



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)

The background of the cover is a collage of four images: a silver tanker truck on a road at sunset, a yellow mining truck at a quarry, a close-up of yellow mining machinery in a dark mine, and a blue container pouring yellow liquid into a metal part.

2019

INTERIM REPORT

\* For identification purposes only

# CORPORATE INFORMATION

## DIRECTORS

### Executive Director

Mr. Jo Sang Hee (*Chairman*)

### Independent Non-executive Directors

Ms. Chen Dai  
Mr. Kwok Kim Hung Eddie  
Mr. Lee Sungwoo

## AUTHORISED REPRESENTATIVE

Mr. Jo Sang Hee

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Jo Sang Hee (*Chairman*)  
Ms. Chen Dai  
Mr. 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

Units A & B, 15/F, Chinaweal Centre  
414-424 Jaffe Road  
Causeway Bay  
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 54, 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 condensed consolidated financial statements of Siberian Mining Group Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 4 to 52, which comprise the condensed consolidated statements of financial position as at 30 September 2019, 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 other 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 interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

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

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, 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

## EMPHASIS OF MATTER — MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BASIS

During the six months ended 30 September 2019, the Group incurred a loss attributable to owners of the Group of HK\$770,117,000 and, as at 30 September 2019, the Group had net current liabilities of approximately HK\$3,596,942,000 and net liabilities of approximately HK\$1,836,152,000. 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 24 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, 29 November 2019

### **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 2019 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 2019

	Notes	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Turnover	4	465,474	77,212
Cost of sales		(461,657)	(76,901)
Gross profit		3,817	311
Other income	4	60	58
Other gains and losses	4	(700,140)	(528,901)
Selling and distribution costs		(903)	(179)
Administrative and other expenses		(81,236)	(65,500)
Finance costs	6	(5,069)	(4,411)
Share of results of a joint venture		—	(224)
Loss before income tax	5	(783,471)	(598,846)
Income tax	7	124	179
Loss for the period		(783,347)	(598,667)
<b>Other comprehensive expenses for the period, net of tax:</b>			
Exchange differences on translation of financial statements of foreign operations		(14,120)	(68,759)
Total comprehensive expenses for the period, net of tax		(797,467)	(667,426)
Loss for the period attributable to:			
Owners of the Company		(770,117)	(589,163)
Non-controlling interests		(13,230)	(9,504)
		(783,347)	(598,667)
Total comprehensive expenses attributable to:			
Owners of the Company		(782,648)	(651,559)
Non-controlling interests		(14,819)	(15,867)
		(797,467)	(667,426)
Loss per share			
Basic (Hong Kong cents)	9	(63.73)	(48.75)
Diluted (Hong Kong cents)	9	(63.73)	(48.75)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	14,087	14,397
Other intangible assets	11	346,640	479,729
Exploration and evaluation assets	12	1,618,726	2,271,689
Right-of-use assets	13	1,157	—
		<b>1,980,610</b>	2,765,815
<b>Current assets</b>			
Trade receivables	14	15,596	22,859
Prepayment for acquisition of property, plant and equipment		—	1,310
Other receivables, deposits and prepayments		5,884	7,690
Asset classified as held for sale		—	4,061
Cash and cash equivalents		13,481	1,747
		<b>34,961</b>	37,667
<b>Current liabilities</b>			
Trade payables	15	7,477	—
Other payables, accrued expenses and trade deposit received		21,717	20,869
Interest-bearing borrowings	16	4,508	7,953
Amount due to shareholders	23(b) & (c)	2,462	2,374
Purchase consideration payable for additional acquisition	17	3,345	3,349
Lease liabilities	18	896	—
Convertible note payables	19	3,591,498	3,591,498
		<b>3,631,903</b>	3,626,043
<b>Net current liabilities</b>		<b>(3,596,942)</b>	(3,588,376)
<b>Total assets less current liabilities</b>		<b>(1,616,332)</b>	(822,561)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Amount due to shareholders	23(d) & (e)	143,891	134,124
Interest-bearing borrowings	16	54,527	60,166
Promissory notes payables	20	15,600	15,600
Provision for close down, restoration and environmental costs		1,391	1,470
Lease liabilities	18	252	—
Deferred tax liabilities		4,159	4,777
		<b>219,820</b>	216,137
<b>NET LIABILITIES</b>		<b>(1,836,152)</b>	(1,038,698)
<b>CAPITAL AND RESERVES</b>			
Share capital	21	241,695	241,695
Reserves		(2,083,676)	(1,301,041)
Equity attributable to owners of the Company		<b>(1,841,981)</b>	(1,059,346)
Non-controlling interests		<b>5,829</b>	20,648
<b>CAPITAL DEFICIENCIES</b>		<b>(1,836,152)</b>	(1,038,698)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 September 2019

The Group	Share capital	Share premium	Translation reserve	Other reserve	Equity-settled share option reserve	Capital reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	HK\$'000 (Note 21)	HK\$'000	HK\$'000	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000 (Notes a(i) and (ii))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)
Share issue costs	—	(12)	—	—	—	—	—	(12)	—	(12)
Waiver of interest on early settlement of amount due to a shareholder	—	—	—	—	—	68	—	68	—	68
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)
At 1 April 2019 (Audited)	<b>241,695</b>	<b>1,956,517</b>	<b>(34,514)</b>	<b>322,366</b>	<b>47</b>	<b>23,825</b>	<b>(3,569,282)</b>	<b>(1,059,346)</b>	<b>20,648</b>	<b>(1,038,698)</b>
Loss for the period	—	—	—	—	—	—	(770,117)	(770,117)	(13,230)	(783,347)
Other comprehensive expenses for the period	—	—	(12,531)	—	—	—	—	(12,531)	(1,589)	(14,120)
Total comprehensive expenses for the period	—	—	(12,531)	—	—	—	(770,117)	(782,648)	(14,819)	(794,467)
Waiver of interest on early settlement of amount due to a shareholder (Note 23(f))	—	—	—	—	—	13	—	13	—	13
At 30 September 2019 (Unaudited)	<b>241,695</b>	<b>1,956,517</b>	<b>(47,045)</b>	<b>322,366</b>	<b>47</b>	<b>23,838</b>	<b>(4,339,399)</b>	<b>(1,841,981)</b>	<b>5,829</b>	<b>(1,836,152)</b>

Notes:

- At the end of reporting period, capital reserve of the Group represented: (i) the amount of interest charged on amount due to a shareholder of the Company that was waived as a result of early partial settlement on the principal loan due to the shareholder, which was accounted for as capital contributions from an equity participant of the Company for the prior periods; and (ii) the difference between the carrying amount of the Modified PN discharged and the fair value of the new ordinary shares of the Company issued as consideration for the early partial settlements of the Modified PN. This difference was accounted for as a contribution from an equity participant of the Company for the prior period.
- Other reserve represented the excess of the share of the carrying value of the subsidiary's net assets acquired from the non-controlling interests of a subsidiary over the fair value of the consideration paid on the completion date of the acquisition and the subsequent adjustment to the consideration recognised by the Group upon fulfillment of certain conditions as set out in Note 17.
- 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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	7,417	(29,181)
Net cash inflow/(outflow) from investing activities	3,841	(8,512)
Net cash inflow from financing activities	1,505	37,387
Effect on foreign exchange rate changes	(1,029)	1,504
Net increase in cash and cash equivalents	11,734	1,198
Cash and cash equivalents at beginning of the period	1,747	9,611
Cash and cash equivalents at end of the period	13,481	10,809
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	13,481	10,809

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The principal activities of the Group are holding mining rights and exploration rights of coal mines located in the Russian Federation ("**Russia**") and conducting the business of mineral resources, 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 29 November 2019.

## 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 2019 (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 2019 as contained in the 2019 Annual Report.

Except as described below, the accounting policies adopted are consistent with those of the audited annual financial statement for the year ended 31 March 2019 as contained in the 2019 Annual Report.

