# 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)

# 2020
## Annual Report

* For identification purpose only

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Lee Jaeseong *(Chairman)*
(appointed on 21 February 2020)
Mr. Im Jonghak (appointed on 21 February 2020)
Mr. Jo Sang Hee *(Chairman)*
(resigned on 21 February 2020)

### Independent Non-executive Directors

Ms. Chen Dai
Mr. Kwok Kim Hung Eddie
Mr. Lee Sungwoo
Mr. Leung Yau Wan John (appointed on 21 February 2020)

## COMPANY SECRETARY

Ms. Tsang Oi Yin (appointed on 21 February 2020)

## AUTHORISED REPRESENTATIVES

Mr. Lee Jaeseong (appointed on 21 February 2020)
Ms. Tsang Oi Yin (appointed on 21 February 2020)
Mr. Jo Sang Hee (resigned on 21 February 2020)

## AUDIT COMMITTEE

Mr. Kwok Kim Hung Eddie *(Chairman)*
Ms. Chen Dai
Mr. Lee Sungwoo
Mr. Leung Yau Wan John (appointed on 21 February 2020)

## REMUNERATION COMMITTEE

Mr. Lee Sungwoo *(Chairman)*
Ms. Chen Dai
Mr. Kwok Kim Hung Eddie
Mr. Leung Yau Wan John (appointed on 21 February 2020)

## NOMINATION COMMITTEE

Mr. Lee Jaeseong *(Chairman)*
(appointed on 21 February 2020)
Ms. Chen Dai
Mr. Kwok Kim Hung Eddie
Mr. Leung Yau Wan John (appointed on 21 February 2020)
Mr. Jo Sang Hee *(Chairman)*
(resigned on 21 February 2020)

## 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

# CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**") of Siberian Mining Group Company Limited (the "**Company**"), I would like to present to the shareholders the annual report with the annual results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 March 2020.

## PERFORMANCE AND OPERATIONS

For the year under review, the Group successfully achieved a yearly turnover exceeding HK$1 billion to HK$1,194.07 million (2019: HK$647.95 million), which witnessed the second year of remarkable growth in turnover since the successful diversification into gasoline trading in Korea starting from September 2018. Trading of gasoline and related petroleum products and services contributed to 100.0% (2019: 99.1%) of the yearly turnover, and the Group no longer traded integration module (2019: HK$5.63 million).

For the year under review, the Group recorded a loss before income tax of HK$1,509.18 million (2019: HK$60.95 million). The very substantial increase in loss before income tax was primarily due to (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) of HK$165.32 million (2019: reversal of impairment loss of HK$130.43 million) mainly because of the increase in post-tax discount rate, the decrease in coal sales prices of certain types of coals, the depreciation of Russian Rubles to US Dollars and the change in expected first year of coal production to 2027; (ii) the increase in impairment loss on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) to HK$1,170.70 million (2019: HK$58.70 million) also because of the increase in post-tax discount rate, the decrease in coal sales prices of certain types of coals, the depreciation of Russian Rubles to US Dollars and the change in expected first year of coal production to 2022; (iii) increase in amortization of other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) to HK$139.61 million (2019: HK$107.50 million); (iv) overall net increase in administrative and other expenses to HK$24.25 million (2019: HK$19.32 million) due to increase in legal and professional fees and increase in net exchange loss yet partially offset by reduction in staff costs and decrease in rent and rates; and (v) increase in selling and distribution costs to HK$2.27 million (2019: HK$1.09 million).

It may be worthy of noting that both impairment loss on other intangible assets and impairment loss on exploration and evaluation assets were non-cash items, and hence the cash position of the Group would not be adversely affected by them.

The Group was evaluating carefully the open pit mining in certain areas of Lot 2 as open pit mining would cause more adverse environmental impacts than that of underground mining generally. In July 2019, the forestry survey was completed, which would aid the study of possible changes on boundaries of specially protected forest areas and green belt zone.

In respect of underground mining of Lot 2, the Group had finished both the declaration of intent to construct the mine and the declaration on environmental impact assessment. Technical design documentation consulting and expert review had submitted to the Central Committee for Solid Mineral Deposits Development of "Rosnedra" ("Rosnedra" stands for the Federal Agency for Subsoil Usage) for approval.

As part of the Group's rationalization of business strategy, the Company's 40% capital investment in the kindergarten joint venture project in the People's Republic of China was disposed during the year to preserve the Group's financial resources.

The Company on 30 December 2019 successfully completed the placing of 241,695,104 new shares under general mandate to raise net proceeds of HK$47.07 million, which signified the Company's capability of attracting new investor and the Company's access to equity financing from capital market generally available to listed companies in Hong Kong.

To comply with the trading requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board successfully conducted the share consolidation pursuant to which every ten issued and unissued shares of nominal value of HK$0.20 each in the share capital of the Company be consolidated into one consolidated share of nominal value of HK$2.00 each, which had been effective on 24 April 2020.

# CHAIRMAN'S STATEMENT

## PROSPECTS

Looking ahead, the global economic landscape remains rather uncertain. The turbulences from Sino-US conflicts are still shaking investors' confidence. Global economic prospects are further shattered by the outbreak of COVID-19 pandemic. Reputable world organizations, such as the World Bank Group and the International Monetary Fund, have painted a rather gloomy picture on global economic growth, and projected a contraction of 3% to 5%. Hence, the year ahead will remain challenging for the Group.

From the information currently available in respect of the Group's business operations in Korea and Russia under COVID-19 pandemic, the preliminary assessment reveals that the gasoline trading business in Korea would not be significantly impacted, while certain application procedures of certain Russian Government Departments relating to coal mines development of the Group in Russia might take a longer time and the future coal price fluctuations caused by instability in global economic recovery would also affect the future year end valuations of the Group's coal mining rights and exploration rights. More information on possible impacts of COVID-19 pandemic is included in the section "Management Discussion and Analysis".

However, the Group will strive to focus on its core businesses of (i) mineral resources, commodities and other trading and (ii) coal mining, whilst keeping an eye on potential business opportunities for diversification.

The Group will further strengthen the gasoline trading business in Korea by reinforcing both the supply side and the demand side. Apart from growth in turnover, the Group will also strive to enhance the gross margin.

To meet the needs of different customers and to further broaden the customer base, the Group will not hesitate to continuously diversify its trading product lines when opportunities arise.

As open pit mining would have inevitable impacts on the surface landscape, especially on the forestry zone, the Group in preparation for open pit mining in certain areas of Lot 2 will be more mindful of various aspects of environmental protection. In addition, the Group will ensure compliance of all applicable environmental protection rules and regulations when pitching in the mining plans.

Regarding the underground mining of Lot 2, after the approval of the technical design documentation consulting and expert review by the Central Committee for Solid Mineral Deposits Development of "Rosnedra" ("Rosnedra" stands for the Federal Agency for Subsoil Usage), the Group will be ready to proceed with the mine construction design.

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

To further improve the net liabilities position of the Group as of 31 March 2020, the Company will welcome possible further loan capitalizations with its major creditors and will consider potential equity funding by means of general mandate and/or specific mandate as opportunities arise.

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

# CHAIRMAN'S STATEMENT

## APPRECIATION

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

**Lee Jaeseong**
*Chairman*

Hong Kong, 30 June 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Turnover

For the year ended 31 March 2020, the Group recorded a total turnover of HK$1,194.07 million (2019: HK$647.95 million), representing an increase of approximately 84.3% as compared to last corresponding year. 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 year under review.

As mentioned in the Company's 2019 Interim Report, the Group would further strengthen the gasoline trading business in the Korean market. During the year under review, the Group recorded a turnover of HK$1,194.07 million (2019: HK$642.32 million) from trading of gasoline and related petroleum products and services, and no turnover was recorded for trading of integration module (2019: HK$5.63 million).

### Other Income

Other income during the year under review mainly represented interest income of HK$0.28 million (2019: HK$0.01 million) from bank deposits, and other sundry income of HK$0.26 million (2019: HK$0.09 million).

### Other Gains and Losses

During the year 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$165.32 million (2019: reversal of impairment loss HK$130.43 million) mainly due to the increase in post-tax discount rate, decrease in coal sales prices of certain types of coals, depreciation of Russian Rubles to US Dollars and the change in expected first year of coal production to 2027; 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$1,170.70 million (2019: HK$58.70 million) also mainly due to the increase in post-tax discount rate, decrease in coal sales prices of certain types of coals, depreciation of Russian Rubles to US Dollars and the change in expected first year of coal production to 2022.

### Selling and Distribution Costs

The increase in selling and distribution costs from HK$1.09 million to HK$2.27 million was generally in line with the increase in turnover in gasoline trading.

### Administrative and Other Expenses

During the year under review, total administrative and other expenses increased from HK$19.32 million to HK$24.25 million, mainly due to the net effects of (i) legal and professional fees increased from HK$4.77 million to HK$10.51 million as certain major legal proceedings were expediting and the Company raised a new legal action during the year; (ii) staff costs including pension fund contributions (excluding directors' remuneration) decreased to HK$4.30 million (2019: HK$6.65 million) as cost control took effects; (iii) the depreciation of Russian Rubles to US Dollars resulted in a net exchange loss of HK$4.27 million (2019: HK$1.41 million); and (iv) rent and rates reduced from HK$1.80 million to HK$0.07 million in line with the adoption of the new accounting standards on leases of offices.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Expenses

During the year under review, increase in other expenses represented increase in the amortization of other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) from HK$107.50 million to HK$139.61 million.

## Finance Costs

During the year under review, total finance costs just increased slightly to HK$9.69 million (2019: HK$9.23 million) even though the amount of outstanding interest-bearing borrowings as at year end date increased, as certain interest-bearing loans were repaid during the year which helped to save interests payable.

## Loss Before Income Tax

For the year ended 31 March 2020, the loss before income tax of the Group was HK$1,509.18 million (2019: HK$60.95 million), representing an increase of approximately 2,376.1%. The significant increase of loss is mainly attributable to the combined effects of the aforementioned factors.

The Company would like to highlight that (i) impairment loss of HK$165.32 million (2019: reversal of impairment loss HK$130.43 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 (ii) the impairment loss of HK$1,170.70 million (2019: HK$58.70 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 year 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 year under review, trading of gasoline and the related petroleum products and services was the prime contributor to the Group's turnover.

The Group succeeded in obtaining more competitive pricing with stable supply of gasoline and related products for certain individual petrol stations. In addition, the Group conducted direct delivery as much as possible from oil refinery plants to petrol stations to minimize lead time and also the operating costs.

## 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 year 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 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 is waiting for approval of the technical design documentation consulting and expert review which was submitted to the Central Committee for Solid Mineral Deposits Development of "Rosnedra" ("Rosnedra" is the Federal Agency for Subsoil Usage). Declaration of intent to construct the mine was made, and declaration on the environmental impact assessment was also completed. Since most Russian business is closed for uncertain period due to COVID-19 pandemic issues, the Company is still waiting for results.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Geographical

In the year under review, the Republic of Korea ("**Korea**") is the Group's sole market segment which accounted for 100% (2019: 100%) of the total revenue.

### Joint Venture in Kindergarten Project

The PRC joint venture partner 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 kindergarten project was still not making positive returns, the Company decided not to participate in such expansion plan, and thus the Company during the year disposed of its 40% capital investment in the kindergarten joint venture company, and resulted in a small gain of HK$0.69 million.

## PROSPECTS

Looking forward, the year ahead will remain challenging for the Group. The threats from possible Sino-US trade wars still could not be dispelled at the moment and the sluggish growth in economy of Mainland China seems still lingering. On top of these, the outbreak of COVID-19 pandemic has caused shut down of major economic activities in quite a number of both developed and developing countries around the world. Thus the continuing recovery of global economy remained rather uncertain, which would make the Group's mineral resources, commodities and other trading businesses rather challenging, and would also have impacts on the coal prices.

Based on the information current available on the recent development of the COVID-19 pandemic situation on the major geographical operations of the Group, the preliminary assessment of its impact might suggest that COVID-19 pandemic might not have significant adverse impacts on the Group's gasoline trading business in Korea in terms of the operating margins and results, financial resources, cashflows and future operating plans. As already mentioned above, the possible slowdown in recovery of worldwide economy might have certain impacts on the trends of coal prices which might affect the future valuations of coal mining rights and exploration rights (which anyway will be non-cash items), and the future situations in Russia might also possibly affect the timing on certain application procedures, but up to this moment, the quantitative financial impacts on such are still too pre-matured to be measured.

The Company, apart from focusing on its core businesses, i.e. (i) mineral resources, commodities and other trading; and (ii) coal mining, may 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 opening up new sources of suppliers and establish additional sales pipelines to enhance the customer base. This will help striving for more competitive pricing and thereby increasing the gross margin and further stabilizing the supply of gasoline and the related products. The Group will also strive to further minimize the lead time by improving the logistic from oil refinery plants to the petrol stations in a more efficient manner.

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 is waiting for approval from the Central Committee for Solid Mineral Deposits Development of "Rosnedra" and declaration of environmental impact assessment will be completed. Also, 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.

Due to the unexpected COVID-19 pandemic circumstances, the Group will take substantial time to move on to next procedures. Since almost all major businesses in Russia are halted for unpredictable periods, more time for administrative procedures in the local society will be inevitably required.

Complying with the Group's vision, the Company will seek 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. Also, the Group will find out the best way to minimize the environmental impact on the development area environment, including land restoration which is followed by development

## Placing of Shares, Share Consolidation, Loan Capitalizations and The Third Convertible Note

As announced by the Company on 30 December 2019, the Company successfully issued 241,695,104 new shares at a placing price of HK$0.20 per share under the general mandate in accordance with the placing agreement dated 27 September 2019. The net proceeds from the placing, after deducting expenses in connection with the placing from the gross proceeds of HK$48.34 million, amounted to approximately HK$47.07 million. The net price to the Company of each placing share was estimated to be approximately HK$0.195 per placing share. The Company had used the net proceeds from the placing as intended mainly for repayment of loans amounted to HK$43.95 million and the rest HK$3.12 million as general working capital of the Group.

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK$0.01 or HK$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of securities. Thus, the Board on its initiative proceeded with a share consolidation in order to comply with the trading requirements of the Listing Rules. At the extraordinary general meeting of the Company held on 22 April 2020, the share consolidation (the "**Share Consolidation**") of the Company in respect of every ten (10) issued and unissued shares of nominal value of HK$0.20 each in the share capital of the Company be consolidated into one (1) consolidated share of nominal value of HK$2.00 each was approved. The Share Consolidation took effect on 24 April 2020. As announced by the Company on 23 April 2020, the conversion price of the Third Convertible Note was adjusted from HK$48.00 per conversion share to HK$480.00 per conversion share with effect from 24 April 2020 as a result of the completion of the Share Consolidation.

