or at any time during the period.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, during the period under review and up to the date 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.

Other Information

REVIEW ON INTERIM RESULTS

The unaudited condensed consolidated interim results of the Group have been reviewed by the Company's auditor, JH CPA Alliance Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of Entity" issued by the Hong Kong Institute of Certified Public Accountants, the report of which is included on pages 2 and 3 of this interim report.

By Order of the Board
Siberian Mining Group Company Limited
Jo Sang Hee
Chairman

Hong Kong, 30 November 2018

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