The following amendments, which have been adopted by the Group in the preparation of the Interim Financial Statements, are mandatory for the financial year beginning 1 April 2019. Except as described below, their adoptions 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.

- Annual improvements to HKFRSs: 2015-2017 Cycle
- HKFRS 16: Leases
- HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments
- Amendment to HKAS 19: Employee Benefits
- Amendment to HKFRS 9: Prepayment Features with Negative Compensation
- Amendments to HKAS 28: Investments in Associates and Joint Ventures

#### **Effect of adoption of HKFRS 16**

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening condensed consolidated statement of financial position on 1 April 2019.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.1 Basis of preparation *(Continued)*

#### *Effect of adoption of HKFRS 16 (Continued)*

Adjustments recognised on adoption of HKFRS 16

The following table shows the adjustments for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Condensed consolidated statement of financial position (extract)	<b>31 March 2019 (Audited) As originally presented HK\$'000</b>	<b>Effect on adoption of HKFRS 16 HK\$'000</b>	<b>1 April 2019 (Unaudited) Restated HK\$'000</b>
Non-current assets			
Right-of-use assets	—	1,637	1,637
Current assets			
Prepayments and other deposits	2,719	(23)	2,696
Current liabilities			
Lease liabilities	—	(901)	(901)
Non-current liabilities			
Lease liabilities	—	(713)	(713)

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 were ranging from 2.13% to 4.79%.

	HK\$'000
Operating lease commitments disclosed as at 31 March 2019	1,666
Less: Leases committed but not yet commenced as at 1 April 2019	(1,597)
Opening leases commitments of leases commenced as at 1 April 2019	69
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,614
Less: Short-term leases recognised on a straight-line basis as expense	—
Lease liabilities recognised as at 1 April 2019	1,614
Of which are:	
Current lease liabilities	901
Non-current lease liabilities	713
	1,614

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.1 Basis of preparation *(Continued)*

#### *Effect of adoption of HKFRS 16 (Continued)*

Adjustments recognised on adoption of HKFRS 16 *(Continued)*

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019.

The recognised right-of-use assets relate to the following types of assets:

	30 September 2019 (Unaudited) HK\$'000	1 April 2019 (Unaudited) HK\$'000
Properties leases	1,157	1,637
Total right-of-use assets	1,157	1,637

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the use of recognition exemption to lease with a remaining lease term of less than 12 months at 1 April 2019;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.1 Basis of preparation *(Continued)*

#### *Effect of adoption of HKFRS 16 (Continued)*

Adjustments recognised on adoption of HKFRS 16 *(Continued)*

- (ii) The Group's leasing activities and how these are accounted for

Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before the adoption of the standard, leases of premises were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.1 Basis of preparation *(Continued)*

#### *Basis of measurement and going concern assumptions*

During the period, the Group had capital deficiencies of approximately HK\$1,836,152,000 as at 30 September 2019.

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.

Subsequent to various actions by CN holders against to convert part of the principal amount of the CN into shares of the Company, the registered CN holders of not less than 75% resolved to amend the CN agreement whereby, inter alia, the maturity date of the CN was extended to 19 October 2019 and the Company was granted the right to require the principal amount of the CN to be converted into shares of the Company which the Company did exercise on 19 October 2018 to require the conversion of US\$340,390,000 (equivalent to approximately HK\$2,655,042,000) in principal amount of the CN, resulting in the issue of 55,313,376 new shares in the Company at HK\$48 per share.

The application by the Company to the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for its consent to the amendments to the CN agreement and listing approval for the new shares was rejected for reasons that:

- Prior consent had not been obtained from the Stock Exchange for any proposed change to the terms of convertible securities after issue and before the Company exercising its conversion right;
- Legal proceedings concerning the disputes among the previous and the present CN holders over ownership were still ongoing; and
- The ownership of part of the CN transferred from Daily Loyal Limited to Gold Ocean and China Panda Limited (the "**Transfers**") remain the subject of ongoing litigations under the High Court actions HCA 1071/2017 and HCA 2501/2017. In the meantime, the Transfers remain registered on the Company's register of noteholders, and have not been reversed or cancelled.

In consequence, the Company entered into a cancellation agreement whereby amendments and share conversion and shares issuance aforementioned were cancelled and reversed *ab initio* and the Company's number of issued shares was reverted to 1,208,475,523 shares.

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

- Continue to exercise cost control in administrative and other expenses by further streamlining the Group's operations.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.1 Basis of preparation *(Continued)*

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

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 and a shareholder to provide continuous financial support to the Group. The loan facility will provide funding to the Group of up to US\$100,300,000 (approximately HK\$782,340,000) for the 18 months period commencing on 24 June 2019 and 25 June 2019 (as the case may be).
- (ii) As set out in Note 16, with regard to Other Loan 2, the lender has agreed not to demand for repayment of the amount due before 31 December 2020. In the opinion of the Directors, a further extension can be obtained when necessary.
- (iii) As set out in Note 16, with regard to Other Loan 3, the lender has agreed not to demand for repayment of the amount due before 31 December 2020. In the opinion of the Directors, a further extension can be obtained when necessary.
- (iv) As set out in Note 16, with regard to Other Loan 5, the lender has agreed not to demand for repayment of the amount due before 31 December 2020. In the opinion of the Directors, a further extension can be obtained when necessary.
- (v) As set out in Note 20, with regard to promissory notes, the promissory notes holder has agreed not to demand for repayment of the amount due before 31 December 2020. In the opinion of the Directors, a further extension can be done when necessary.
- (vi) With regard to amounts due to shareholders, they have agreed not to demand for repayment of the amount due before 31 December 2020.
- (vii) The Company has obtained additional loan facilities sufficient to support the continual normal operation of the Group for at least 12 months after the period end date.
- (viii) The Company is actively considering ways of enhancing Group's liquidity, including but not limited to, by converting some of the Group's debts to equity.
- (ix) The Company is also considering different ways of enhancing the Group's overall financial position including, but not limited to, capital reorganization and further fund raising from the capital market.

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

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 2.2 Principal accounting policies

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

The accounting policies and methods of computation adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2019.

## 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.
- (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 2019 and 2018.

	Six months ended 30 September 2019		
	Mining (Unaudited) HK\$'000	Mineral resources, commodities and other trading (Unaudited) HK\$'000	Consolidated Total (Unaudited) HK\$'000
<b>Reportable segment revenue</b>			
Revenue from external customers	—	465,474	465,474
<b>Reportable segment (loss)/profit</b>	<b>(775,259)</b>	<b>2,615</b>	<b>(772,644)</b>
Impairment loss on other intangible assets	(45,909)	—	(45,909)
Impairment loss on property, plant and equipment	(1,854)	—	(1,854)
Impairment loss on exploration and evaluation assets	(652,126)	—	(652,126)
Depreciation	(383)	(106)	(489)
Amortisation of other intangible assets	(73,693)	—	(73,693)

	Six months ended 30 September 2018		
	Mining (Unaudited) HK\$'000	Mineral resources and commodities trading (Unaudited) HK\$'000	Consolidated Total (Unaudited) HK\$'000
<b>Reportable segment revenue</b>			
Revenue from external customers	—	77,212	77,212
<b>Reportable segment (loss)/profit</b>	<b>(591,319)</b>	<b>99</b>	<b>(591,220)</b>
Impairment loss on other intangible assets	(27,251)	—	(27,251)
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)

# 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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	465,474	77,212

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Loss before income tax</b>		
Reportable segment loss	(772,644)	(591,220)
Other gains and losses	(251)	1
Unallocated corporate expenses	(5,507)	(2,992)
Finance costs	(5,069)	(4,411)
Share of results of joint venture	—	(224)
Consolidated loss before income tax	(783,471)	(598,846)