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 holders 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2020, the Group had net current liabilities of HK$3,620.12 million (2019: HK$3,588.38 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 1.14% (2019: 1.04%) and the Group's gearing ratio, being a ratio of total interest bearing borrowings to total assets, was 9.89% (2019: 5.85%).

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

During the year under review, the Group recorded a net cash inflow of HK$2.92 million (2019: net cash outflow of HK$8.92 million), while the total cash and cash equivalents increased to HK6.38 million (2019: decreased to HK$1.75 million) as at the end of reporting year.

As at 31 March 2020, the share capital of the Company amounted to HK$290.0 million (2019: HK$241.7 million); and the interest-bearing borrowings of the Group amounted to HK$124.6 million (2019: HK$68.1 million), the majority of which was repayable within a period of more than one year but not exceeding two years (2019: majority repayable within a period of more than one year but not exceeding two years).

The Directors will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities position of the Group as at 31 March 2020. Cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The Directors 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 year, the Company has raised several loans of HK$14.55 million (2019: HK$24.94 million) in total for the Group's daily operation and the coal mines development. In addition, the Company on 30 December 2019 completed the placing of 241,695,104 new shares at the placing price of HK$0.20 per placing share under general mandate and successfully raised net proceeds of approximately HK$47.07 million from the placing.

In addition to the above measure to improve the liquidity of the Group, the Company also explores ways 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.

## EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL RISKS AND UNCERTAINTIES

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

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

(ii) The Group's trading businesses are all geographically located in Korea, and such concentration in location may make the Group more sensitive to changes in government policies and regulations in Korea.

(iii) The Group derives wholly its turnover from trading of gasoline and related petroleum products and services. Such over concentration on products may materially affect the businesses of the Group, if there are sudden significant changes in business environment of such products.

(iv) Significant fluctuations in international coal prices from year to year, especially due to the unforeseeable development of the COVID-19 pandemic, will cast corresponding significant fluctuations in year end valuations of intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) as well as exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines), which may have material impacts on the Group's financial results due to the resultant impairment losses or reversal of impairment losses, and also on the Group's total non-current assets.

(v) The coal mining license of Lot 1 will expire on 1 July 2025, and if such coal mining license could not be further extended, the corresponding carrying amount under the intangible assets may need to be written off, and the overall integrated mining plan for Lot 1, Lot 1 Extension and Lot 2 may be affected.

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

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

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

(ix) As mentioned hereinabove, based on the information current available on the recent development of the COVID-19 pandemic situation in Korea, COVID-19 pandemic might not have significant adverse impacts on the Group's gasoline trading business in Korea in terms of the operating margins and results, financial resources, cashflows and future operating plans. However, if COVID-19 pandemic becomes out of control in future, the demand of gasoline might be affected if Korean citizens may drive less to minimize social activities and more people would be required to work from home, then the Group's gasoline trading business in Korea might be adversely impacted.

(x) If COVID-19 pandemic becomes out of control in Russia in future, certain application procedures involving the Group's coal mines development might be further delayed, when normal hours of operation of the related Russian Government Departments would be required to further shorten.

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

(xii) Please refer to Note 37 to the Financial Statements on pages 122 to 125 for the market risks, credit risks, liquidity risks and other financial risks (if any).

## FINANCIAL KEY PERFORMANCE INDICATORS FOR BUSINESS REVIEW

(i) During the year under review, the Group has focused on the trading of gasoline and related petroleum products and services, such products accounted for 100.0% (2019: approximately 99.1%) of the Group's yearly turnover.

(ii) The gross profit ratio (being gross profit to turnover) of trading businesses is approximately 0.8% (2019: approximately 0.7%), which experienced a very slight improvement.

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

(iv) Since current assets of the Group as of 31 March 2020 increased slightly as compared with that of last year, the current ratio (being current assets to current liabilities) for the year under review increased to 1.14% (2019: 1.04%).

(v) As the total interest-bearing borrowing of the Group as of 31 March 2020 increased, the gearing ratio (being total interest-bearing borrowing to total assets) for the year under review increased to 9.89% (2019: 5.85%).

## LITIGATIONS

During the year and up to the date of this report, the Group has been involved in a number of legal proceedings. Details of the litigations are set out in Note 35 to the financial statements.

## CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no capital commitments in respect of the exploration related contracts (2019: HK$0.8 million) and no capital commitments in acquisition of property, plant and equipment (2019: Nil).

## PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 31 March 2020 and 31 March 2019.

## SHARE OPTION SCHEME

The Group has adopted a share option scheme whereby directors, employees and consultants of the Group may be granted options to subscribe for the new shares of the Company. Details of the share option scheme are set out in Note 31 to the financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2020, the Group had approximately 20 (2019: 19) staff in Hong Kong, Russia and Korea. Remuneration policy is reviewed by the Directors periodically and is determined with reference to industry practice, company performance, and individual qualifications and performance. Remuneration packages comprised salary, commissions and bonuses based on individual performance. Share options may also be granted to eligible employees of the Group. Employees benefit plans provided by the Group include provident fund scheme, medical insurance and subsidized training programs and seminars.

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

# REPORT OF THE DIRECTORS

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Siberian Mining Group Company Limited (the "**Company**") presents their report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 31 March 2020.

## PRINCIPAL ACTIVITIES

The Company engages in investment holding. The principal activities of its principal subsidiaries are the holding of mining and exploration rights of coal mines in Russian Federation ("**Russia**") and mineral resources, commodities and other trading in the Republic of Korea ("**Korea**").

An analysis of the principal activities of the subsidiaries is set out in Note 41 to the financial statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis section set out on pages 6 to 13 of this annual report. Such discussion forms part of this Report of the Directors.

## RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2020 and the state of affairs of the Group and the Company as at 31 March 2020 are set out on pages 36 to 131.

The Board does not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

## SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical segments of operations for the year ended 31 March 2020 is set out in Note 14 to the financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 40 to the financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 March 2020, the Company did not have any reserves for distribution (2019: Nil). Under the laws of the Cayman Islands, a company may make distributions to its members out of the contributed surplus account under certain circumstances. In addition, the Company's share premium account amounted to HK$1,956,517,000 (2019: HK$1,956,517,000) may be distributed in the form of fully paid bonus shares.

## PROPERTY, PLANT AND EQUIPMENT

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

# REPORT OF THE DIRECTORS

## SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTE PAYABLES

Details of the movements in the Company's share capital, share options and convertible note payables are set out in Notes 30, 31 and 26, respectively, to the financial statements.

## DONATION

The Group did not make any charitable donation during the year (2019: donation of HK$24,000).

## PRE-EMPTIVE RIGHTS

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

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

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

## MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five (2019: four) customers accounted for approximately 28% (2019: approximately 36%) of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 7.1% (2019: approximately 9.4%) of the Group's total turnover for the year.

Purchases from the Group's five (2019: four) suppliers accounted for approximately 67.3% (2019: approximately 73%) of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 16.2% (2019: approximately 25.2%) of the Group's total purchases for the year.

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

## DIRECTORS

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

### Executive Directors

Mr. Lee Jaeseong *(Chairman)* (appointed on 21 February 2020)
Mr. Im Jonghak (appointed on 21 February 2020)
Mr. Jo Sang Hee *(Chairman)* (resigned on 21 February 2020)

### Independent Non-executive Directors

Ms. Chen Dai
Mr. Kwok Kim Hung Eddie
Mr. Lee Sungwoo
Mr. Leung Yau Wan John (appointed on 21 February 2020)

# REPORT OF THE DIRECTORS

In accordance with the Company's articles of association, all the newly appointed directors will hold office until the forthcoming annual general meeting and are then eligible offered themselves for re-election. In addition, all Directors are required to retire by rotation and, being eligible, offer themselves for re-election.

The Company has received from each of the independent non-executive directors ("**INEDs**") an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

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

Mr. Jo Sang Hee resigned as the chairman of the Board, an Executive Director, an Authorised Representative and the chairman of the Nomination Committee of the Company with effect from 21 February 2020.

Mr. Lee Jaeseong was appointed as the chairman of the Board, an Executive Director, an Authorised Representative and the chairman of the Nomination Committee of the Company with effect from 21 February 2020.

Mr. Im Jonghak was appointed as an Executive Director of the Company with effect from 21 February 2020.

Mr. Leung Yau Wan John was appointed as an Independent Non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company with effect from 21 February 2020.

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTOR'S INTERESTS IN CONTRACTS

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

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2020, none of the Executive Directors of the Company had any interest in a business, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Lee Jaeseong** ("**Mr. Lee**"), aged 38, was appointed as the chairman of the Board, an Executive Director and the chairman of the Nomination Committee of the Company on 21 February 2020. He has extensive experience and sustained knowledge of corporate management, corporate finance, corporate restructuring and strategic planning. He is currently the chief manager of E-tron Co., Ltd (a company listed on the Korea Exchange, stock code: 096040), the holding company of a substantial shareholder of the Company. Prior to joining E-tron Co., Ltd in January 2015, he had been the senior manager in E-Land Group from May 2007 to April 2011. He served as a manager of NH-AMUNDI Asset Management from April 2011 to January 2015. Mr. Lee obtained a bachelor's degree of business administration in accounting and finance from Korea National Open University in 2020.

# REPORT OF THE DIRECTORS

**Mr. Im Jonghak** ("**Mr. Im**"), aged 42, was appointed as an Executive Director of the Company on 21 February 2020. He has over 10 years' experience in finance and corporate management. He is currently the chief manager of Global Power Asia Co. Ltd. ("**GPA**"), a subsidiary of the Company. Prior to joining GPA in May 2017, he served various positions in Orbital Education Ltd, including the director of admission from September 2006 to April 2017. Mr. Im obtained a bachelor's degree of physical education from Kyung Hee University in 2005.

**Mr. Jo Sang Hee** ("**Mr. Jo**"), aged 53, was appointed as an Independent Non-executive Director of the Company on 31 December 2015 and he was re-designated to an Executive Director with effect from 31 August 2017, and immediately following his said re-designation, he resigned as a member of each of the Audit Committee and the Remuneration Committee of the Company. He was also appointed as the chairman of the Board and chairman of the Nomination Committee of the Company on 1 March 2018. He resigned as the chairman of the Board, an Executive Director and the chairman of the Nomination Committee of the Company with effect from 21 February 2020. He holds a Bachelor Degree of Metallurgical Engineering from Inha Technical College, Korea. He is currently the president of Artis Investment Co. Ltd. Before joining Artis Investment Co. Ltd. in November 2015, he was the managing director of KC&Partners from 2012 to 2015, and the managing director of Haksan Construction Co. Ltd. from 2007 to 2011, and the president of Impact Holdings Co. Ltd. from 2005 to 2007. Mr. Jo has experience in various industries, especially in investment and management. He has extensive knowledge of investment with more than 10 years working experience as a top management.

## Independent Non-executive Directors

**Ms. Chen Dai** ("**Ms. Chen**"), aged 41, was appointed as an Independent Non-executive Director of the Company on 29 March 2018. She was also appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 29 March 2018. She holds a Bachelor's Degree of Business Administration and Financial Management from Shanghai University of Finance and Economics (Shanghai, China). She is currently the chief operating officer of Teng Wei Information Consulting Co., Ltd. providing corporate consultancy to foreign investment companies and Chinese companies. Before joining Teng Wei Information Consulting Co., Ltd. in March 2008, she had been the senior accountant in Shanghai Beston Trading Co., Ltd. from March 2000 to March 2004. Ms. Chen possesses core competencies in corporate tax consultation and corporate consultation.

**Mr. Kwok Kim Hung Eddie** ("**Mr. Kwok**"), aged 48, was appointed as an Independent Non-executive Director of the Company on 14 February 2014. He is currently also the chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Kwok currently has been providing corporate advising services as professional accountant in Hong Kong. Since June 2012, he has also been appointed as an independent non-executive director of Zhejiang RuiYuan Intelligent Control Technology Company Limited (formerly known as "Ningbo WanHao Holdings Company Limited") (stock code: 8249), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Since March 2019, he has also been appointed as an independent non-executive director of Winshine Science Company Limited (stock code: 209), a company listed on the Main Board of the Stock Exchange. He was previously appointed as financial controller, company secretary and authorised representative of Forebase International Holdings Limited (stock code: 2310), a company listed on the Main Board of the Stock Exchange. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants. He is also an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. He holds a Master of Professional Accounting Degree from the Hong Kong Polytechnic University, a Master of Corporate Governance Degree from the Open University of Hong Kong and a Honours Diploma in Accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University).

**Mr. Lee Sungwoo** ("**Mr. Lee**"), aged 33, was appointed as an Independent Non-executive Director of the Company, and a member of each of the Audit Committee and the Remuneration Committee of the Company on 31 August 2017. He was also appointed as the chairman of the Remuneration Committee of the Company on 27 December 2017. He holds a Bachelor Degree of Accounting and Business Administration from KYUNGHEE University (Seoul, Korea). He is currently the chief executive officer of Guardian & Company providing corporate valuation and due diligence, and other consulting services. Before joining Guardian & Company in May 2018, he was a partner of SEJUNG LLC providing corporate audit of listed and unlisted companies, tax advisory services, corporate valuation and due diligence, and other consulting services from April 2017 to May 2018, the accounting team leader of Dain Engineering and Construction Co., Ltd from October 2016 to March 2017, the manager of Samvit Accounting Firm from April 2015 to October 2015, and the senior associate of Samil Price Waterhouse Coopers from December 2012 to April 2015. Mr. Lee possesses core competencies in corporate audits, tax consultation, valuation and corporate consultation.

**Mr. Leung Yau Wan John** ("**Mr. Leung**"), aged 60, was appointed as an Independent Non-executive Director, and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company on 21 February 2020. He has over 30 years of corporate and financial management experience and has held various positions in the financial services industry. Since January 2014, he has served as an executive director at Easternflair Investment and Development Management Limited, a company principally engaged in the management and development of real estates, and a senior partner at Linkers CPA Limited, a company principally engaged in corporate compliance and corporate secretarial services. He has been the managing director at JR Plus Capital Limited, a company principally engaged in business consulting services, since November 2015. He is currently an independent non-executive director of Beng Soon Machinery Holdings Limited (a company listed on the Stock Exchange, stock code: 1987) and Redsun Properties Group Limited (a company listed on the Stock Exchange, stock code: 1996). Mr. Leung obtained a master of business administration from the University of Macau (formerly the University of East Asia Macau) in October 1988. He obtained a master of accounting studies from the University of New England, Australia in April 1994. He was admitted as an associate and subsequently a certified practising accountant of the Certified Practising Accountants Australia in November 1993 and November 1995, respectively. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 1996. He has been a fellow of the Association of Taxation and Management Accountants, Australia since October 1993. He has been a founding associate member of the Hong Kong Independent Non-executive Director Association and a founding member of the Hong Kong Business Accountants Association since January 2016 and July 2014, respectively.

## Senior Management

**Mr. Wong Wing Cheong** ("**Mr. Wong**"), aged 56, joined the Company as the chief financial officer in May 2011. He was appointed as the company secretary of the Company on 1 August 2012 and he resigned as the company secretary of the Company on 28 February 2018. He graduated from the University of Hong Kong with a Bachelor of Social Sciences degree in Management and Economics, and received his Master of Business Administration degree in Investment and Finance from the University of Hull, United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, The Chartered Governance Institute, and the Hong Kong Institute of Chartered Secretaries. Mr. Wong has extensive experience in accounting, corporate finance, and mergers and acquisition projects of listed companies.

**Ms. Tsang Oi Yin** ("**Ms. Tsang**") was appointed as the company secretary and an Authorised Representative of the Company on 21 February 2020. She had acted as the company secretary of each of Hsin Chong Group Holdings Limited (formerly known as Hsin Chong Construction Group Ltd.) (stock code: 404) from April 2009 to July 2013, Synergis Holdings Limited (stock code: 2340) from January 2009 to July 2013 and SG Group Holdings Limited (stock code: 8442) from August 2016 to March 2018. Ms. Tsang obtained a bachelor's degree in international business from the University of South Australia in Australia in August 2006. She has been an associate of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) since August 1998 and is also an associate of The Chartered Governance Institute.

# REPORT OF THE DIRECTORS

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

As at 31 March 2020, none of the Directors or any of their associates or chief executives of the Company (as defined in the Listing Rules) had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which are required to be notified to the Company and the Stock Exchange pursuant to SFO (including interests which they are taken or deemed to have under SFO) or which are, pursuant to Section 352 of the SFO, entered in the register referred to therein or, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## CONNECTED TRANSACTION

The Company did not (i) have any outstanding continuing connected transaction; or (ii) enter into any connected transaction for the year ended 31 March 2020.

None of the related party transactions set out in Note 34 to the financial statements constitutes connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in Note 31 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire such right in any other body corporate.

## PERMITTED INDEMNITY PROVISION

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

# REPORT OF THE DIRECTORS

## SHARE OPTION SCHEME

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

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

| | Number of share issuable under options outstanding | | | | | | |
|---|---|---|---|---|---|---|---|
| Name or category of participant | As at 1 April 2019 | Exercised during the year | Lapse during the year | As at 31 March 2020 | Date of grant of share options | Exercise period of share options | Exercise price of share options* HK$ |
| **Employees and consultants other than Directors** | | | | | | | |
| — In aggregate | — | — | — | — | N/A | N/A | N/A |
| 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.

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

As at 31 March 2020, 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 |
|---|---|---|---|
| Jiainvestek Co., Ltd. (Note 1) | Beneficial owner | 431,341,372 | 29.74% |
| Onface Co., Limited (Note 2) | Beneficial owner | 241,695,104 | 16.67% |
| Lucrezia Limited (Note 3) | Beneficial owner | 90,030,768 | 6.21% |
| Token Century Limited | Beneficial owner | 84,000,000 | 5.79% |
| Kim Wuju | Beneficial owner | 74,400,000 | 5.13% |
| E-tron Co., Ltd (Note 1) | Interest in controlled corporation | 431,341,372 | 29.74% |
| Park Kyung Hyun (Note 2) | Interest in controlled corporation | 241,695,104 | 16.67% |
| Yang Xiaolian (Note 3) | Interest in controlled corporation | 90,030,768 | 6.21% |

Note 1: E-tron Co., Ltd holds 100% interest in Jiainvestek Co., Ltd. By virtue of the SFO, E-tron Co., Ltd is deemed to be interested in these 431,341,372 shares which Jiainvestek Co., Ltd. has beneficial interest in.

Note 2: Park Kyung Hyun holds approximately 96.2% interest in Onface Co., Limited. By virtue of the SFO, Park Kyung Hyun is deemed to be interested in these 241,695,104 shares which Onface Co., Limited has beneficial interest in.

Note 3: 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.

# REPORT OF THE DIRECTORS

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 24 to 31 to the annual report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

## WORKING CONDITIONS

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

## HEALTH AND SAFETY

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

## COMPLIANCE WITH LAWS AND REGULATIONS

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

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

## DIVIDEND POLICY

In considering the payment of any dividends (if any), the Board shall consider its future working capital requirements, plan of business growth, adequacy of cash reserves and rewards to shareholders of the Company. The Company may declare and pay dividends (if any) by way of cash or scrip or by other means that the Board considers appropriate from time to time.

# REPORT OF THE DIRECTORS

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is in the process of finalizing its Environmental, Social and Governance Report for the year ended 31 March 2020, and will be available on websites of the Stock Exchange and the Company in due course after the publication of the 2020 annual report.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 42 to the financial statements.

## SUFFICIENCY OF PUBLIC FLOAT

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

## CHANGE IN AUDITOR IN ANY OF THE PRECEDING THREE YEARS

In any of the preceding three years, the auditor of the Company had not been changed.

## AUDITOR

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

On behalf of the Board

**Lee Jaeseong**
*Chairman*

Hong Kong, 30 June 2020

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

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

## CORPORATE GOVERNANCE PRACTICES

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

(i) Under code provision A.6.7 of the CG Code, independent non-executive directors ("**INEDs**") should attend the general meetings and develop a balanced understanding of the views of shareholders. However, three 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 Rule 13.46(2)(b) 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.

(ii) Since more time was needed to find the suitable candidate to act as the second authorized representative of the Company, the Company was not able to timely comply with the Listing Rule 2.11 in appointing and retaining at all times two authorized representatives of the Company. The Company on 21 February 2020 had appointed Ms. Tsang Oi Yin as the second authorized representative of the Company.

(iii) Since more time was needed to find the suitable candidate to fill up the vacancy of the company secretary of the Company who could satisfy the requirements under the Listing Rule 3.28, the Company was not able to timely comply with the Listing Rule 8.17 in appointing a company secretary who could satisfy the Listing Rule 3.28. The Company on 21 February 2020 had appointed Ms. Tsang Oi Yin as the company secretary of the Company.

## DIRECTORS' SECURITIES TRANSACTIONS

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. Having made specific enquiries of all the Directors of the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year under review.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

As at 31 March 2020, the Board comprises six Directors, of whom two are Executive Directors and four are INEDs. The Board believes the majority of the Board members are INEDs, the composition of the Board is adequate to provide checks and balances that safeguard the interests of shareholders and the Group.

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

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

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

Decisions of the Board are communicated to the management through Executive Directors who have attended Board meetings.

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

### Executive Directors

Mr. Lee Jaeseong *(Chairman)* (appointed on 21 February 2020)
Mr. Im Jonghak (appointed on 21 February 2020)
Mr. Jo Sang Hee *(Chairman)* (resigned on 21 February 2020)

### Independent Non-executive Directors

Ms. Chen Dai
Mr. Kwok Kim Hung Eddie
Mr. Lee Sungwoo
Mr. Leung Yau Wan John (appointed on 21 February 2020)

Brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section in the Report of the Directors on pages 16 to 18 of this annual report. To the best knowledge of the Company, there are no relationships (including financial, business, family or other material relationships) among the Directors.

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

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

# CORPORATE GOVERNANCE REPORT

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

| Name of Directors | Attendance: Board Meeting | Attendance: Annual General Meeting |
|---|---|---|
| **Executive Directors** | | |
| Mr. Jo Sang Hee *(Chairman)* (resigned on 21 February 2020) | 12/12 | 1/1 |
| Mr. Lee Jaeseong *(Chairman)* (appointed on 21 February 2020) | 3/3 | N/A |
| Mr. Im Jonghak (appointed on 21 February 2020) | 3/3 | N/A |
| **Independent Non-executive Directors** | | |
| Ms. Chen Dai | 14/14 | 0/1 |
| Mr. Kwok Kim Hung Eddie | 14/14 | 0/1 |
| Mr. Lee Sungwoo | 14/14 | 0/1 |
| Mr. Leung Yau Wan John (appointed on 21 February 2020) | 2/2 | N/A |

## DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

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

During the year ended 31 March 2020, the Directors' participation in various continuous professional program is summarised as below:

| Name of Directors | Attending training course/seminar | Reading materials |
|---|---|---|
| **Executive Directors** | | |
| Mr. Jo Sang Hee (resigned on 21 February 2020) | ✓ | ✓ |
| Mr. Lee Jaeseong (appointed on 21 February 2020) (Note 1) | — | ✓ |
| Mr. Im Jonghak (appointed on 21 February 2020) (Note 1) | — | ✓ |
| **Independent Non-executive Directors** | | |
| Ms. Chen Dai | ✓ | ✓ |
| Mr. Kwok Kim Hung Eddie | ✓ | ✓ |
| Mr. Lee Sungwoo | ✓ | ✓ |
| Mr. Leung Yau Wan John (appointed on 21 February 2020) | ✓ | ✓ |

Note 1: The Company has not received records of continuous professional development from Mr. Lee Jaeseong and Mr. Im Jonghak (both of them joined the Company only on 21 February 2020), and thus the Company has no knowledge of their continuous professional development.

# CORPORATE GOVERNANCE REPORT

## BOARD DIVERSITY AND DIRECTOR NOMINATION POLICY

The Board has adopted a board diversity policy to achieve board diversity through the consideration of a number of factors and measurable objectives, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience. All Board appointments will be based on merit, and candidates will be measured against objective criteria, with due regard for the benefits of diversity on the Board. The Board has also adopted a director nomination policy which stipulates the selection criteria on assessing the suitability and potential contribution of a proposed candidate, including but not limited to character, integrity and honesty, availability of time and devotion, independence, academic background, professional experience, technical skills and knowledge, and other relevant criteria on a case-by-case basis. The director nomination policy also sets out the procedures for selection of new directors and re-election of directors at general meetings. The Nomination Committee has the delegated responsibilities to monitor the implementation and review the board diversity policy and director nomination policy and report to the Board.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

## REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005.

During the financial year under review and up to 20 February 2020, the Remuneration Committee consisted of three INEDs. Mr. Lee Sungwoo was the chairman and the two other members were Ms. Chen Dai and Mr. Kwok Kim Hung Eddie. On 21 February 2020, Mr. Leung Yau Wan John was appointed as a member of the Remuneration Committee, thus making the Remuneration Committee consisted of four INEDs.

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

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

Individual attendance of each Remuneration Committee member during the year under review is as follows:

| **Members** | **Attendance** |
|---|---|
| Mr. Lee Sung Woo *(Chairman)* | 2/2 |
| Ms. Chen Dai | 2/2 |
| Mr. Kwok Kim Hung Eddie | 2/2 |
| Mr. Leung Yau Wan John (appointed on 21 February 2020) | N/A |

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

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

During the year under review and up to 20 February 2020, the Audit Committee consisted of three INEDs. Mr. Kwok Kim Hung Eddie was the chairman and the two other members were Ms. Chen Dai and Mr. Lee Sungwoo. On 21 February 2020, Mr. Leung Yau Wan John was appointed as a member of the Audit Committee, thus making the Audit Committee consisted of four INEDs.

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

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

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

The main works performed by the Audit Committee during the year included review of the auditor's audit plan, the review of the annual financial statements for the year ended 31 March 2019 and interim financial statements for the six months ended 30 September 2019 with recommendations to the board for approval. It had also reviewed the adequacy and effectiveness of internal control system, including the internal control review report, and recommended the appointment and re-appointment of the auditor. The Audit Committee had also reviewed the audited consolidated results of the Company for the year ended 31 March 2020, including the accounting principles and practice adopted by the Group and recommended to the board for consideration.

Individual attendance of each Audit Committee member during the year under review is as follows:

| **Members** | **Attendance** |
|---|---|
| Mr. Kwok Kim Hung Eddie *(Chairman)* | 3/3 |
| Ms. Chen Dai | 3/3 |
| Mr. Lee Sungwoo | 3/3 |
| Mr. Leung Yau Wan John (appointed on 21 February 2020) | N/A |

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

## NOMINATION COMMITTEE

The Nomination Committee was established in March 2012.

During the year under review and up to 20 February 2020, the chairman of the Nomination Committee was Mr. Jo Sang Hee and other members included two INEDs, namely Ms. Chen Dai and Mr. Kwok Kim Hung Eddie. On 21 February 2020, Mr. Lee Jaeseong was appointed the chairman of the Nomination Committee to take the place of Mr. Jo Sang Hee who resigned as the chairman of the Nomination Committee, and Mr. Leung Yau Wan John was appointed as a member of the Nomination Committee, thus making the Nomination Committee consisted of one Executive Director and three INEDs.

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

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

Individual attendance of each Nomination Committee member during the year under review is as follows:

| **Members** | **Attendance** |
|---|---|
| Mr. Jo Sang Hee *(Chairman)* (resigned on 21 February 2020) | 2/2 |
| Mr. Lee Jaeseong *(Chairman)* (appointed on 21 February 2020) | N/A |
| Ms. Chen Dai | 2/2 |
| Mr. Kwok Kim Hung Eddie | 2/2 |
| Mr. Leung Yau Wan John (appointed on 21 February 2020) | N/A |

## AUDITOR'S REMUNERATION

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

| **Nature of services** | HK$ |
|---|---|
| Review fee for interim results | 165,000 |
| Audit fee for annual results | 1,570,000 |
| Total audit and non-audit services | 1,735,000 |

## ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL

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

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

# CORPORATE GOVERNANCE REPORT

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

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

During the year ended 31 March 2020, the Board reviewed and ensured that the risk management and the internal control process have been properly carried out and experiences of staff of the Group's accounting and financial reporting were maintained properly. The Board satisfies that, given the size and activities of the Company, appropriate risk management and adequate internal control systems have been established and considers continuing reviews of risk register and internal controls will be undertaken to ensure its adequacy and effectiveness.

## COMPANY SECRETARY

Ms. Tsang Oi Yin was appointed as the company secretary of the Company on 21 February 2020. She obtained a bachelor's degree in international business from the University of South Australia in Australia in August 2006. She has been an associate of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) since August 1998 and is also an associate of The Chartered Governance Institute. She has taken no less than 15 hours of relevant training as required by the Listing Rules. As the primary contact person, Mr. Im Jonghak (Executive Director) has maintained a constant contact with the company secretary on the Company's corporate governance and company secretarial matters.