	As at 30 September 2019 (Unaudited) HK\$'000		As at 31 March 2019 (Audited) HK\$'000	
	<b>Assets</b>			
Reportable segment assets	2,014,673		2,797,780	
Unallocated corporate assets	898		5,702	
Consolidated total assets	2,015,571		2,803,482	

	As at 30 September 2019 (Unaudited) HK\$'000		As at 31 March 2019 (Audited) HK\$'000	
	<b>Liabilities</b>			
Reportable segment liabilities	(73,058)		(68,852)	
Unallocated corporate liabilities	(3,778,665)		(3,773,328)	
Consolidated total liabilities	(3,851,723)		(3,842,180)	

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. SEGMENT INFORMATION *(Continued)*

### (b) Geographical information

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

	Revenue from external customers		Specific non-current assets	
	Six months ended 30 September 2019 (Unaudited) HK\$'000	Six months ended 30 September 2018 (Unaudited) HK\$'000	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
<b>Continuing operations</b>				
Russia	—	—	1,958,782	2,765,768
Korea	465,474	77,212	370	47
	<b>465,474</b>	77,212	<b>1,959,152</b>	2,765,815

### (c) Information about major customers

For the six months ended 30 September 2019, the four customers of the mineral resources, commodities and other trading segment with revenue of HK\$34,683,000, HK\$34,627,000, HK\$30,227,000 and HK\$26,089,000 respectively, each contributed to a range from 6% to 7% of the Group's revenue.

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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. TURNOVER, OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Turnover</b>		
Gasoline trading	465,220	71,717
Other trading	254	5,495
	<b>465,474</b>	<b>77,212</b>
<b>Other income</b>		
Sundry income	60	58
<b>Other gains and losses</b>		
Impairment loss on other intangible assets (Note 11)	(45,909)	(27,571)
Impairment loss on exploration and evaluation assets (Note 12)	(652,126)	(500,425)
Impairment loss on property, plant and equipment (Note 11)	(1,854)	(905)
Disposal of interests in joint venture	(251)	—
	<b>(700,140)</b>	<b>(528,901)</b>

## 5. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Loss before income tax is arrived at after charging:—		
Amortisation of other intangible assets		
— Mining right	73,693	56,145
Depreciation		
— property, plant and equipment	32	29
— right-of-use assets (Note 13)	457	—
Operating lease rentals of premises		
— minimum lease payments (Note 18)	157	—

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. FINANCE COSTS

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Interest expenses on</b>		
Loan from third parties	1,746	1,557
Loan from shareholders	3,281	2,807
Interest expenses on lease liabilities	19	—
Imputed interest on convertible note (Note 19)	—	—
	<b>5,046</b>	4,364
<b>Bank charges</b>	<b>23</b>	47
	<b>5,069</b>	4,411

## 7. INCOME TAX

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Group:		
Current — Hong Kong	—	—
Charge for the period	—	—
Current — Korea	357	
Deferred tax	(481)	(179)
	<b>(124)</b>	(179)

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 2019 (2018: 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 convertible note had an anti-dilutive effect to the basic loss per share calculation for the current and prior periods, the conversion of the convertible note is therefore not assumed in the computation of dilutive loss per share for the current and prior periods. Therefore, the basic and diluted loss per share calculations for the respective periods are the same.

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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Loss</b>		
Loss attributable to the owners of the Company, used in the basic and diluted loss per share	(770,117)	(589,163)
	Number of shares	
	30 September 2019	30 September 2018
<b>Shares</b>		
Weighted average number of ordinary shares for basic and diluted loss per share	1,208,475,523	1,208,475,523

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired items of property, plant and equipment with total cost of HK\$1,985,000 (31 March 2019: HK\$1,455,000) and disposed with total cost of HK\$2,000 (31 March 2019: HK\$22,000). An impairment loss for property, plant and equipment was recognised during the period. Details are set out in Note 11.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. OTHER INTANGIBLE ASSETS

	Mining rights HK\$'000
<b>Cost</b>	
At 1 April 2018	1,728,706
Exchange realignments	(221,184)
At 31 March 2019 and 1 April 2019 (Audited)	1,507,522
<b>Exchange realignments</b>	<b>(42,899)</b>
<b>At 30 September 2019 (Unaudited)</b>	<b>1,464,623</b>
<b>Accumulated amortisation and impairment loss</b>	
At 1 April 2018	1,206,564
Charge for the year	107,502
Reversal of impairment loss	(130,432)
Exchange realignments	(155,841)
At 31 March 2019 and 1 April 2019 (Audited)	1,027,793
<b>Charge for the period</b>	<b>73,693</b>
<b>Impairment loss (Note 4)</b>	<b>45,909</b>
<b>Exchange realignments</b>	<b>(29,412)</b>
<b>At 30 September 2019 (Unaudited)</b>	<b>1,117,983</b>
<b>Net carrying value</b>	
<b>At 30 September 2019 (Unaudited)</b>	<b>346,640</b>
At 31 March 2019 (Audited)	479,729

### 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 Ravia Global Appraisal Advisory Limited ("**Ravia**"), 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 17 years up to 2035 (31 March 2019: a period of 15 years up to 2033) with the first year of production taken to be from year 2025 (31 March 2019: first year of production from year 2023) based on the senior management's current best estimated production plan.
- (ii) Cost of production (including royalties) on average is taken as 47.41% (31 March 2019: 46.08%) of revenue.
- (iii) The post-tax discount rate applied to the cash flow projection is 21.81% (31 March 2019: post-tax discount rate of 22.40%).
- (iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2019: 3% p.a.), which is in line with the comparable market information.
- (v) Coal sales prices used in the DCF in the current and prior periods are determined with reference to current market information at the respective valuation dates, which remain unchanged (depends on different type of coals) or show a decrease of approximately 6% (depends on different type of coals) when compared to that of 31 March 2019.
- (vi) The exchange rate for US Dollars ("US\$") to Russian Rubles ("RUB") with reference to the approximate spot rate as of 30 September 2019 is taken to be 1.00 US\$ to 64.86 RUB (31 March 2019: 1.00 US\$ to 65.63 RUB).
- (vii) The inflation rate on operating costs is 3% p.a. (31 March 2019: 3% p.a.).
- (viii) 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 (i), (ii), (iii), (v) and (vi) 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 2019.

The Directors of the Company are of the opinion that based on the valuation, the mining right was impaired by HK\$45,909,000 (Note 4) (31 March 2019: reversal of impairment loss of HK\$130,432,000) compared with its carrying value as at 30 September 2019. The impairment loss is mainly attributable to the net effects of change of expected first year of coal production, the decrease of the relevant coal prices, the appreciation of Russian Rubles to US Dollars, and the decrease in post-tax discount rate during the current period as compared to previous year.

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 2019. Impairment loss of HK\$1,854,000 (Note 4) (31 March 2019: HK\$18,000) 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
<b>Mining rights</b>		
Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russian Federation	1 July 2025

## 12. EXPLORATION AND EVALUATION ASSETS

	Total HK\$'000
<b>Cost</b>	
At 1 April 2018	3,644,289
Additions	3,209
Exchange realignments	(4,053)
At 31 March 2019 and 1 April 2019 (Audited)	3,643,445
<b>Additions</b>	—
<b>Exchange realignments</b>	<b>(870)</b>
<b>At 30 September 2019 (Unaudited)</b>	<b>3,642,575</b>
<b>Accumulated amortisation and impairment loss</b>	
At 1 April 2018	1,313,275
Impairment loss	58,699
Exchange realignments	(218)
At 31 March 2019 and 1 April 2019 (Audited)	1,371,756
<b>Impairment loss (Note 4)</b>	<b>652,126</b>
<b>Exchange realignments</b>	<b>(33)</b>
<b>At 30 September 2019 (Unaudited)</b>	<b>2,023,849</b>
<b>Net carrying value</b>	
<b>At 30 September 2019 (Unaudited)</b>	<b>1,618,726</b>
At 31 March 2019 (Audited)	2,271,689

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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. EXPLORATION AND EVALUATION ASSETS *(Continued)*

In performing the impairment test for current period, the Directors of the Company have engaged Ravia 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 Director 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 13 years up to 2031 (31 March 2019: a period of 11 years up to 2029) with the first year of production taken to be from year 2022 (31 March 2019: 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 21.81% (31 March 2019: 22.40%).
- (iii) Coal sales prices used in the DCF in the current and prior periods are determined with reference to current market information at the respective valuation dates, which shown a decrease of approximately 6% (depends on different type of coals) when compared to that of 31 March 2019.
- (iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2019: 3% p.a.), which is in line with the comparable market information.
- (v) The exchange rate for US\$ to RUB with reference to the approximate spot rate as of 30 September 2019 is taken to be 1.00 US\$ to 64.86 RUB (31 March 2019: 1.00 US\$ to 65.63 RUB).
- (vi) The inflation rate on operating costs is 3% p.a. (31 March 2019: 3% p.a.).

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (i), (ii), (iii) and (v) mentioned above, other major assumptions used in the DCF analysis in current 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 2019.

The Directors of the Company are of the opinion that based on the valuation, the mining right was impaired by HK\$652,126,000 (Note 4) (31 March 2019: HK\$58,699,000) compared with its carrying value as at 30 September 2019. The impairment loss is mainly attributable to the net effects of change of expected first year of coal production, the decrease of the relevant coal prices, the appreciation of Russian Rubles to US Dollars, and the decrease in post-tax discount rate during the current period as compared to previous year.

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

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13. RIGHT-OF-USE ASSETS

	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Additions	1,637	—
Depreciation (Note 5)	(457)	—
Exchange realignments	(23)	—
At the end of the period/year	1,157	—

## 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 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Trade receivables	15,596	22,859
Less: Allowance for doubtful debts	—	—
	15,596	22,859

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 15 days (31 March 2019: 15 days).

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

	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Neither past due nor impaired	15,596	22,859

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 14. TRADE RECEIVABLES *(Continued)*

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:

	<b>As at 30 September 2019 (Unaudited) HK\$'000</b>	As at 31 March 2019 (Audited) HK\$'000
At beginning of period/year	—	—
Reversal of impairment loss recognised during the period/year	—	—
At end of period/year	—	—

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.

## 15. TRADE PAYABLES

	<b>As at 30 September 2019 (Unaudited) HK\$'000</b>	As at 31 March 2019 (Audited) HK\$'000
Trade payables	<b>7,477</b>	—

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

	<b>As at 30 September 2019 (Unaudited) HK\$'000</b>	As at 31 March 2019 (Audited) HK\$'000
0 to 30 days	<b>7,477</b>	—
31 to 60 days	—	—
61 to 90 days	—	—
Over 90 days	—	—
	<b>7,477</b>	—

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. INTEREST-BEARING BORROWINGS

	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Other loan 1 (Note a)	4,508	4,508
Other loan 2 (Note b)	28,561	28,561
Other loan 3 (Note c)	20,374	21,497
Other loan 4 (Note d)	—	3,445
Other loan 5 (Note e)	5,592	10,108
	<b>59,035</b>	68,119
	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Carrying amount repayable:—		
Within one year or on demand	4,508	7,953
Over one year	54,527	60,166
	<b>59,035</b>	68,119

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. INTEREST-BEARING BORROWINGS (Continued)

Notes:

- a. During the period, the aggregate amount of HK\$9,468,000 (“**Previous Other Loan 1**”) was bearing interest at 5% per annum and repayable upon maturity or on demand.

On 5 July 2018, a part of Previous Other Loan 1 which amounting to HK\$4,960,000 (including interest payable) had assigned to an independent third party.

Therefore, the remaining unsettled Previous Other Loan 1 in aggregate amount of HK\$4,508,000 (31 March 2019: HK\$4,508,000) was due to the independent third party (“**Other Loan 1**”). Other Loan 1 is bearing interest at 5% per annum and repayable upon maturity or on demand.

- b. During the period, the aggregate loan amount of HK\$28,561,000 (“**Other Loan 2**”) (31 March 2019: HK\$28,561,000) was bearing interest at 5%-6% per annum and no fixed term of repayment or on demand. The lender had agreed to extend the repayment date to 31 December 2020.

- c. During the period, the loan amount of KRW3,120,000,000 (equivalent to approximately HK\$20,374,000 (31 March 2019: HK\$21,497,000)) (“**Other Loan 3**”) was obtained from an independent third party. Other Loan 3 is unsecured bearing interest at 4.6 % per annum and repayable after 12 months from the date of drawdown or on demand. The lender had agreed to extend the repayment date to 31 December 2020.

- d. During the period, the loan amount of KRW500,000,000 (equivalent to approximately HK\$3,445,000) (“**Other Loan 4**”) (including interest payable) has been fully settled.

- e. In the previous year, the aggregate amount of US\$660,000 (equivalent to approximately HK\$5,148,000 (including interest payable)) and in aggregate amount of HK\$4,960,000 (including interest payable) had been assigned from an independent third party (“**Previous Other Loan 5**”).

During the period, a part of Previous Other Loan 5 which amounted to RMB4,000,000 (equivalent to approximately HK\$4,516,000) has been settled.

Therefore, the remaining unsettled Previous Other Loan 5 in aggregate amount of HK\$5,592,200 (31 March 2019: HK\$10,108,000) was due to the independent third party (“**Other Loan 5**”). Other Loan 5 was bearing interest at 5%-7% per annum and no fixed term of repayment or on demand. The lender had agreed to extend the repayment date to 31 December 2020.

## 17. PURCHASE CONSIDERATION PAYABLE FOR ADDITIONAL ACQUISITION

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

In prior year, the Group has recognised US\$1,300,000 (equivalent to approximately HK\$10,140,000) of the 4th Adjusted Consideration as purchase consideration payable for the acquisition of additional 30% equity interest in Lapi. The Group’s share of the 4th Adjusted Consideration in the amount of HK\$9,126,000 was debited directly to other reserve in equity. The Group settled an aggregate amount of US\$873,400 (equivalent to approximately HK\$6,813,000) of the 4th Adjusted Consideration, the remaining balance of the 4th Adjusted Consideration is US\$426,600 (equivalent to approximately HK\$3,345,000 (31 March 2019: HK\$3,349,000)).

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 18. LEASE LIABILITIES

	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Total lease liabilities	1,148	—
Less: current portion	896	—
Non-current portion	252	—

The Group leases various office and oil storage premises use right under lease agreements. The majority of lease liabilities are denominated in KRW. No arrangement has been entered into for variable lease payment.

During the six months ended 30 September 2019, the Group's operating lease rental payments relating to short-term lease of HK\$157,000 (Note 5) have been recognised as expenses and included in 'operating lease rentals of premises'.

## 19. CONVERTIBLE NOTE PAYABLES

### (i) Convertible note

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

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**"). The HASS Reports was previously adopted by the Company to determine the quantum of purchase consideration of the Lapi mine and hence the amount of convertible notes to be issued.

In order to re-assess and support the issuance of the Third Convertible Note, the Company then engaged another experienced and qualified 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.

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 the 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19. CONVERTIBLE NOTE PAYABLES *(Continued)*

### (i) Convertible note *(Continued)*

On 22 August 2016, in response to the New Technical Report dated 11 August 2016, Cordia, Choi Sungmin, Grandvest, Daily Loyal Limited and the Company entered into an 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 agrees not to request for 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 amended 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 a 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 and was not intended to be binding, and that the Company and Mr. Hong Sang Joon (a former Director of the Company) should 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. Details are disclosed in Note 24 in relation to legal action HCA 1071 of 2017.