## SHAREHOLDER RIGHTS

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## CONSTITUTIONAL DOCUMENTS

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

## INVESTOR RELATIONS

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

# INDEPENDENT AUDITOR'S REPORT

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

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

## OPINION

We have audited the consolidated financial statements of Siberian Mining Group Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 36 to 131, which comprise the consolidated statement of financial position as at 31 March 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2020 and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BASIS

During the year ended 31 March 2020, the Group incurred a loss attributable to owners of the Group of HK$1,475,433,000 and, as at 31 March 2020, the Group had net current liabilities of approximately HK$3,620,119,000 and net liabilities of approximately HK$2,533,991,000. These conditions, along with other matters as set forth in Note 2(b) to the 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 consolidated financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Also, we draw attention to Note 35 to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuits filed against the Group. Our opinion is not qualified in respect of this matter.

## BASIS FOR OPINION

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

| The key audit matter | How the matter was addressed in our audit |
| --- | --- |
| *Exploration and evaluation assets & Other intangible assets — mining right*<br><br>The Group tested the amount of exploration and evaluation assets and other intangible assets for impairment. These impairment tests are significant to our audit because the balance of exploration and evaluation assets and other intangible assets of approximately HK$1,098,295,000 and HK$138,970,000 as at 31 March 2020 respectively are material to the consolidated financial statements. In addition, the Group's impairment test involves the application of judgement and is based on assumptions and estimates.<br><br>The accounting policies, significant accounting judgements and estimates and disclosures for exploration and evaluation assets and other intangible assets are included in notes 16 & 17 to the consolidated financial statements. | Our audit procedures included, among others:<br><br>— Assessing the competence, independence and integrity of the external valuer engaged by client;<br>— Obtaining the external valuation reports and discussing with the external valuer and challenging the valuation process, methodologies used and market comparables to support the significant judgments and assumptions applied in the valuation model;<br>— Engaging a second external expert ourselves to assist us to assess the work of the client's valuer;<br>— Assessing the competence, independence and integrity of the second external expert engaged by us;<br>— Obtaining the report from the second external expert and discussing with them on the reasonableness of the valuation process, methodologies used and market comparables to support the significant judgments and assumptions applied in the valuation model adopted by client's valuer;<br>— Assessing the reasonableness of the key assumptions;<br>— Checking the key assumptions and input data in the valuation model to supporting evidence;<br>— Assessing the arithmetical accuracy of fair value less costs of disposal; and<br>— Checking the parameters used by against supporting evidence. |

## OTHER INFORMATION

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

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

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

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

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**JH CPA Alliance Limited**
*Certified Public Accountants*
Hong Kong, 30 June 2020

**Chan Kin Man, Jacky**
Practising Certificate Number P5409

# Consolidated Statement of Profit or Loss

For the year ended 31 March 2020

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **Turnover** | 6 | 1,194,065 | 647,951 |
| **Cost of sales** | | (1,184,857) | (643,370) |
| **Gross profit** | | 9,208 | 4,581 |
| **Other income** | 6 | 544 | 103 |
| **Other gains and losses** | 6 | (1,343,117) | 71,715 |
| **Selling and distribution costs** | | (2,265) | (1,094) |
| **Administrative and other expenses** | | (24,252) | (19,317) |
| **Other expenses** | 6 | (139,612) | (107,502) |
| **Share of results of a joint venture** | | — | (204) |
| **Finance costs** | 7 | (9,685) | (9,230) |
| **Loss before income tax** | 8 | (1,509,179) | (60,948) |
| **Income tax** | 10 | (314) | 806 |
| **Loss for the year** | | (1,509,493) | (60,142) |
| **Attributable to:** | | | |
| **Owners of the Company** | 11 | (1,475,433) | (61,730) |
| **Non-controlling interests** | | (34,060) | 1,588 |
| | | (1,509,493) | (60,142) |
| **Loss per share** | | | |
| **Basic (Hong Kong cents)** | 13 | (116) | (5) |
| **Diluted (Hong Kong cents)** | 13 | (116) | (5) |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Loss for the year** | **(1,509,493)** | (60,142) |
| **Other comprehensive income for the year, net of tax:** | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | |
| ***Exchange differences on translation of financial statements of foreign operations*** | **(34,174)** | (69,615) |
| **Total comprehensive expense for the year, net of tax** | **(1,543,667)** | (129,757) |
| **Attributable to:** | | |
| **Owners of the Company** | **(1,506,142)** | (124,414) |
| **Non-controlling interests** | **(37,525)** | (5,343) |
| | **(1,543,667)** | (129,757) |

# Consolidated Statement of Financial Position

As at 31 March 2020

| | Notes | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 6,981 | 14,397 |
| Other intangible assets | 16 | 138,970 | 479,729 |
| Exploration and evaluation assets | 17 | 1,098,295 | 2,271,689 |
| Right-of-use assets | 18 | 884 | — |
| | | 1,245,130 | 2,765,815 |
| **Current assets** | | | |
| Trade receivables | 19 | 13,519 | 22,859 |
| Prepayments for acquisition of property, plant and equipment | | — | 1,310 |
| Other receivables, deposits and prepayments | | 21,820 | 7,690 |
| Asset classified as held for sale | 20 | — | 4,061 |
| Cash and cash equivalents | 21 | 6,380 | 1,747 |
| | | 41,719 | 37,667 |
| **Current liabilities** | | | |
| Other payables, accrued expenses and trade deposit received | | 37,470 | 20,869 |
| Interest-bearing borrowings | 22 | 19,812 | 7,953 |
| Amount due to shareholders | 23(a)&(b) | 2,551 | 2,374 |
| Amount due to a related company | 23(e) | 6,369 | — |
| Purchase consideration payable for additional acquisition | 24 | 3,307 | 3,349 |
| Lease liabilities | 25 | 831 | — |
| Convertible note payables | 26 | 3,591,498 | 3,591,498 |
| | | 3,661,838 | 3,626,043 |
| **Net current liabilities** | | (3,620,119) | (3,588,376) |
| **Total assets less current liabilities** | | (2,374,989) | (822,561) |

# Consolidated Statement of Financial Position

As at 31 March 2020

| | Notes | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| **Amount due to shareholders** | 23(d) | **33,994** | 134,124 |
| **Interest-bearing borrowings** | 22 | **104,825** | 60,166 |
| **Promissory notes payables** | 27 | **15,600** | 15,600 |
| **Provision for close down, restoration and environmental costs** | 28 | **1,245** | 1,470 |
| **Lease liabilities** | 25 | **43** | — |
| **Deferred tax liabilities** | 29 | **3,295** | 4,777 |
| | | **159,002** | 216,137 |
| **NET LIABILITIES** | | **(2,533,991)** | (1,038,698) |
| **CAPITAL AND RESERVES** | | | |
| **Share capital** | 30 | **290,034** | 241,695 |
| **Reserves** | | **(2,807,148)** | (1,301,041) |
| **Equity attributable to owners of the Company** | | **(2,517,114)** | (1,059,346) |
| **Non-controlling interests** | | **(16,877)** | 20,648 |
| **CAPITAL DEFICIENCIES** | | **(2,533,991)** | (1,038,698) |

These financial statements were approved and authorised for issue by the Board of Directors on 30 June 2020.

**Lee Jaeseong**
*Director*

**Im Jonghak**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

| Group | Share capital HK$'000 | Share premium HK$'000 | Translation reserve HK$'000 | Other reserve HK$'000 | Equity-settled share option reserve HK$'000 | Capital reserve HK$'000 | Accumulated losses HK$'000 | Sub-total HK$'000 | Non-controlling interest HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 April 2018** | 241,695 | 1,956,517 | 28,170 | 322,379 | 47 | 23,715 | (3,507,552) | (935,029) | 25,991 | (909,038) |
| Loss for the year | — | — | — | — | — | — | (61,730) | (61,730) | 1,588 | (60,142) |
| Other comprehensive income for the year | — | — | (62,684) | — | — | — | — | (62,684) | (6,931) | (69,615) |
| Total comprehensive expenses for the year | — | — | (62,684) | — | — | — | (61,730) | (124,414) | (5,343) | (129,757) |
| Cost of increase in capital of a subsidiary | — | — | — | (13) | — | — | — | (13) | — | (13) |
| Waiver of interest on early settle of amounts due to shareholders | — | — | — | — | — | 110 | — | 110 | — | 110 |
| **At 31 March 2019** | 241,695 | 1,956,517 | (34,514) | 322,366 | 47 | 23,825 | (3,569,282) | (1,059,346) | 20,648 | (1,038,698) |
| **Loss for the year** | **—** | **—** | **—** | **—** | **—** | **—** | **(1,475,433)** | **(1,475,433)** | **(34,060)** | **(1,509,493)** |
| **Other comprehensive income for the year** | **—** | **—** | **(30,709)** | **—** | **—** | **—** | **—** | **(30,709)** | **(3,465)** | **(34,174)** |
| **Total comprehensive expenses for the year** | **—** | **—** | **(30,709)** | **—** | **—** | **—** | **(1,475,433)** | **(1,506,142)** | **(37,525)** | **(1,543,667)** |
| **Issue of shares upon new placement (Note 30 (ii))** | **48,339** | **—** | **—** | **—** | **—** | **—** | **—** | **48,339** | **—** | **48,339** |
| **Share issue cost** | | | | | | | | | | |
| **Waiver of interest on early settle of amounts due to shareholders** | **—** | **—** | **—** | **—** | **—** | **35** | **—** | **35** | **—** | **35** |
| **At 31 March 2020** | **290,034** | **1,956,517** | **(65,223)** | **322,366** | **47** | **23,860** | **(5,044,715)** | **(2,517,114)** | **(16,877)** | **(2,533,991)** |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2020

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Loss before income tax expenses | (1,509,179) | (60,948) |
| Adjustments for: | | |
| Bank interest income | (280) | (11) |
| Depreciation | | |
| — Property, plant and equipment | 56 | 63 |
| — Right-of-use assets | 1,138 | — |
| Amortisation of other intangible assets | 139,612 | 107,502 |
| Finance costs | 9,685 | 9,230 |
| Provision for close down, restoration and environmental costs | 41 | 138 |
| Gain on disposal of joint venture | (693) | — |
| Share of results of joint venture | — | 204 |
| Impairment loss/(Reversal of impairment loss) on other intangible assets | 165,322 | (130,432) |
| Impairment loss on property, plant and equipment | 7,785 | 18 |
| Impairment loss on exploration and evaluation assets | 1,170,703 | 58,699 |
| Operating loss before working capital changes | (15,810) | (15,537) |
| Decrease / (Increase) in trade receivables | 9,340 | (20,112) |
| Increase in other receivables, deposits and prepayments | (14,154) | (4,707) |
| Increase in other payables, accrued expenses and trade deposits received | 16,601 | 1,981 |
| Cash used in operating activities | (4,023) | (38,375) |
| Income tax paid | (1,085) | (6) |
| Interest and bank charges paid | (9,685) | (9,230) |
| Net cash used in operating activities | (14,793) | (47,611) |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2020

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Cash flow from investing activities** | | |
| Advance for acquisition of property, plant and equipment | — | (892) |
| Purchases of property, plant and equipment | (2,016) | (1,455) |
| Capitalised expenses of exploration and evaluation assets | — | (3,209) |
| Proceeds from disposal of joint venture | 5,460 | — |
| Deposit refund from acquisition property, plant and equipment | 1,310 | — |
| Acquisition of Joint Venture | — | (4,971) |
| **Net cash generated from/(used in) investing activities** | 4,754 | (10,527) |
| **Cash flow from financing activities** | | |
| Loan received from a shareholder of the Company | 1,083 | 28,396 |
| Repayment of loan from a shareholder of the Company | (100,111) | (840) |
| Increase in amount due to a related party | 6,368 | — |
| Increase in amount due to shareholders | — | 427 |
| Repayments of loans | (39,061) | (13,808) |
| Proceeds from borrowings | 97,264 | 35,050 |
| Repayment of lease liability | (1,199) | — |
| Proceeds from placements of new shares, net | 48,339 | — |
| Issue share cost | — | (13) |
| Bank interest received | 280 | 11 |
| **Net cash generated from financing activities** | 12,963 | 49,223 |
| **Net increase/(decrease) in cash and cash equivalents** | 2,924 | (8,915) |
| **Cash and cash equivalents at beginning of year** | 1,747 | 9,611 |
| **Effect of exchange rate changes on cash and cash equivalents** | 1,709 | 1,051 |
| **Cash and cash equivalents at end of year** | 6,380 | 1,747 |
| **Analysis of the balances of cash and cash equivalents** | | |
| Cash and bank balances | 6,380 | 1,747 |

# Notes to the Financial Statements

For the year ended 31 March 2020

## 1. ORGANISATION AND OPERATIONS

Siberian Mining Group Company Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability, and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its Hong Kong principal place of business is at Units A & B, 15/F, Chinaweal Centre, 414-424 Jaffe Road, Causeway Bay, Hong Kong.

The Company engages in investment holding. The principal activities of its principal subsidiaries are set out in Note 41.

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

The consolidated financial statements for the year ended 31 March 2020 were approved for issue by the Board of Directors on 30 June 2020.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

### (b) Basis of measurement and going concern assumptions

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

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

During the year, the Group incurred total comprehensive expense of HK$1,543,667,000 (2019: HK$129,757,000) and, as at 31 March 2020, the Group's current liabilities exceeded its current assets by approximately HK$3,620,119,000 (2019: HK$3,588,376,000) and there was a capital deficiency of HK$2,533,991,000 (2019: HK$1,038,698,000) as at 31 March 2020. 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.

As described more fully in Note 26, the Third Convertible Note (the "**CN**") was issued on 3 April 2013 at zero coupon rate with an original maturity date on 3 April 2018.

## 2. BASIS OF PREPARATION *(Continued)*

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

Subsequent to various actions by CN holders against the conversion of 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

— The ownership of part of the CN transferred from Daily Loyal Limited to Gold Ocean ("**Gold Ocean**") (now known as "**Solidarity Partnership**") and China Panda Limited ("**China Panda**") (now known as "Golden China Circle Holdings Company 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.

China Panda and Gold Ocean on 18 June 2020 have confirmed to the Company their willingness to further extend the maturity date of the CN to 31 December 2022 (including the related interests thereof).

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

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

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, the holding company of the controlling a shareholder and the related companies of that holding company to provide continuous financial support to the Group. The loan facility will provide funding to the Group of up to approximately US$135,560,000 (approximately HK$1,057,366,000) for the 18 months period commencing on 23 June 2020.

## 2. BASIS OF PREPARATION *(Continued)*

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

(ii) As set out in Note 22, with regard to Other Loan 2, the lender has agreed not to demand for repayment for the amount due before 31 January 2022. In the opinion of the Directors, a further extension can be obtained when necessary.

(iii) As set out in Note 22, with regard to Other Loan 3, the lender has agreed not to demand for repayment for the amount due before 31 January 2022. In the opinion of the Directors, a further extension can be obtained when necessary.

(iv) As set out in note 27, with regard to promissory notes, the promissory notes holder has agreed not to demand for repayment of the amount due before 31 January 2022. In the opinion of the Directors, a further extension can be obtained when necessary.

(v) As set out in Note 23(d), with regard to amounts due to a shareholder, the shareholder agreed not to demand for repayment of the amount due before 31 January 2022.

(vi) The company has obtained additional loan facilities sufficient to support the continual normal operation of the Group for at least 12 months after the year end date. For details, please refer to Note 42.

(vii) The Company has initiated 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.

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

**(a)** The accounting policies and basis of preparation adopted in the preparation of the consolidated financial statements are the same as those used in the consolidated financial statements for the year ended 31 March 2019, except in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current year's financial statements as explained in (b).

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

### (b) New and revised HKFRSs effective in current year

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

- Amendments to HKFRSs: Annual Improvements to HKFRSs 2015 — 2017 Cycle
- HKFRS 16: Leases
- HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments
- Amendment to HKAS 19: Plan amendment, Curtailment or Settlement
- Amendment to HKFRS 9: Prepayment Features with Negative Compensation
- Amendments to HKAS 28: Investments in Associates and Joint Ventures

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

*Effect of adoption of HKFRS 16*

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, but has not restated the comparative for the last year, 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 consolidated statement of financial position on 1 April 2019.

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 subtotals and totals disclosed cannot be recalculated from the numbers provided.

| **Consolidated statement of financial position (extract)** | **31 March 2019 As originally presented** HK$'000 | **Effect on adoption of HKFRS 16** HK$'000 | **1 April 2019 Restated** HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Right-of-use assets | — | 1,637 | 1,637 |
| Current asset | | | |
| Prepayments and other deposits | 2,719 | (23) | 2,696 |
| Current liabilities | | | |
| Lease liabilities | — | (901) | (901) |
| Non-current liabilities | | | |
| Lease liabilities | — | (713) | (713) |

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

### (b) New and revised HKFRSs effective in current year *(Continued)*

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

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

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 (except for lease of low value assets and lease with remaining lease term of twelve months or less). 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 ranged from 2.13% to 10.13%.

| | 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 |

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:

| | 31 March 2020 HK$'000 | 1 April 2019 HK$'000 |
|---|---|---|
| Properties leases | 884 | 1,637 |
| Total right-of-use assets | 884 | 1,637 |

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

### (b) New and revised HKFRSs effective in current year *(Continued)*

*Effect of adoption of HKFRS 16 (Continued)*

(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.

(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 right-of-use assets with the corresponding liabilities at the date at which the leased assets are 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.

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

### (b) New and revised HKFRSs effective in current year *(Continued)*

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

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

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.

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

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

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

| | |
|---|---|
| Amendment to HKAS 1 and HKAS 8 | Definition of Material[1] |
| Conceptual Framework for Financial Reporting | Revised Conceptual Framework for Financial Reporting[1] |
| Amendments to HKFRS 3 | Definition of a Business[1] |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7 | Interest Rate Benchmark Reform[1] |
| HKFRS 17 | Insurance Contracts[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture[3] |
| Amendment to HKFRS 16 | COVID-19 Related Rent Concessions[4] |

[1] Effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2021 with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for the period beginning on or after 1 June 2020.

The new standard is mandatory for financial years commencing on or after 1 January 2020. At this stage, the Group does not intend to adopt the standard before its effective date.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

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

— has power over the investee;

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of consolidation *(Continued)*

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

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

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

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

#### *Changes in the Group's ownership interests in existing subsidiaries*

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### (b) Business combination

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Business combination *(Continued)*

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

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

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

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Business combination *(Continued)*

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

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

### (c) Subsidiaries

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Property, plant and equipment

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

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

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

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

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

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

### (e) Construction in progress

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Intangible assets excluding goodwill

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

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

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

#### *Mining Rights*

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

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

### (h) Exploration and evaluation assets

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

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

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

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

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

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability will be recognised when, and only when, the Company becomes a party to the contractual provisions of the instrument. At initial recognition, financial instruments are accounted for at trade date basis and measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss ("**FVTPL**"), transaction costs thereon. After initial recognition, financial assets and financial liabilities are measured at fair value or at amortised cost based on their respective business models, contractual cash flows characteristics and classifications.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate a shorter period.

#### *Financial assets at FVTPL*

Financial assets other than those measured at amortised cost or at fair value through other comprehensive income ("**FVTOCI**") are classified as financial assets at FVTPL. Financial assets that are classified as held for trading or are designated at FVTPL at initial recognition for the purposes of avoiding accounting mismatch are classified as financial assets at FVTPL too. Derivatives are also categorised as held for trading unless they are designated as hedges. After initial recognition, financial assets at FVTPL are measured at fair value prior to the deduction of transaction costs. Gains or losses arising from changes in fair value or otherwise are recognised in profit or loss. Such gains or losses are presented separately from interest and dividends.

#### *Financial assets at amortised cost*

Non-derivative debt instruments that are held within a business model whose objective is to hold assets for collection of contractual cash flows and have specified settlement dates with fixed or determinable payments of principal and interest thereon are classified as financial assets at amortised cost. After initial recognition, financial assets at amortised cost are measured at amortised cost using effective interest method, less credit loss allowances. Interest income together with gains or losses resulting from derecognition are recognised in profit or loss.

At each reporting date, expected credit losses are recognised for individual or collective financial assets at amortised cost in profit or loss. The amounts of expected credit losses are measured at the present value of the difference between the contractual cash flows and the expected future cash flows.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Financial instruments *(Continued)*

#### *Financial liabilities at amortised cost*

Non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market are classified as financial liabilities at amortised cost. After initial recognition, financial liabilities at amortised cost are measured at amortised cost using the effective interest method. All financial liabilities at amortised cost are classified as current liabilities unless the Company has a pre-defined repayment schedule or an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Interest expenses are recognised in profit or loss. When the borrowing agreement contains clause that gives the lender unconditional right to demand repayment at any time disregarding the pre-defined repayment schedule, the financial liabilities at amortised cost is presented as a current liability in the statement of financial position irrespective of the probability that the lender will invoke the clause without cause.

#### *Convertible notes*

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

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

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

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

#### *Credit losses and Impairment of financial assets*

(a) Policy applicable from 1 January 2018

The Company recognises a loss allowance for expected credit losses ("**ECLs**") on the following items:

- financial assets measured at amortised cost (including trade receivables, other receivables, deposits and prepayments, and cash and bank balances);

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Financial instruments *(Continued)*

#### *Credit losses and Impairment of financial assets* *(Continued)*

(a) Policy applicable from 1 January 2018 *(Continued)*

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Loss allowances for trade receivables, are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

*Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 7 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

# 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (i) Financial instruments *(Continued)*

### *Credit losses and Impairment of financial assets (Continued)*

(a) Policy applicable from 1 January 2018 *(Continued)*

*Significant increases in credit risk (Continued)*

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Write-off policy*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(b) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVTPL (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

- significant financial difficulties of the debtor;

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

- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Financial instruments *(Continued)*

#### *Credit losses and Impairment of financial assets (Continued)*

(b) Policy applicable prior to 1 January 2018 *(Continued)*

If any such evidence existed, an impairment loss was determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

#### *Derecognition*

Derecognition of financial assets

When the contractual rights to the cash flows from financial assets expire or substantially all the risks and rewards of ownership of financial assets are transferred, the financial assets will be derecognised. The rights and obligations created or retained in the transfer are recognised separately as assets or liabilities. However, if substantially all the risks and rewards of ownership of transferred financial assets are retained, the financial assets will not be derecognised. In this situation, the transferred financial assets will be recognised in their entirety and the considerations received, if any, will be recognised as financial liabilities. In subsequent periods, income on the transferred financial assets and expense incurred on the recognised financial liabilities will be recognised in profit or loss separately. In the case substantially all the risks and rewards of ownership of transferred financial assets are neither transferred nor retained, the transferred financial assets will be recognised to the extent of the Company's continuous involvement if the Company retains control over the financial assets; otherwise, the financial assets will be derecognised and the rights and obligations created or retained in the transfer are recognised separately as assets or liabilities. The difference of the carrying amount of the transferred assets which are qualified for derecognition and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Financial instruments *(Continued)*

#### *Derecognition* *(Continued)*

Derecognition of financial liabilities

When the obligation of financial liabilities specified in the contract is discharged or cancelled or expires, the financial liabilities are regarded as extinguished and are removed from the statement of financial position. An exchange of liabilities or substantial modification of the terms of existing financial liabilities are also accounted for as an extinguishment of the original financial liabilities. Gain or loss on derecognition of financial liabilities is recognised in profit or loss.

### (j) Cash and cash equivalents

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

### (k) Lease

#### *As lessee*

Applicable from 1 April 2019

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the recognition exemption to short term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

a. the amount of the initial measurement of the lease liability;

b. any lease payments made at or before the commencement date, less any lease incentives received;

c. any initial direct costs incurred by the Group; and

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) Lease *(Continued)*

#### As lessee *(Continued)*

Applicable from 1 April 2019 *(Continued)*

d. an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option-in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

| | |
|---|---|
| Leased properties | Over the lease term |

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a. fixed payments (including in-substance fixed payments), less any lease incentives receivable;

b. variable lease payments that depend on an index or a rate;

c. amounts expected to be payable under residual value guarantees;

d. exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

e. payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

# 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

## (k) Lease *(Continued)*

### As lessee *(Continued)*

Applicable from 1 April 2019 *(Continued)*

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

a. the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

b. the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

a. the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

b. the Group determines the lease term of the modified contract.

c. the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

d. for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

e. for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) Lease *(Continued)*

#### *As lessee (Continued)*

Applicable before 1 April 2019

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

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

### (l) Provision, contingent liabilities and contingent assets

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

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

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

#### *Provision for close down, restoration and environmental costs*

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

#### *Provision for close down, restoration and environmental costs (Continued)*

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

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

### (m) Foreign currencies

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (m) Foreign currencies *(Continued)*

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

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

### (n) Taxation

#### *(i) Current tax*

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

#### *(ii) Deferred tax*

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Taxation *(Continued)*

#### *(ii) Deferred tax* *(Continued)*

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

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

### (o) Employees' benefits

#### *(i) Short-term benefits*

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

#### *(ii) Pension obligations*

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

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

#### *(iii) Share-based payments*

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (p) Borrowing costs

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

### (q) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (r) Revenue recognition

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

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

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

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### (a) Critical judgements in applying accounting policies

*Amortisation of mining right*

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

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

### (b) Key sources of estimation uncertainty

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

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

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

#### *Equity-settled share option expense*

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

#### *Impairment of non-financial assets and goodwill*

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

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

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

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

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

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

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

#### *Reserve estimates*

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

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

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

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

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

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

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

#### *Provision for close down, restoration and environmental costs*

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

#### *Exploration and evaluation expenditure*

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

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

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

*Income taxes*

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

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

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

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| **Turnover** | | |
| **Gasoline trading** | 1,194,065 | 642,320 |
| **Trading of mineral resources and commodities** | — | 5,631 |
| | 1,194,065 | 647,951 |
| **Other income** | | |
| **Bank interest income** | 280 | 11 |
| **Sundry income** | 264 | 92 |
| | 544 | 103 |
| **Other gains and losses** | | |
| **(Impairment loss)/Reversal of impairment loss on other intangible assets (Note 16)** | (165,322) | 130,432 |
| **Impairment loss on property, plant and equipment (Note 15 & 16)** | (7,785) | (18) |
| **Impairment loss on exploration and evaluation assets (Note 17)** | (1,170,703) | (58,699) |
| **Disposal of interests in joint venture** | 693 | — |
| | (1,343,117) | 71,715 |
| **Other expenses** | | |
| **Amortisation of other intangible assets — mining right (Note 16)** | 139,612 | 107,502 |

## 7. FINANCE COSTS

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Interest expenses on | | |
| Loan from third parties | 8,987 | 3,315 |
| Loan from shareholders | 584 | 5,843 |
| Loan from a related party | 19 | — |
| Lease liabilities | 46 | — |
| | 9,636 | 9,158 |
| Bank charges | 49 | 72 |
| | 9,685 | 9,230 |

## 8. LOSS BEFORE INCOME TAX

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Loss before income tax is arrived at after charging/(crediting): — | | |
| Employees benefit expenses (excluding directors' emoluments): — | | |
| Salaries and wages | 3,968 | 6,362 |
| Pension fund contributions | 328 | 284 |
| | 4,296 | 6,646 |
| Amortisation of other intangible assets-mining right (Note 16) | 139,612 | 107,502 |
| Depreciation | | |
| — Property, plant and equipment | 56 | 63 |
| — Right-of-use assets | 1,138 | — |
| Auditor's remuneration | | |
| — Group | 1,570 | 1,600 |
| — Overseas subsidiaries | 139 | 116 |
| Provision for close down, restoration and environmental costs (Note 28) | 41 | 138 |
| Minimum lease payments in respect of premises under operating leases | 56 | 1,799 |
| Interest expenses on lease liabilities | 46 | — |
| Net exchange losses | 4,266 | 1,408 |
| Cost of inventories sold | 1,184,857 | 643,370 |

# 9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

## (a) Directors' remuneration

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

| Name of directors | Fees | | Salaries and allowances | | Pension fund contributions | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 HK$'000 | 2019 HK$'000 | 2020 HK$'000 | 2019 HK$'000 | 2020 HK$'000 | 2019 HK$'000 | 2020 HK$'000 | 2019 HK$'000 |
| **Executive directors** | | | | | | | | |
| Lee Jaeseong | 13 | — | — | — | — | — | 13 | — |
| Im Jonghak | 13 | — | — | — | — | — | 13 | — |
| Jo Sang Hee | 107 | 120 | — | — | — | — | 107 | 120 |
| Ahn Kibaek | — | 86 | — | — | — | — | — | 86 |
| Shin Min Chul | — | 2 | — | — | — | — | — | 2 |
| | 133 | 208 | — | — | — | — | 133 | 208 |
| **Independent non-executive directors** | | | | | | | | |
| Kwok Kim Hung, Eddie | 120 | 120 | — | — | — | — | 120 | 120 |
| Lee Sungwoo | 120 | 120 | — | — | — | — | 120 | 120 |
| Chen Dai | 120 | 121 | — | — | — | — | 120 | 121 |
| Leung Yau Wan John | 20 | — | — | — | — | — | 20 | — |
| | 380 | 361 | — | — | — | — | 380 | 361 |
| Total | 513 | 569 | — | — | — | — | 513 | 569 |

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

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2019: Nil).