On 19 October 2018, the Company announced that it has received transfer documents together with note certificates in respect of an aggregate US\$309,270,000 in principal amount of the Original Notes, with instructions to transfer (i) US\$226,170,000 in aggregate principal amount of the Original Notes from Daily Loyal Limited to China Panda Limited, and (ii) US\$83,100,000 in aggregate principal amount of the Original Notes from Daily Loyal Limited to Gold Ocean (collectively, the "**Transferred Notes**").

The Company has accordingly registered the transfer of the Transferred Notes in the Register of Noteholders of the Company. Subsequently, the Company also received transfer documents together with note certificates in respect of an aggregate principal amount of US\$20,000,000 with instructions to transfer such US\$20,000,000 in notes from China Panda Limited to Gold Ocean. The Company registered the transfer of such notes in the Register of Noteholders of the Company.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19. CONVERTIBLE NOTE PAYABLES *(Continued)*

### (i) Convertible note *(Continued)*

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 Constituting the Secured Convertible Notes in the Principal Amount of US\$443,070,000 Due on the Date falling Five Years after the Date of the Issue of the Convertible Notes dated 3 April 2013 (the "**Original Note Instrument**") constituting the Original Notes, pursuant to Condition 14 of 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 (the "**Amended Note Instrument**"). In consequence of such amendment, the Amended Note Instrument amends, supersedes and replaces the Original Note Instrument in its entirety, and the convertible notes reconstituted under Amended Note Instrument (the "**Amended Notes**") replace the Original Notes in their entirety.

The principal changes made by the Amended Note Instrument to the Original Note Instrument are as follows:

1. The principal amount of the notes has been updated to a reduced principal amount of US\$400,390,000 to reflect conversions of and adjustments to the Original Notes since their original issuance.
2. The maturity date of the Original Notes was five years after the date of issue of the Original Notes, or 3 April 2018. The Amended Note Instrument extended the maturity date of the Notes to the date falling one year after the date of the Amended Note Instrument without interest, or 19 October 2019.
3. The Original Note Instrument gave holders of the Original Notes the right to require conversion of the Original Notes. The Amended Note Instrument granted holders of the Amended Notes, as well as the Company, to require conversion of the Amended Notes.
4. The Original Notes were secured by certain share charges as provided in condition 6 thereunder. Pursuant to the Amended Note Instrument, the parties agreed to release and discharge such share charges immediately after execution of the Amended Note Instrument.
5. Condition 14 of the Original Note Instrument provided that the terms and conditions of the Original Note Instrument may be amended by agreement in writing between the Company and the noteholders holding in aggregate not less than 75% in outstanding principal amount of the Original Notes. The Amended Note Instrument provided that the terms and conditions of the Amended Note Instrument may be amended by agreement in writing between the Company and noteholders holding in aggregate not less than 65% in outstanding principal amount of the Amended Notes.
6. Certain provisions under the Original Note Agreement requiring the approval of the noteholders thereunder (including the appointment of a Calculation Agent as defined thereunder, and other provisions for the protection of noteholders), were amended to require the approval of noteholders holding in aggregate not less than 65% in outstanding principal amount of the Amended Notes.

All other material terms of the Original Notes, including the conversion price thereunder of HK\$48, remain unchanged.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19. CONVERTIBLE NOTE PAYABLES (Continued)

### (i) Convertible note (Continued)

Immediately following the Amended Note Instrument becoming effective, the Company exercised its right to require conversion of US\$340,390,000 in principal amount of the notes, by delivering conversion notices to all the noteholders.

The conversion of the notes thereby effected will result in the issuance of 55,313,376 Conversion Shares, and leaves US\$60,000,000 in principal amount of the Amended Notes outstanding.

On 22 October 2018, the Company announced that it had exercised its rights under the Amended Note Instrument to require conversion of US\$340,390,000 (equivalent to approximately HK\$2,655,042,000) in the principal amount of the Amended Notes at a conversion price of HK\$48 per Conversion Share, by delivering conversion notices to all noteholders.

The Company on 22 October 2018 allotted 55,313,376 Conversion Shares, 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 were issued in name of each of them accordingly. The Conversion Shares rank *pari passu* with all the existing Shares at the date of allotment and issue and among themselves in all respects.

The outstanding principal amount of the Amended Notes after the conversion was US\$60,000,000 (equivalent to approximately HK\$468,000,000).

On 20 May 2019, the Company announced in relation to, amongst other things, the amendments of the terms and conditions of the convertible notes (the "**Amendments**"), the partial conversion of the convertible notes (the "**Conversion**"), the issuance of conversion shares pursuant to the Conversion (the "**Conversion Shares**") and the cancellation agreement entered into by the Company on 16 May 2019 reversing the Amendments and the Conversion ("**Cancellation Agreement**").

Pursuant to the Cancellation Agreement, the Amendments and all transactions carried out pursuant thereto, including the Conversion, would be reversed and cancelled *ab initio*. As a result, the issued share capital of the Company would with immediate effect revert to 1,208,475,523 ordinary shares.

### (ii) Measurement of convertible note

The fair value of the derivative components of the Third Convertible Note was zero as the convertible note already matured on 3 April 2018 and conversion feature was already forfeit. (31 March 2019: no change in the fair value of convertible note). The effective interest rate of the liability component of the Third Convertible Note was 12.01%.

	At 30 September 2019	At 31 March 2019
Expected volatility	Nil	Nil
Expected life	Nil	Nil
Risk-free rate	Nil	Nil
Expected dividend yield	Nil	Nil
Bond yield	Nil	Nil

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19. CONVERTIBLE NOTE PAYABLES *(Continued)*

### (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 2018 (Audited)	3,591,498	—	3,591,498
Imputed interest charged during the year	—	—	—
At 31 March 2019 and 1 April 2019 (Audited)	3,591,498	—	3,591,498
Imputed interest charged during the period (Note 6)	—	—	—
<b>At 30 September 2019 (Unaudited)</b>	<b>3,591,498</b>	<b>—</b>	<b>3,591,498</b>

## 20. PROMISSORY NOTES PAYABLES

	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
<b>At the beginning of the period/year and at the end of period/year and included in non-current liabilities</b>	<b>15,600</b>	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 to 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 amount of US\$9,000,000 (equivalent to approximately HK\$70,200,000) to the then three independent third parties (the "**Three New PN Holders**").

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

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 20. PROMISSORY NOTES PAYABLES *(Continued)*

During the period, no imputed interest (31 March 2019: HK\$Nil) 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 2019: HK\$15,600,000).

On 10 June 2019, the remaining promissory notes holder of the Modified PN agreed to extend the maturity date of the promissory notes to 31 December 2020.

## 21. SHARE CAPITAL

	Number of shares		Nominal value	
	As at 30 September 2019 (Unaudited)	As at 31 March 2019 (Audited)	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
<b>Ordinary shares of HK\$0.2 each:</b>				
<b>Authorised:</b>	<b>5,000,000,000</b>	5,000,000,000	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid:</b>				
At beginning and at end of the period/year	<b>1,208,475,523</b>	1,208,475,523	<b>241,695</b>	241,695

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

## 22. CAPITAL COMMITMENTS

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

	As at 30 September 2019 (Unaudited) HK\$'000	As at 31 March 2019 (Audited) HK\$'000
Exploration related contracts	—	804

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 23. 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	
			2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Cordia Global Limited	Shareholder	Interest expenses thereto	204	218
Space Hong Kong Enterprise Limited (formerly known as "Pioneer Centre Limited")	Shareholder	Interest expenses thereto	2,988	2,500
First Glory Limited	Shareholder	Interest expenses thereto	89	89