## 9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

### (b) Five highest paid individuals

The five highest paid individuals during the year do not included any Director (2019: nil) but included one (2019: one) senior management staff, details of directors' remuneration are set out in Note (a) above. Details of the remuneration of the five (2019: five) non-directors (including one senior management staff), highest paid individuals for the year are as follows:

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Salaries and other benefits | 3,317 | 2,994 |
| Pension fund contribution | 101 | 55 |
| | 3,418 | 3,049 |

The number of non-director, highest paid individuals (including one senior management staff) whose remuneration fell within the following band is as follows:

| | 2020 | 2019 |
|---|---|---|
| Nil to HK$1,000,000 | 4 | 4 |
| HK$1,000,001 to HK$1,500,000 | — | — |
| HK$1,500,001 to HK$2,000,000 | — | 1 |
| HK$2,000,001 to HK$2,500,000 | 1 | — |
| HK$2,500,001 to HK$3,000,000 | — | — |
| | 5 | 5 |

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Company and the Group's subsidiary (the employers) and its Hong Kong employees make monthly contributions to the scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the Hong Kong employees are subject to a maximum contribution of HK$1,500 (2019: HK$1,500) per month and thereafter contributions are voluntary. The Group has no further obligation for post-retirement benefits beyond the contributions in respect of the Hong Kong employees.

For the year ended 31 March 2020, the amount of the Group's employer contributions to defined contribution plans was HK$328,000 (2019: HK$284,000). During the current and prior years, no contributions have been forfeited to the MPF Scheme which has not been utilised for the year ended 31 March 2020. As at 31 March 2020, contribution payable to the MPF Scheme (both employer and employee portions) amounted to HK$6,000 (2019: HK$7,900).

## 10. INCOME TAX

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

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| **Group:** | | |
| Current — Hong Kong | | |
| Charge for the year | — | — |
| Current — Russia and other overseas | 1,087 | 81 |
| Deferred tax (Note 29) | (773) | (887) |
| | 314 | (806) |

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

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

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Loss before income tax expenses | (1,509,179) | (60,948) |
| Tax credit calculated at the weighted average statutory tax rate | (249,155) | (10,379) |
| Tax effect of expenses not deductible for taxation purposes | 251,395 | 25,089 |
| Tax effect of income not taxable for taxation purposes | (1,490) | (14,960) |
| Tax effect of unrecognised temporary difference | (654) | (884) |
| Tax effect of tax losses not recognised | 218 | 451 |
| Tax effect of prior year's unrecognised tax losses utilised this year | — | (108) |
| Tax exempted | — | (15) |
| Income tax charge/(credit) for the year | 314 | (806) |

## 11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss from ordinary activities attributable to owners of the Company for the year ended 31 March 2020 includes a loss of HK$1,475,433,000 (2019: HK$61,730,000) which has been dealt with in the financial statements of the Company.

## 12. DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

## 13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

As the Company's outstanding share options and convertible note have an anti-dilutive effect to the basic loss per share calculation for the current and prior years, the conversion of the outstanding share options and convertible note is therefore not assumed in the computation of diluted loss per share for the current and prior years. Therefore, the basic and diluted loss per share calculations for the respective years are the same.

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

| | **2020**<br>**HK$'000** | 2019<br>HK$'000 |
|---|---|---|
| **Loss** | | |
| Loss attributable to the owners of the Company, used in the basic and diluted loss per share | **(1,475,433)** | (61,730) |

| | **Number of shares** | |
|---|---|---|
| | **2020** | 2019 |
| **Shares** | | |
| Weighted average number of ordinary shares for basic and diluted loss per share | **1,271,870,960** | 1,208,475,523 |

## 14. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the Directors, the chief operating decision makers 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 gasoline and related products trading in the Republic of Korea ("**Korea**").

## 14. SEGMENT INFORMATION *(Continued)*

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

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

### (a) Reportable segments

The following table presents revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the years ended 31 March 2020 and 2019.

*For the year ended 31 March 2020*

| | Mining HK$'000 | Mineral resources, commodities and other trading HK$'000 | Consolidated total HK$'000 |
|---|---|---|---|
| **Reportable segment revenue** | | | |
| **Revenue from external customers** | — | 1,194,065 | 1,194,065 |
| **Reportable segment profit/(loss)** | (1,493,216) | 6,376 | (1,486,840) |
| **Impairment loss on other intangible assets** | (165,322) | — | (165,322) |
| **Impairment loss on property, plant and equipment** | (7,785) | — | (7,785) |
| **Impairment loss on exploration and evaluation assets** | (1,170,703) | — | (1,170,703) |
| **Depreciation of property, plant and equipment** | (46) | (10) | (56) |
| **Depreciation of right-of-use-assets** | (934) | (204) | (1,138) |
| **Amortisation of other intangible assets** | (139,612) | — | (139,612) |
| **Reportable segment assets** | 1,247,059 | 38,054 | 1, 285,113 |
| **Additions to non-current assets** | 3,660 | 453 | 4,113 |
| **Reportable segment liabilities** | (41,088) | (32,327) | (73,415) |

## 14. SEGMENT INFORMATION *(Continued)*

### (a) Reportable segments *(Continued)*

*For the year ended 31 March 2019*

| | Mining HK$'000 | Mineral resources, commodities and other trading HK$'000 | Consolidated total HK$'000 |
|---|---|---|---|
| **Reportable segment revenue** | | | |
| **Revenue from external customers** | — | 647,951 | 647,951 |
| **Reportable segment profit/(loss)** | (42,033) | 3,053 | (38,980) |
| **Reversal of impairment loss on other intangible assets** | 130,432 | — | 130,432 |
| **Impairment loss on property, plant and equipment** | (18) | — | (18) |
| **Impairment loss on exploration and evaluation assets** | (58,699) | — | (58,699) |
| **Depreciation** | (58) | (5) | (63) |
| **Amortisation of other intangible assets** | (107,502) | — | (107,502) |
| **Reportable segment assets** | 2,769,368 | 28,412 | 2,797,780 |
| **Additions to non-current assets** | 4,611 | 53 | 4,664 |
| **Reportable segment liabilities** | (42,319) | (26,533) | (68,852) |

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

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| **Revenue** | | |
| Reportable segment revenue and consolidated revenue | **1,194,065** | 647,951 |

| | **2020 HK$'000** | 2019 HK$'000 |
|---|---|---|
| **Loss before income tax** | | |
| Reportable segment loss | **(1,486,840)** | (38,980) |
| Other gains and losses | **757** | 2 |
| Unallocated corporate expenses | **(13,411)** | (12,536) |
| Share of results of joint venture | **—** | (204) |
| Finance costs | **(9,685)** | (9,230) |
| Consolidated loss before income tax | **(1,509,179)** | (60,948) |

## 14. SEGMENT INFORMATION *(Continued)*

### (a) Reportable segments *(Continued)*

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| **Assets** | | |
| Reportable segment assets | 1,285,113 | 2,797,780 |
| Unallocated corporate assets | 1,736 | 5,702 |
| Consolidated total assets | 1,286,849 | 2,803,482 |

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| **Liabilities** | | |
| Reportable segment liabilities | (73,415) | (68,852) |
| Unallocated corporate liabilities | (3,747,425) | (3,773,328) |
| Consolidated total liabilities | (3,820,840) | (3,842,180) |

### (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 | |
|---|---|---|---|---|
| | 2020 HK$'000 | 2019 HK$'000 | 2020 HK$'000 | 2019 HK$'000 |
| Russia | — | — | 1,244,882 | 2,765,768 |
| Korea | 1,194,065 | 647,951 | 248 | 47 |
| | 1,194,065 | 647,951 | 1,245,130 | 2,765,815 |

### (c) Information about major customers

For the year ended 31 March 2020, the five customers of the mineral resources, commodities and other trading segment with revenue of HK$84,928,000, HK$82,656,000, HK$65,366,000, HK$55,002,000 and HK$49,781,000, respectively, each contributed to a range from 4% to 7% of the Group's revenue.

For the year ended 31 March 2019, the four customers of the mineral resources, commodities and other trading segment with revenue of HK$51,477,000, HK$59,358,000, HK$60,103,000 and HK$60,735,000, respectively, each contributed to a range from 8% to 9% of the Group's revenue.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Construction in progress HK$'000 | Freehold land HK$'000 | Furniture and fixture HK$'000 | Equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2018 | 12,996 | 1,782 | 168 | 174 | 207 | 15,327 |
| Additions | 1,370 | — | 19 | 65 | 1 | 1,455 |
| Disposals | — | — | (16) | (6) | — | (22) |
| Exchange realignments | (1,673) | (228) | (17) | (1) | (26) | (1,945) |
| At 31 March 2019 | 12,693 | 1,554 | 154 | 232 | 182 | 14,815 |
| Additions | 2,006 | — | 5 | 5 | — | 2,016 |
| Disposals | — | — | (2) | — | — | (2) |
| Written-off | — | — | (5) | (32) | — | (37) |
| Exchange realignments | (2,566) | (274) | (21) | (4) | (32) | (2,897) |
| **At 31 March 2020** | **12,133** | **1,280** | **131** | **201** | **150** | **13,895** |
| **Accumulated depreciation and impairment** | | | | | | |
| At 1 April 2018 | — | — | 129 | 108 | 189 | 426 |
| Charge for the year (Note 8) | — | — | 16 | 28 | 19 | 63 |
| impairment loss (Note 6) | 16 | 2 | — | — | — | 18 |
| Written back on disposal | — | — | (16) | (6) | — | (22) |
| Exchange realignments | (16) | (2) | (14) | — | (35) | (67) |
| At 31 March 2019 | — | — | 115 | 130 | 173 | 418 |
| Charge for the year (Note 8) | — | — | 19 | 29 | 8 | 56 |
| Impairment loss (Note 6) | 7,042 | 743 | — | — | — | 7,785 |
| Written back | — | — | (7) | (32) | — | (39) |
| Exchange realignments | (1,137) | (120) | (17) | (1) | (31) | (1,306) |
| **At 31 March 2020** | **5,905** | **623** | **110** | **126** | **150** | **6,914** |
| **Net carrying value** | | | | | | |
| **At 31 March 2020** | **6,228** | **657** | **21** | **75** | **—** | **6,981** |
| At 31 March 2019 | 12,693 | 1,554 | 39 | 102 | 9 | 14,397 |

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

## 16. OTHER INTANGIBLE ASSETS

| | Mining right HK$'000 |
|---|---|
| **Cost** | |
| At 1 April 2018 | 1,728,706 |
| Exchange realignments | (221,184) |
| At 31 March 2019 and 1 April 2019 | 1,507,522 |
| Exchange realignments | (265,722) |
| **At 31 March 2020** | **1,241,800** |
| **Accumulated amortisation and impairment losses** | |
| At 1 April 2018 | 1,206,564 |
| Charge for the year (Note 8) | 107,502 |
| Reversal of impairment loss (Note 6) | (130,432) |
| Exchange realignments | (155,841) |
| At 31 March 2019 and 1 April 2019 | 1,027,793 |
| Charge for the year (Note 8) | 139,612 |
| Impairment loss (Note 6) | 165,322 |
| Exchange realignments | (229,897) |
| **At 31 March 2020** | **1,102,830** |
| **Net carrying value** | |
| **At 31 March 2020** | **138,970** |
| At 31 March 2019 | 479,729 |

### Mining right

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

In performing the impairment test for current year, the Directors of the Company have engaged 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.

## 16. OTHER INTANGIBLE ASSETS *(Continued)*

### Mining right *(Continued)*

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

(i) Cash flow projection is determined for a period of 18 years up to 2037 (2019: a period of 15 years up to 2033) with the first year of production taken to be from year 2027 (2019: first year of production from year 2023) based on the Director's current best estimated production plan.

(ii) Cost of production (including royalties) on average is taken as 53.06% (2019: 46.08%) of revenue.

(iii) The post-tax discount rate applied to the cash flow projection is 23.91% (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. (2019: increment of 3% p.a.), which is in line with the comparable market information.

(v) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show a decrease of approximately 15% (depends on different type of coals) when compared to that of last year.

(vi) The exchange rate for US Dollars ("US$") to Russian Rubles ("RUB") with reference to the approximate spot rate as of 31 March 2020 is taken to be 1.00 US$ to 78.42 RUB (2019: 1.00 US$ to 65.63 RUB).

(vii) The inflation rate on operating costs is 3% p.a. (2019: 3% p.a.)

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

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

The Directors of the Company are of the opinion that based on the valuation, the mining right was impaired by HK$165,322,000 (2019: reversal of impairment loss of HK$130,432,000) compared with its carrying amount as at 31 March 2020. 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 depreciation of Russian Rubles to US Dollars, the increase in cost of production and the increase in post-tax discount rate during the current year 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 were partially impaired compared with their recoverable amounts as at 31 March 2020. Impairment loss of HK$7,785,000 (2019: HK$18,000) (Note 15) was recognised for property, plant and equipment associated with the mining right during the current year.

## 16. OTHER INTANGIBLE ASSETS *(Continued)*

### Mining right *(Continued)*

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

| Intangible assets | Locations | Expiry Date |
|---|---|---|
| **Mining right** | | |
| Lapichevskaya Mine | Industrial area, Kemerovo district, Kemerovo region, 650906, Russian Federation | 1 July 2025 |

## 17. EXPLORATION AND EVALUATION ASSETS

| | **Total**<br>HK$'000 |
|---|---|
| **Cost** | |
| At 1 April 2018 | 3,644,289 |
| Additions | 3,209 |
| Exchange realignments | (4,053) |
| At 31 March 2019 and 1 April 2019 | 3,643,445 |
| Additions | |
| Exchange realignments | (5,387) |
| **At 31 March 2020** | **3,638,058** |
| **Accumulated impairment losses** | |
| At 1 April 2018 | 1,313,275 |
| Impairment loss (Note 6) | 58,699 |
| Exchange realignments | (218) |
| At 31 March 2019 and 1 April 2019 | 1,371,756 |
| Impairment loss (Note 6) | 1,170,703 |
| Exchange realignments | (2,696) |
| **At 31 March 2020** | **2,539,763** |
| **Net carrying amount** | |
| **At 31 March 2020** | **1,098,295** |
| At 31 March 2019 | 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 Group has adopted HKFRS 6 "Exploration for and Evaluation of Mineral Resources" which requires the Group to assess if there is any indicator for impairment at each reporting date.

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

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

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

(i) Cash flow projection is determined for a period of 12 years up to 2031 (2019: a period of 11 years up to 2029) with the first year of production taken to be from year 2022 (2019: first year of production from year 2020) based on the Director's current best estimated production plan.

(ii) The post-tax discount rate applied to the cash flow projection is 23.91% (2019: 22.40%).

(iii) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show an decrease of approximately 15% (depends on different type of coals) when compared to that of last year.

(iv) The Directors have assumed the average increment in coal sales prices is 3% p.a. (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 31 March 2020 is taken to be 1.00 US$ to 78.42 RUB (2019: 1.00 US$ to 65.63 RUB).

(vi) The inflation rate on operating costs is 3% p.a. (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 year, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that of the last year.

The Directors of the Company are of the opinion that based on the valuation, the exploration and evaluation asset was impaired by HK$1,170,703,000 (2019: HK$58,699,000) compared with its carrying value as at 31 March 2020. The impairment loss is mainly attributable to the net effects of change of expected first year of coal production, decrease of the relevant coal prices, the depreciation of Russian Rubles to US Dollars and the increase in post-tax discount rate during the current year as compared to previous year.

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

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

## 18. RIGHT-OF-USE ASSETS

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| At beginning of the year | 1,637 | — |
| Additions | 460 | — |
| Depreciation (note 8) | (1,138) | — |
| Exchange realignments | (75) | — |
| At the end of the year | 884 | — |

## 19. 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 granted to trade customers and no interest is charged.

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Trade receivables | 13,519 | 22,859 |
| Less: Allowance for doubtful debts | — | — |
| | 13,519 | 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 have not provided for allowance of doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The 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 7 days (2019: 15 days).

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Neither past due nor impaired | 13,519 | 22,859 |

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.

## 19. TRADE RECEIVABLES *(Continued)*

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| At beginning of year | — | — |
| Impairment loss/Reversal of impairment loss recognised during the year | — | — |
| At end of year | — | — |

## 20. ASSET CLASSIFIED AS HELD FOR SALE

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Non-current asset held for sales Investment in joint venture | — | 4,061 |

On 10 June 2019, the Group disposed the equity interest in joint venture to an independent third party at a consideration of RMB4,000,000 (approximately HK$4,515,800). The cancellation agreement on such disposal was entered into by the Company on 21 November 2019 and hence the transaction carried out had been reversed and cancelled.

On 22 November 2019, the Group disposed the equity interest in joint venture to another independent third party at a higher consideration of US$700,000 (approximately HK$5,460,000).

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

| Name of company | Principal activities | Place of incorporation/ operation | Proportion of ownership interest and voting right held by the Group | |
|---|---|---|---|---|
| | | | 31/03/2020 | 31/3/2019 |
| 上海惟奉教育科技有限公司 (Shanghai Weifeng Education and Technology Co., Ltd) | Education Technology | People's Republic of China ("**PRC**") | — | 40% |

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

## 20. ASSET CLASSIFIED AS HELD FOR SALE *(Continued)*

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

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Current assets | — | 2,204 |
| Current liabilities | — | (1,172) |
| | — | 1,032 |
| Revenue | — | 17 |
| Loss and total comprehensive expenses for the year | — | (1,547) |

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Net asset of joint venture | — | 10,153 |
| Proportion of the Group's ownership interest in the joint venture | — | 40% |
| Carrying amount of the Group's interest in the joint venture | — | 4,061 |

## 21. CASH AND CASH EQUIVALENTS

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

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| Cash and cash equivalents were denominated in: | | |
| Russian Ruble | 166 | 738 |
| Korean Won | 4,811 | 33 |
| United States Dollars | 7 | 6 |
| Hong Kong Dollars | 1,396 | 970 |
| Total | 6,380 | 1,747 |

## 22. INTEREST-BEARING BORROWINGS

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Other loan 1 (Note a) | — | 4,508 |
| Other loan 2 (Note b) | 28,561 | 28,561 |
| Other loan 3 (Note c) | 76,264 | — |
| Other loan 4 (Note d) | 19,812 | 21,497 |
| Other loan 5 (Note e) | — | 3,445 |
| Other loan 6 (Note f) | — | 10,108 |
| | 124,637 | 68,119 |

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Carrying amount repayable: — | | |
| Within one year or on demand | 19,812 | 7,953 |
| Over one year | 104,825 | 60,166 |
| | 124,637 | 68,119 |

## 22. INTEREST-BEARING BORROWINGS *(Continued)*

Note:

a. During the year 2019, 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, part of Previous Other Loan 1 amounting to HK$4,960,000 (including interest payable) was assigned to an independent third party.

As at 31 March 2019, the remaining unsettled Previous Other Loan 1 in aggregate amount of HK$4,508,000 was due to the independent third party ("**Other Loan 1**").

During the year 2020, Other Loan 1 (including interest payable) had been fully settled.

b. During the year 2020, the aggregate amount of HK$28,561,000 (2019: HK$4,508,000) ("**Other Loan 2**") was bearing interest at 5%-6% per annum and repayment on demand. The lender had agreed to extend the repayment date to 31 January 2022.

c. In the previous year, the amount of HK$89,084,000 ("**Pervious Other Loan 3**") was due to a shareholder and bearing interest at 5.5%-10% per annum and repayable after 1 year from the date of drawdown or on demand.

On 9 January 2020, part of Previous Other Loan 3 amounting to HK$21,000,000 has been repaid. As at 31 March 2020, the remaining unsettle Pervious Other Loan 3 in aggregate amount of 68,084,000 was due to the lender.

During the year 2020, the lender was considered as an independent third party of the Company. Therefore, the outstanding amounts were classified as interest-bearing borrowings.

During the year 2020, agreements were entered into with the same independent third party for new loans in the amount of HK$6,620,000 and US$200,000 (equivalent to approximately HK$1,560,000) which bear interest at 5.5% per annum and repayable after 1 year from the date of drawdown or on demand.

During the year 2020, the aggregate amount of HK$76,264,000 ("**Other Loan 3**") was bearing interest at 5.5%-6% per annum and repayable after 1 year from the date of drawdown or on demand. The lender had agreed to extend the repayment date of all loans (including new addition loans) to 31 January 2022.

d. During the year 2020, the aggregate amount of KRW3,120,000,000 (equivalent to approximately HK$19,812,000) (2019: HK$21,497,000) ("**Other Loan 4**") was bearing interest at 4.6 % per annum and repayable after 12 months from the date of drawdown or on demand.

e. During the year 2020, the loan amount ("**Other Loan 5**") in aggregate amount of KRW500,000,000 (equivalent to approximately HK$3,445,000 (including interest payable)) had been fully settled.

f. During the year 2020, Other Loan 6 in aggregate amount of HK$10,108,000 (including interest payable) had been fully settled.

## 23. AMOUNT DUE TO A RELATED PARTY/SHAREHOLDERS

(a) In the previous year, the amount due to a shareholder amounting to HK$228,000 was unsecured, interest free and repayable on demand.

(b) During the previous year, the amount due to a shareholder amounting to HK$2,323,000 (2019: HK$2,146,000) was unsecured, bears interest at the weighted average effective interest rate of 10% per annum and repayable upon maturity or on demand.

(c) In previous year. the amount due to a shareholder was bearing interest at 5.5%-10% per annum and repayable after 1 year from the date of drawdown or on demand. During the year 2020, the lender, who was classified as amount due to a shareholder in 2019, was considered as an independent third party of the Company.

(d) The amount due to a shareholder totaling HK$33,994,000 (2019: HK$34,010,000), 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 January 2022.

(e) During the year 2020, a new loan amount of KRW1,000,000,000 (equivalent to approximately HK$6,369,000) was obtained from a related company, which was unsecured bearing interest at 4.6 % per annum and repayable after 12 months from the date of drawdown or on demand.

## 24. PURCHASE CONSIDERATION PAYABLE FOR ADDITIONAL ACQUISITION

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

In prior year, the Group has recognised US$1,300,000 (equivalent to approximately HK$10,140,000) of the 4th Adjusted Consideration as purchase consideration payable for the acquisition of additional 30% equity interest in Lapi. The Group's share of the 4th Adjusted Consideration in the amount of HK$9,126,000 was debited directly to other reserve in equity. The Group settled an aggregate amount of US$873,400 (equivalent to approximately HK$6,813,000) of the 4th Adjusted Consideration, the remaining balance of the 4th Adjusted Consideration is US$426,600 (equivalent to approximately HK$3,307,000 (2019: HK$3,349,000)).

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

## 25. LEASE LIABILITIES

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Total lease liabilities | 874 | — |
| Less: current portion | 831 | — |
| Non-current portion | 43 | — |

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

During the year, the Group's operating lease rental payments relating to a short term lease of HK$56,000 (Note 8) have been recognised as expenses and included in 'operating lease rentals of premises'.

## 26. 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 results, 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.

## 26. 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 35 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, 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 to Gold Ocean. The Company registered the transfer of such notes in the Register of Noteholders of the Company.

## 26. 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, superseded and replaced 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.

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

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

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

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 had resulted in the issuance of 55,313,376 Conversion Shares, and left 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, 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 ranked 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.

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

### (ii) Measurement of convertible note

The fair value of the derivative components of the Third Convertible Note was determined based on a professional valuation performed by Ravia using the Hull model at the date of issue, and there was no change in the fair value of convertible note (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 31 March 2020 | 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.

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

| | Convertible notes | | |
|---|---|---|---|
| | **Liabilities component** HK$'000 | **Derivative component** HK$'000 | **Total** HK$'000 |
| At 1 April 2018 | 3,591,498 | — | 3,591,498 |
| Imputed interest charged during the year | — | — | — |
| At 31 March 2019 and 1 April 2019 | 3,591,498 | — | 3,591,498 |
| Imputed interest charged during the year | — | — | — |
| **At 31 March 2020** | **3,591,498** | **—** | **3,591,498** |

## 27. PROMISSORY NOTES PAYABLES

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| At beginning of the year, at the end of year and included in non-current liabilities | **15,600** | 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.

During the year, no imputed interest was charged to profit or loss. The remaining outstanding Modified PN is classified as non-current liabilities and carried on the amortised cost basis until extinguished on redemption. As at the end of the reporting period, the carrying amount of the Modified PN was HK$15,600,000 (2019: HK$15,600,000).

On 4 June 2020, the remaining promissory notes holder of the Modified PN agreed to extend the maturity date of the promissory notes to 31 January 2022.

## 28. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| At beginning of year | **1,470** | 1,528 |
| Provision during the year (Note 8) | **41** | 138 |
| Exchange realignments | **(266)** | (196) |
| At end of year | **1,245** | 1,470 |

The provision for close down, restoration and environmental costs related to the Russian mine.

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

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

## 29. DEFERRED TAXATION

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

| | HK$'000 |
|---|---|
| At 1 April 2018 | 6,490 |
| Charge to the consolidated financial statements (Note 10) | (887) |
| Exchange realignments | (826) |
| At 31 March 2019 and 1 April 2019 | 4,777 |
| Charge to the consolidated financial statements (Note 10) | (773) |
| Exchange realignments | (709) |
| **At 31 March 2020** | **3,295** |

At 31 March 2020, the Group had unused tax losses of HK$28,232,000 (2019: HK$28,232,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2020 and 2019 in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group entities. There was no other significant unrecognised deferred tax as at 31 March 2020 and 2019.

## 30. SHARE CAPITAL

| | Number of shares | | Nominal value | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020 HK$'000** | 2019 HK$'000 |
| Authorised: | | | | |
| Ordinary shares of HK$0.2 each (2019: HK$0.2 each) | **5,000,000,000** | 5,000,000,000 | **1,000,000** | 1,000,000 |
| Issued and fully paid: | | | | |
| At beginning of year | **1,208,475,523** | 1,208,475,523 | **241,695** | 241,695 |
| Issue of shares upon new placement (Note (ii)) | **241,695,104** | — | **48,339** | — |
| At end of year | **1,450,170,627** | 1,208,475,523 | **290,034** | 241,695 |

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

Note:

(i) Please also refer to Notes 26 in relation to the issuance of 55,313,376 Conversion Shares at HK$48 per share on 22 October 2018, and the subsequent cancellation of the issuance of such Conversion Shares on 20 May 2019 such that the 55,313,376 Conversion Shares were cancelled and void *ab initio* (i.e. cancelled as from day one, 22 October 2018).

(ii) On 30 December 2019, an aggregate of 241,695,104 new ordinary shares at nominal value of HK$0.2 each were issued by way of a placing at a subscription price of HK$0.2 each to the then independent third party. The aggregate nominal value was HK$48,339,000. The aggregate consideration was approximately HK$48,339,000 which was credited to share capital. The net proceeds were utilised for the repayment of loans and general working capital of the Group.

## 31. SHARE OPTION SCHEME

The Company has two share option schemes.

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

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

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

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

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

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

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

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

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

## 31. SHARE OPTION SCHEME *(Continued)*

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2020:

| Name or category of participant | Number of share options | | | | Date of grant of share options | Exercise of share options | Exercise price of share options |
|---|---|---|---|---|---|---|---|
| | At 1/4/2019 | Exercised during the period | Lapse during the year | At 31/3/2020 | | | HK$ |
| **Employees and consultants other than directors** | | | | | | | |
| — In aggregate | — | — | — | — | — | — | — |
| | — | — | — | — | | | |

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2019:

| Name or category of participant | Number of share options | | | | Date of grant of share options | Exercise of share options | Exercise price of share options |
|---|---|---|---|---|---|---|---|
| | At 1/4/2018 | Exercised during the period | Lapse during the year | At 31/3/2019 | | | HK$ |
| **Employees and consultants other than directors** | | | | | | | |
| — In aggregate | 440,000 | — | (440,000) | — | 30/01/2012 | 30/01/2012 to 29/01/2022 | 0.355 |
| | 440,000 | — | (440,000) | — | | | |

Note:

There were no share options outstanding at the end of pervious year and the year.

The total number of share options outstanding as at 31 March 2020 was zero (2019: Nil) all of which were exercisable as at that date.

The weighted average share price at the date of exercise of share options exercised during the current year was HK$Nil (2019: HK$Nil).

At 31 March 2020, the Company had no (2019: Nil) share issuable under option granted under the Old Scheme, representing zero percent (2019: Nil) of the Company's issued share capital. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 31 March 2020, result in the issue of zero (2019: Nil) additional ordinary shares of HK$0.2 (2019: HK$0.2) each of the Company, additional share capital of HK$Nil (2019: HK$Nil) and additional share premium of approximately HK$Nil (2019: HK$Nil) (before issue expense). In addition, amount attributable to the related share options of HK$Nil (2019: HK$Nil) would be transferred from equity-settled share option reserve to the share premium account.