- (b) During the period, the amount due to a shareholder amounting to HK\$228,000 (31 March 2019: HK\$228,000) is unsecured, was interest free and repayable on demand.
- (c) During the period, the amount due to a shareholder amounting to HK\$2,234,000 (31 March 2019: HK\$2,146,000) is unsecured, bears interest at the weighted average effective interest rate of 10% per annum and repayable upon maturity or on demand.
- (d) During the period, the amount due to a shareholder amounting to HK\$109,720,000 (31 March 2019: HK\$100,111,000) is unsecured and bears interest at the rate of 5.5%-10% per annum. During the period, agreements were entered into with the same shareholder for new loans in the amount of HK\$6,620,000 which bear interest at 5.5%-6% per annum and repayable after 1 year from the date of drawdown or on demand. The shareholder agreed to extend the repayment date of all loans (not including new addition loan) to 31 December 2020.
- (e) The amount due to a shareholder totaling HK\$34,171,000 (31 March 2019: HK\$34,013,000), which is unsecured and bears interest at the rate of 0%-8% per annum, was repayable within three years after the drawdown date. The shareholder had agreed to extend the repayment date to 31 December 2020.
- (f) During the period, Cordia has agreed to waive a portion of the interest charged US\$2,000 (equivalent to approximately HK\$13,000) (31 March 2019: US\$14,000 (equivalent to approximately HK\$110,000)) on the amount due in view of the early settlement on the principal loan due to Cordia. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company in the current period.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 23. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Directors' Remuneration</b>		
— Executive directors	60	122
— Independent non-executive directors	180	181
	<b>240</b>	<b>303</b>

## 24. LITIGATIONS

### (i) The Company/Its Subsidiary as the Defendant

#### *Legal Proceedings Taken By Former Shareholders of a Russian Subsidiary*

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

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

The Group and the Second Claimant entered into an amicable agreement dated 11 July 2013 to settle the Second Claim by three instalments. In February 2014, US\$100,000 (approximately HK\$780,000) was paid. The Second Claimant threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the remaining outstanding amount of the Second Claim. As of 31 March 2019, the outstanding amount of the Second Claim is US\$188,600 (approximately HK\$1,471,080), which had been fully provided for since 31 March 2013.

The Group and the Third Claimant entered into an amicable agreement dated 13 May 2013 to settle the Third Claim by three instalments. In February 2014, US\$100,000 (approximately HK\$780,000) was paid. The Third Claimant also threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the remaining outstanding amount of the Third Claim. As of 31 March 2019, 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

## 24. 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 parties summons to seek, inter alia, an injunction against certain persons/parties (including certain shareholders of the Company) to restrain them from disposing of their shares in the Company and/or exercising their voting rights under those shares.

On 26 April 2013 at the hearing of the inter parties 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 were 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 therefore, 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

## 24. 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

## 24. 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

## 24. 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

## 24. 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

## 24. 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 took out a strike out application and there was no substantial development on this legal action since July 2017.

#### **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

## 24. 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 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). 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

## 24. 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 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.

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 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.

## 24. 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.

Daily Loyal on 6 March 2019 filed its amended Statement of Claim, the Company in response filed its amended defence and counterclaim on 22 March 2019, and Daily Loyal then filed its amended reply and defence to counterclaim on 22 May 2019. Parties to this legal action had exchanged the signed witness statements on 5 June 2019.

As announced by the Company on 3 October 2019, the Court on 19 September 2019 directed that an application by Daily Loyal to have HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018 heard together and tried by the same judge, together with an application by the Company and Hong Sang Joon (a former director of the Company) to have two other actions (HCA 2077 of 2017 and HCA 2079 of 2017 which not involving the Company and its existing Directors) heard together with and tried by the same judge as HCA 1071/2017 and HCA 2501/2017 (Counterclaim) (the "**Consolidation Applications**"), be adjourned for directions on 21 October 2019. As directed by the Court, substantive hearing of the Consolidation Applications has been set down for 28 February 2020.

In view of the current situation and based on the documents presently made available to the Company, it is expected that this legal case is unlikely to progress to trial until early 2021 at the earliest, pending on the outcome of the Consolidation Applications.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 24. LITIGATIONS *(Continued)*

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

#### **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 is considering to take out a strike out application in due course.

#### **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 existing Director of the Company are taking legal advice in respect of such legal action and are considering to 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 is sued as a nominal defendant only.

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.

Daily Loyal made its counterclaim in February 2018 to certain parties, including the Company, but such counterclaim was not served to the Company within the statutory stipulated time period. Only in February 2019, Daily Loyal attempted to serve its counterclaim to the Company, which is more than 14 months out of time and is thus in contravention of the Rules of the High Court. The Company has applied to the Court for dismissal of Daily Loyal's counterclaim for abuse of process, and the Court declined to grant Daily Loyal an extension of time for its counterclaim pending the outcome of the Company's dismissal application.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 24. LITIGATIONS *(Continued)*

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

#### *HCA 2501 of 2017 (Continued)*

As announced by the Company on 3 October 2019, further to an earlier notice of discontinuance filed on 24 June 2019, the Company received an order of the High Court sealed on 25 September 2019, pursuant to which leave was granted to China Panda Limited and Gold Ocean to wholly discontinue the original action in HCA 2501/2017 ("**HCA 2501/2017 (Original Action)**"). Notwithstanding the discontinuance of HCA 2501/2017 (Original Action), the counterclaim of Daily Loyal Limited as against China Panda Limited, Gold Ocean and the Company in HCA 2501/2017 ("**HCA 2501/2017 (Counterclaim)**"), which also involves similar issues and disputes over the ownership of the Third Convertible Note, is still ongoing. Separately, the Court on 19 September 2019 directed that an application by Daily Loyal to have HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018 heard together and tried by the same judge, together with an application by the Company and Hong Sang Joon (a former director of the Company) to have two other actions (HCA 2077 of 2017 and HCA 2079 of 2017 which not involving the Company and its existing Directors) heard together with and tried by the same judge as HCA 1071/2017 and HCA 2501/2017 (Counterclaim) (the "**Consolidation Applications**"), be adjourned for directions on 21 October 2019. As directed by the Court, substantive hearing of the Consolidation Applications has been set down for 28 February 2020.

Given all the anticipated necessary legal procedures ahead and in view of the current situation and based on the documents presently made available to the Company, it is expected that this legal case is unlikely to progress to trial until early 2021 at the earliest, pending on the outcome of the Consolidation Applications.

#### *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.

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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 24. LITIGATIONS *(Continued)*

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

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

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 ("**Daily Loyal**") (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 announced by the Company on 23 November 2018, 27 November 2018 and 24 December 2018, respectively, Daily Loyal in contravention of the Rules of the High Court failed to file and serve its Statement of Claim on the Company within the statutory stipulated time period and accordingly the Company took out an application to dismiss the legal action. Daily Loyal subsequently applied to the Court for an extension of time of 28 days to file its Statement of Claim, but the Court granted Daily Loyal an extension of time of 14 days. However, Daily Loyal failed to file its Statement of Claim within the extended time and, instead applied for a further extension of time of 21 days. The High Court granted Daily Loyal a further extension of time of 21 days subject to an "unless order", meaning that unless Daily Loyal filed and served its Statement of Claim by 9 January 2019, the Action would automatically be dismissed.

Daily Loyal eventually filed and served its Statement of Claim on 9 January 2019. The Company will defend vigorously and has already filed its defence.

As announced by the Company on 3 October 2019, the Court on 19 September 2019 directed that an application by Daily Loyal to have HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018 heard together and tried by the same judge, together with an application by the Company and Hong Sang Joon (a former director of the Company) to have two other actions (HCA 2077 of 2017 and HCA 2079 of 2017 which not involving the Company and its existing Directors) heard together with and tried by the same judge as HCA 1071/2017 and HCA 2501/2017 (Counterclaim) (the "**Consolidation Applications**"), be adjourned for directions on 21 October 2019. As directed by the Court, substantive hearing of the Consolidation Applications has been set down for 28 February 2020.

Given all the anticipated necessary legal procedures ahead and in view of the current situation and based on the documents presently made available to the Company, it is expected that this legal case is unlikely to progress to trial until early 2021 at the earliest, pending on the outcome of the Consolidation Applications.

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

On 27 April 2015, the Company finalized the engagement of new solicitors to act for the Company so as to further proceed with the case.

Upon the hearing on 30 July 2015, the Company would file a summons for application to amend the Indorsement of Claim and Statement of Claim. Hearing on the application of the Company to obtain leave to amend the Indorsement of Claim and Statement of Claim was held on 26 January 2017 with reserved judgment, and the related judgment was handed down on 10 February 2017, pursuant to which leave be granted to the Company to amend the Indorsement of Claim and Statement of Claim. Accordingly, the Amended Indorsement of Claim and Amended Statement of Claim had been filed.

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

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 24. 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)*

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 case management conference hearing was scheduled on 8 May 2019. Upon subsequent hearings, the case management conference hearing was adjourned to 15 August 2019 and further adjourned to 3 January 2020.

#### **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.

#### **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 ("**Newborn Global**") (formerly known as "**HASS Natural Resources Limited**") 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 HASS Natural Resources Limited ("**HASS**") in 2013 to engage HASS 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 HASS under such agreement and damages for misrepresentation from both HASS and Tso.

The action is still in its early stage and will proceed with its usual manner.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 24. LITIGATIONS *(Continued)*

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

#### *HCMP 2169 of 2019*

On 22 November 2019, the Company (as the plaintiff) issued an originating summons to Daily Loyal (as the defendant) in the High Court of Hong Kong under action number HCMP 2169 of 2019. The Company is seeking, inter alia, declarations that Daily Loyal had no right under condition 10.1(f) of the Note Instrument of the Third Convertible Note to object to the Company's proposed share placing as disclosed in the Company's announcement of 27 September 2019, or alternatively, Daily Loyal unreasonably withheld its consent to such share placing; and an order that Daily Loyal be restrained from exercising its purported right under such condition 10.1(f) to object to the proposed share placing, or any other future proposed issuances, consolidations or subdivisions of shares of the Company, including, but not limited to, making such objections to the Stock Exchange.

On 26 November 2019, the Company filed a summons to the High Court of Hong Kong under action number HCMP 2169 of 2019 seeking, inter alia, an interim injunction that Daily Loyal be restrained from exercising its purported right under such condition 10.1(f) to refuse consent and/or object to (a) the Company's proposed share placing as announced in the Company's announcement dated 27 September 2019; and (b) any future proposed issuances, consolidations or subdivisions of shares of the Company.

Although an interim injunction was not granted upon hearing on 29 November 2019, the judge did appreciate that this case required resolving at the earliest opportunity and had fast-tracked the case by setting down the hearing of the originating summons itself (i.e. for final determination) for a 3 hour hearing on 31 December 2019.

## 25. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, certain legal action against the Company was dismissed, and the Company took a new legal action against certain party. Please refer to Note 24 for details of such legal cases.
- (b) Subsequent to the end of the reporting period, certain loan facilities of HK\$2.0 million in total have been granted to the Company.
- (c) As disclosed previously, the Company (as the vendor) on 10 June 2019 signed the sale and purchase agreement (the "**Previous Sale and Purchase Agreement**") dated 10 June 2019 with the purchaser in relation to the disposal of the Company's 40% investment in the PRC kindergarten joint venture company, 上海惟奉教育科技有限公司 (the English translation name for identification purpose as "**Shanghai Weifeng Education and Technology Co., Ltd**") (the "**40% PRC JV Investment**") to the purchaser at a consideration of RMB 4 million (approximately HK\$4,515,800). However, due to certain corporate circumstances encountered by the purchaser, the cancellation agreement dated 21 November 2019 was entered into between the Company and the purchaser in relation to the cancellation of the Previous Sale and Purchase Agreement. On 22 November 2019, the Company (as the vendor) signed the new sale and purchase agreement with another purchaser in relation to the disposal of the 40% PRC JV Investment to the new purchaser at a consideration of US\$700,000 (approximately HK\$5,460,800). Upon completion, full consideration of US\$700,000 was received by the Company on 22 November 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Turnover

For the six months period ended 30 September 2019, the Group recorded a total turnover of HK\$465.5 million (2018: HK\$77.2 million), representing an increase of approximately 503.0% as compared to last corresponding period. The significant increase in turnover from trading of gasoline and related petroleum products and services in the Korean market directly contributed to such increase in turnover for the period under review.

As already mentioned in the Company's 2019 Annual Report, the Group would strengthen the gasoline trading business, and in parallel, the Group would also strive to meet the needs of different customers looking for diversified products, and it would not hesitate to further diversify its trading business into other products when opportunities arise. During the period under review, the Group recorded a turnover of HK\$465.5 million (2018: HK\$71.7 million) from trading of gasoline and related petroleum products and services, while no turnover was recorded for trading of integration module (2018: HK\$5.5 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 (2018: HK\$0.06 million).

### 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\$45.9 million (2018: HK\$27.5 million) mainly due to the decrease in coal sales prices of certain types of coals and change of the expected first year of coal production to 2025; 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\$652.1 million (2018: HK\$500.4 million) also mainly due to the decrease in coal sales prices of certain types of coals and change of the expected first year of coal production to 2022.

### Administrative and Other Expenses

During the period under review, amortization of mining rights increased from HK\$56.1 million to HK\$73.7 million due to the change in the net carrying value of the mining rights under other intangible assets. Staff costs (excluding directors remuneration) decreased from HK\$3.1 million to HK\$1.8 million mainly due to no severance payment to a former executive director during the period under review. Legal and professional fees increased from HK\$1.8 million to HK\$3.8 million as the Company had been devoting more resources to expedite the progress of several important legal proceedings.

### Finance Costs

During the period under review, total finance costs increased to HK\$5.1 million (2018: HK\$4.4 million) as loan interests increased to HK\$5.1 million (2018: HK\$4.4 million) due to increase in interest-bearing loans.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Loss Before Income Tax

For the six months period ended 30 September 2019, the loss before income tax of the Group was HK\$783.5 million (2018: HK\$598.8 million), representing an increase of approximately 30.8%. The substantial increase of loss is mainly attributable to the combined effects of the aforementioned factors.

The Company would like to highlight that both the impairment loss of HK\$45.9 million (2018: HK\$27.5 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\$652.1 million (2018: HK\$500.4 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, trading of gasoline and the related petroleum products and services was the prime contributor to the Group's turnover. Steady and marked progress was made in terms of sourcing of new suppliers, widening of sales pipelines and stabilizing erratic orders. Direct delivery from oil refineries to petrol stations reduced the lead time and contributed to cost saving. Geographically speaking, the Korean market was still the Group's sole market segment which accounted for 100% (2018: 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 2022, 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, the Group 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. The forestry survey was completed in July 2019 and the surveying documentation materials were 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 respect of underground mining of Lot 2, the Group has submitted the materials of technical design documentation for consulting and expert review to the Central Committee for Solid Mineral Deposits Development of "Rosnedra" ("Rosnedra" is the Federal Agency for Subsoil Usage) for approval. The technical design documentation was approved by the Central Committee for Solid Mineral Deposits Development of "Rosnedra". Declaration of intent to construct the mine was made, and declaration on the environmental impact assessment was also completed.

### Joint Venture in Kindergarten Project

As disclosed in the 2019 Annual Report, despite the PRC joint venture company, "上海惟奉教育科技有限公司" (English translation name "**Shanghai Weifeng Education and Technology Co., Ltd**" for identification purpose only), was not making any profits, the PRC joint venture partner intended to expand the number of kindergartens in the PRC in 2020 and thus requested further substantial financial resources injection, which the Company had not originally budgeted for. The Company hence decided not to participate in such expansion plan, and on 10 June 2019, the Company disposed of its 40% capital investment in the kindergarten joint venture company at a consideration of RMB4 million (equivalent to approximately HK\$4,515,800).

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

Looking forward, the threats from possible full scale Sino-US trade wars could not be dispelled at the moment, the sluggish growth in economy of Mainland China seems still lingering and the continuing recovery of global economy remains 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 and petroleum products 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 further strengthen the gasoline trading by enhancing the manpower, finding new suppliers and boarding the customer base. In parallel, the Group 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

Open pit mining is characterized by shorter timeframes for mine infrastructure construction, lower capital expenditure requirements and relatively higher yields of coal ore extraction. However, open pit mining inherently will cause disruptive impacts to the environment due to the extensive excavation processes, which may completely eliminate the existing surface vegetation, destroy the genetic soil profile, displace or destroy wildlife and habitat, degrade air quality and to some extent permanently change the general topography of the area mined. Hence, in respect of open pit mining in certain area of Lot 2, the Group will strictly observe all the applicable environmental protection laws and regulations in Russia and cautiously evaluate the environmental impacts on the surrounding areas of the mines.

In respect of underground mining of Lot 2, as the technical design documentation was approved by the Central Committee for Solid Mineral Deposits Development of "Rosnedra" and declaration of environmental impact assessment was completed, and upon the granting of protocol and other necessary approvals, the Group will then be able to move to the next step of making the mine construction design. Simultaneously, the Group will review on acquisition of a plot of land within the boundary of Lot 2 for initial infrastructure and facilities purposes.

The actual date of development for the mines may be adjusted by two years due to various administrative procedures, such as the purchase of land for the mine development, necessary approval procedures and memorandum of understanding from related governmental institutes. The Group is also considering different development plans and methods which can bring more potential profit. The Group is planning to exercise more field surveys to review the profitability of both open pit and underground development methods and get advice from various coal experts. It is expected to get concrete information within half a year since there has numerous information to review. The Group will have to check whether the plan complies with international standards, Listing Rules, etc. Simultaneously, the Company is endeavoring to seek friendly cooperation from local government and citizens to promote all schedules smoothly. Local staff in Russia are preparing to get professional advice from various consultants, such as geological experts, economists, media groups, and legal advisors to develop the entire mining areas by participating various local society activities.

These activities are harmonious with the Group's vision, in which the Group seeks profits and make contributions to the community at the same time. The Group is seeking business profits as a way to obtain cooperation from the community for smooth development and minimize the environmental impact on the development area environment, including land restoration which is followed by development.



# 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 loan capitalizations and potential equity funding such as issuance of new shares under specific mandate and/or general mandate. In addition, the Company will try its best to maintain proper communications with the holder(s) of the Third Convertible Note to resolve the alleged disputes in an amicable manner, and may explore the possibility of possible conversion of a significant portion of convertible note and/or the possible extension of the maturity date.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had net current liabilities of HK\$3,597.0 million (31 March 2019: HK\$3,588.4 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 0.96% (31 March 2019: 1.04%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 8.02% (31 March 2019: 5.85%).

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\$11.7 million (2018: HK\$1.2 million), while the total cash and cash equivalents increased to HK\$13.5 million (2018: HK\$10.8 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 2019. 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\$6.6 million (31 March 2019: HK\$24.9 million) in total for the Group's daily operation and the mine development.

In addition to the above measure to improve the liquidity of the Group, the Company also explores way to improve its overall financial position. In particular, the Company will communicate with specific holders of the Third Convertible Note, with an aim to deal with such major liability of the Group, including but not limited to the possible conversion of a significant portion of the outstanding Third Convertible Note. The Company believes that such conversion, if happened, will be beneficial to the Company, its shareholders and other stakeholders of the Company (including the holders of the Third Convertible Note) 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 may then be able to improve its overall financial position.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PLACING OF NEW SHARES UNDER GENERAL MANDATE

As announced by the Company on 27 September 2019, the Company and Onface Co., Limited (the “**Placee**”) on 27 September 2019 (after trading hours) entered into the conditional placing agreement (the “**Placing Agreement**”), pursuant to which the Company has conditionally agreed to place and the Placee has conditionally agreed to subscribe for an aggregate of up to 241,695,104 new shares of the Company (the “**Placing Shares**”) at a proposed placing price of HK\$0.20 per share, subject to the terms and conditions as contained in the Placing Agreement. The placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares on the Stock Exchange. Assuming that the maximum number of 241,695,104 Placing Shares are placed to the Placee in full, the maximum gross proceeds from the placing will be approximately HK\$48.34 million and the maximum net proceeds from the placing is estimated to be approximately HK\$47.84 million. On such basis, the net price to the Company of each Placing Share is estimated to be approximately HK\$0.198. The Company intends to use the net proceeds from the placing for repayment of loans and as general working capital of the Group. The Placing Shares will be issued under the general mandate granted to the Directors by the Company’s shareholders at the annual general meeting of the Company held on 30 August 2018.

## CAPITAL STRUCTURE

The capital of the Company comprises of ordinary shares and other reserves. As at 30 September 2019, the Company’s issued share capital was HK\$241,695,000 (31 March 2019: HK\$241,695,000) and the number of issued ordinary shares was 1,208,475,523 (31 March 2019: 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 24 to the Interim Financial Statements.

## CAPITAL COMMITMENTS

As at 30 September 2019, the Group had no capital commitments in respect of the exploration related contracts (31 March 2019: HK\$0.8 million) and no capital commitments in acquisition of property, plant and equipment (31 March 2019: nil).

## PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 30 September 2019 and 31 March 2019.



# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL ACQUISITION AND DISPOSAL

The PRC joint venture partner of the PRC joint venture company “上海惟奉教育科技有限公司” intended to establish more kindergartens in 2020 and thus requested further substantial financial resources injection, which the Company originally had not budgeted for. Given the existing kindergarten was still not making positive returns, the Company decided not to participate in such expansion plan, and thus on 10 June 2019, the Company disposed of its 40% capital investment in the kindergarten joint venture company at a consideration of RMB4 million (equivalent to approximately HK\$4,515,800).

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 or joint venture company.

## EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2019, the Group had approximately 17 (31 March 2019: 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 2019, 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 2019 Annual Report of the Company.

During the six months ended 30 September 2019, no option has been granted under the New Scheme. No option has been granted under the New Scheme since its adoption date to the date of this report.

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

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$
	As at 1 April 2019	Exercised during the period	Lapse during the period	As at 30 September 2019			
<b>Employees and consultants other than directors</b>							
— In aggregate	—	—	—	—	—	—	—
Total	—	—	—	—			

\* 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 2019 Annual Report. As at 30 September 2019, the Company had no share options outstanding (31 March 2019: no 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 2019, 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
Space Hong Kong Enterprise Limited (formerly known as "Pioneer Centre Limited")	Beneficial owner	162,505,317	13.45%
Lucrezia Limited (Note 1)	Beneficial owner	90,030,768	7.45%
Token Century Limited	Beneficial owner	84,000,000	6.95%
Kim Wuju	Beneficial owner	74,400,000	6.16%
Yang Xiaolian (Note 1)	Interest in controlled corporation	90,030,768	7.45%

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

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

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

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

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: 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, all INEDs of the Company (Ms. Chen Dai, Mr. Kwok Kim Hung Eddie and Mr. Lee Sungwoo) were unable to attend the 2019 annual general meeting of the Company held on 7 November 2019 due to other overseas commitments or other prior business engagements.

### NON-COMPLIANCE WITH PROVISIONS OF THE LISTING RULES

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

- (i) The 2019 annual general meeting of the Company, originally intended to be held on or before 30 September 2019, was finally re-scheduled to 7 November 2019 as the Company needed more time to finalize the proposed placing of new shares under the general mandate granted at the 2018 annual general meeting of the Company. As a result, the Company was not able to timely comply with the provision under the Listing Rules in laying its annual financial statements for the year ended 31 March 2019 before its members at its 2019 annual general meeting within the period of six months after the end of the financial year to which the annual financial statements relate, i.e. to hold its 2019 annual general meeting on or before 30 September 2019.

### 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 2019 have been reviewed by the Audit Committee.



## OTHER INFORMATION

### 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.

### 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, 29 November 2019

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