# Notes to the Financial Statements

For the year ended 31 March 2020

## 31. SHARE OPTION SCHEME *(Continued)*

### Valuation of share options

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

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

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

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

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

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

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

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

During the years ended 31 March 2020 and 2019, no option has been granted under the New Scheme since the adoption date to the date of this report.

## 32. OPERATING LEASE COMMITMENTS

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

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Within one year | 3 | 985 |
| In the second to fifth years, inclusive | — | 681 |
| | 3 | 1,666 |

From 1 April 2019, the Group has recognized right-of-use assets for its leases in respect of land and buildings and prepaid lease payments, except for the leases with a remaining lease term of less than 12 months at 1 April 2019. Please refer to Note 3(b) for details.

## 33. CAPITAL COMMITMENTS

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

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Exploration related contracts | — | 804 |

## 34. RELATED PARTY TRANSACTIONS

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

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

The amount drawn by the Group under the above loan facilities amounted to approximately HK$33,994,000 as at 31 March 2020 (2019: approximately HK$34,013,000). In a letter to the Company dated 4 June 2020, Cordia undertook not to demand payment of any of the loans to the Group before 31 January 2022. Accordingly, this amount has been classified as a non-current liability as at 31 March 2020 and 2019. The balance is unsecured and bears interest at the rate of 0-8% per annum.

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

(i) *(Continued)*

During the year, Cordia have agreed to waive a portion of the interest charged US$ 5,000 (equivalent to approximately HK$35,000) (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 year (Note 40).

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

| Name of Company | Relationship | Nature of transaction | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|---|
| Cordia Global Limited | Shareholder | Interest expenses thereto | **406** | 424 |
| First Glory Limited | Shareholder | Interest expenses thereto | **178** | 177 |
| E-Tron Co., Ltd. | Related party | Interest expenses thereto | **19** | — |
| Space Hong Kong Enterprise Limited | Ex-shareholder | Interest expenses thereto | — | 5,242 |

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

## 35. 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.

## 35. LITIGATIONS *(Continued)*

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

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

The Group and the 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 was US$238,000 (approximately HK$1,856,400), which had also been fully provided for since 31 March 2013.

#### *HCA 672 of 2013*

As announced by the Company on 30 April 2013, Cordia Global Limited ("**Cordia**") on 23 April 2013 issued a writ of summons in the High Court of Hong Kong (HCA 672 of 2013) against certain parties (including certain shareholders of the Company) and the Company. Cordia also took out an inter 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 was 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. Nevertheless, the Company is in the process of liaising with Cordia in an attempt to ask Cordia to discontinue such legal action against the Company.

## 35. LITIGATIONS *(Continued)*

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

*HCA 584 of 2016*

As announced by the Company on 14 March 2016, the Company on 8 March 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 584 of 2016) against certain parties, including the Company. The plaintiff was 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 was 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.

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 Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

It was subsequently understood by the Company that such legal action had been dismissed by Mr. Justice Lam Vice-President in Chambers since 31 August 2017.

*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 was 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.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

The Company is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, the Company will ask the Trustee to discontinue such legal action.

## 35. LITIGATIONS *(Continued)*

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

*HCA 1618 of 2016*

As announced by the Company on 29 June 2016, the Company on 22 June 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 1618 of 2016) against certain parties, including the Company. The plaintiff was 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.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

The Company is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, the Company will ask the Trustee to discontinue such legal action.

*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 former Directors of the Company. For avoidance of doubt, the Company was not a defendant in such action. The plaintiff was 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 a former Director of the Company in HCA 2137 of 2016.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

The solicitor acting for the former Director is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, the solicitor will ask the Trustee to discontinue such legal action.

## 35. LITIGATIONS *(Continued)*

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

#### *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 former Directors of the Company. For avoidance of doubt, the Company was not a defendant in such action. The plaintiff was 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.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

The solicitor acting for the two former Directors is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, the solicitor will ask the Trustee to discontinue such legal action.

#### *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 one existing Director of the Company. For avoidance of doubt, the Company was not a defendant in such action. The plaintiff was seeking various orders on the defendants in respect of, inter alia, the Company's audit reports of 2013, 2014 and 2015.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

The solicitor acting for the existing Director is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, the solicitor will ask the Trustee to discontinue such legal action.

#### *HCA 2633 of 2016*

As announced by the Company on 18 October 2016, the Company received on 11 October 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 2633 of 2016 to certain parties, including the Company. The plaintiff was 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.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

## 35. 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 former Directors of the Company. The plaintiff was 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 former Directors of the Company in the legal action HCA 3148 of 2016.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

*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 one existing Director of the Company. The plaintiff was seeking various declaratory reliefs against the defendants in respect of, inter alia, certain accounting information and certain valuation reports used by the Company.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

## 35. 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 a former Director of the Company. The plaintiff was 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 former Director of the Company in the legal action HCA 3190 of 2016.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

#### *HCA 3324 of 2016*

As announced by the Company on 29 December 2016, the Company received on 16 December 2016 a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong under action number HCA 3324 of 2016 to certain parties, including the Company. The plaintiff was 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. By a court order dated 9 June 2020, it was ordered that such legal action as against the Company be dismissed.

#### *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 was 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.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

## 35. 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 were 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.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The solicitor acting for the Company and Grandvest International Limited is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the solicitor will ask the Official Receiver to discontinue such legal action.

The Company and Grandvest International Limited are in the process of also taking out a summons to strike out such legal action raised by Cho Seong Woo, Kim Kyungsoo, Lim Hang Young and Joung Jong Hyun.

#### *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 was 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.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

#### *HCA 1050 of 2017*

As announced by the Company on 16 May 2017, the Company received on 2 May 2017 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 1050 of 2017 to certain parties, including Grandvest International Limited (a subsidiary of the Company). The plaintiff was seeking various declaratory reliefs against the defendants in respect of, inter alia, certain technical report issued to the Company.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

Grandvest International Limited is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, Grandvest International Limited will ask the Official Receiver to discontinue such legal action.

## 35. 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 was 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 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 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) was 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 had been rescinded.

## 35. 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 (the "**Consolidation Applications**") be adjourned for directions on 21 October 2019. As directed by the Court, substantive hearing of the Consolidation Applications originally set down for 28 February 2020 was adjourned to 21 May 2020 due to general adjournment of court proceedings under the COVID-19 situation. At the hearing of 21 May 2020, it was ordered by the Court that the three legal actions (i.e. HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018) be heard together by the same judge.

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 mid-2021 at the earliest.

## 35. 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 was seeking various declaratory reliefs against the defendants in respect of, inter alia, the Third Convertible Note issued by the Company.

The Company is in the process of taking out a summons to strike out such legal action.

#### *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 a former 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 and the two subsidiaries of the Company on 22 May 2020 took out a summons to strike out such legal action. Upon the hearing of the Court on 30 June 2020, it was ordered that such legal action as against the Company and its two subsidiaries be dismissed.

#### *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 were 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 was 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 was thus in contravention of the Rules of the High Court. The Company 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.

## 35. 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 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 (the "**Consolidation Applications**") be adjourned for directions on 21 October 2019. As directed by the Court, substantive hearing of the Consolidation Applications originally set down for 28 February 2020 was adjourned to 21 May 2020 due to general adjournment of court proceedings under the COVID-19 situation. At the hearing of 21 May 2020, it was ordered by the Court that the three legal actions (i.e. HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018) be heard together by the same judge.

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 mid-2021 at the earliest.

#### *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 was seeking various declarations against these fourth parties in respect of, inter alia, the HASS Report on the Company's Russian coal mines.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

Grandvest International Limited is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, Grandvest International Limited will ask the Trustee to discontinue such legal action.

## 35. 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 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 legalaction HCA 51 of 2017. In such Fourth Party Notice, Kim Sungho was seeking various declarations against those 10 parties in respect of, inter alia, the HASS Report on the Company's Russian coal mines.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company and Grandvest International Limited are in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company and Grandvest International Limited will ask the Official Receiver to discontinue such legal action.

#### *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 was 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 (the "**Consolidation Applications**") be adjourned for directions on 21 October 2019. As directed by the Court, substantive hearing of the Consolidation Applications originally set down for 28 February 2020 was adjourned to 21 May 2020 due to general adjournment of court proceedings under the COVID-19 situation. At the hearing of 21 May 2020, it was ordered by the Court that the three legal actions (i.e. HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018) be heard together by the same judge.

## 35. LITIGATIONS *(Continued)*

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

*HCA 2520 of 2018 (Continued)*

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 mid-2021 at the earliest.

### (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.

## 35. 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)*

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.

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. Eventually, the pre-trial review hearing has been fixed to be heard on 26 April 2022 and the trial hearing has been fixed to be heard from 5 July 2022 to 20 July 2022.

## 35. LITIGATIONS *(Continued)*

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

*HCA 1016 of 2016*

As announced by the Company on 18 April 2016, the Company (as the plaintiff) has commenced a legal action against HASS 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 was 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 has been dormant since March 2017 and by now it has largely been superseded by events. The Company is in the process of discontinuing the proceedings.

*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 was therefore seeking the repayment of the sums made to HASS under such agreement and damages for misrepresentation from both HASS and Tso.

The action has been dormant since June 2017. The Company is in the process of discontinuing the proceedings.

*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 was 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 (the "**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.

## 35. LITIGATIONS *(Continued)*

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

#### *HCMP 2169 of 2019 (Continued)*

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 hearing on 31 December 2019.

Before the 31 December 2019 hearing, the Company was granted the conditional listing approval by the Stock Exchange for the placing shares under the Placing on 17 December 2019. In view of such development, the interim injunction application (which was concerned solely with the Placing) had been overtaken by events, which rendered such application for an injunction entirely academic and thus both parties accepted that it put an end to the application for the interim injunction. In addition, both parties also accepted that there was no purpose in these proceedings going ahead at all. Hence, the Company had effectively withdrawn the originating summons on 31 December 2019.

## 36. CAPITAL RISK MANAGEMENT

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

The Group monitors its capital position by monitoring its gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated statement of financial position, including amounts due to shareholders, amounts due to related parties and promissory notes payable. Total capital is calculated as "equity attributable to owners of the Company", as shown in the consolidated statement of financial position, plus borrowings. The gearing ratios of the Group at 31 March 2020 and 2019 were as follows:

| | 2020<br>HK$'000 | 2019<br>HK$'000 |
|---|---|---|
| Total borrowings | 183,150 | 220,217 |
| Equity | 2,517,114 | 1,059,346 |
| Total capital | 2,694,726 | 1,279,563 |
| Gearing ratio | 6.8% | 17.2% |

## 36. CAPITAL RISK MANAGEMENT *(Continued)*

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

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

## 37. FINANCIAL RISK MANAGEMENT

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

### (a) Market risk

#### *(i) Foreign currency risk*

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

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

#### *(ii) Cash flow and fair value interest rate risk*

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

### (b) Credit risk

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

## 37. FINANCIAL RISK MANAGEMENT *(Continued)*

### (c) Liquidity risk

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

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

| | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | On demand HK$'000 | Less than 3 months HK$'000 | More than 3 months but less than 1 year HK$'000 | More than 1 year but less than 5 years HK$'000 | More than 5 years HK$'000 |
|---|---|---|---|---|---|---|---|
| **At 31 March 2020** | | | | | | | |
| Other payables and accrued expenses | 37,470 | 37,471 | 9,001 | — | 1,595 | 26,875 | — |
| Amounts due to shareholders | 36,545 | 37,286 | 2,551 | — | — | 34,735 | — |
| Amounts due to a related company | 6,369 | 6,480 | — | — | 6,480 | — | — |
| Promissory notes payables | 15,600 | 15,600 | — | — | — | 15,600 | — |
| Convertible notes payables | 3,591,498 | 3,591,498 | — | — | 3,591,498 | — | — |
| Purchase consideration payables for additional acquisition | 3,307 | 3,307 | 3,307 | — | — | — | — |
| Lease liabilities | 874 | 918 | — | 9 | 862 | 47 | — |
| Interest-bearing borrowings | 124,637 | 136,445 | — | — | 20,499 | 115,946 | — |
| | 3,816,300 | 3,829,005 | 14,859 | 9 | 3,620,934 | 193,203 | — |
| **At 31 March 2019** | | | | | | | |
| Other payables and accrued expenses | 20,869 | 20,869 | 7,831 | — | 1,910 | 11,128 | — |
| Amounts due to shareholders | 136,498 | 153,276 | 228 | — | 2,205 | 150,843 | — |
| Promissory notes payables | 15,600 | 15,600 | — | — | — | 15,600 | — |
| Convertible notes payables | 3,591,498 | 3,591,498 | — | 3,591,498 | — | — | — |
| Purchase consideration payables for additional acquisition | 3,349 | 3,349 | 3,349 | — | — | — | — |
| Interest-bearing borrowings | 68,119 | 73,075 | — | 4,516 | 8,010 | 60,549 | — |
| | 3,835,933 | 3,857,667 | 11,408 | 3,596,014 | 12,125 | 238,120 | — |

## 37. FINANCIAL RISK MANAGEMENT *(Continued)*

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

#### (i) *Financial assets and liabilities measured at fair value*

**Fair value hierarchy**

The following table presents the fair value of the Company's financial instruments measured at the end of the reporting year on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

**31 March 2020**

| | Level 2 HK$'000 | Total HK$'000 |
|---|---|---|
| **Assets** | | |
| Other intangible assets | 138,970 | 138,970 |
| Exploration and evaluation assets | 1,098,295 | 1,098,295 |
| | 1,237,265 | 1,237,265 |

| | Level 2 HK$'000 | Total HK$'000 |
|---|---|---|
| **Liability** | | |
| Convertible notes payables | 3,591,498 | 3,591,498 |

## 37. FINANCIAL RISK MANAGEMENT *(Continued)*

### (d) Fair values measurements recognised in the statement of financial position *(Continued)*

#### (i) *Financial assets and liabilities measured at fair value (Continued)*

**Fair value hierarchy** *(Continued)*

31 March 2019

| | Level 2<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|
| **Assets** | | |
| Other intangible assets | 479,729 | 479,729 |
| Exploration and evaluation assets | 2,271,689 | 2,271,689 |
| | 2,751,418 | 2,751,418 |

| | Level 2<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|
| **Liability** | | |
| Convertible notes payables | 3,591,498 | 3,591,498 |

During the year, there were no significant transfers between instruments in Level 2, or transfers into or out of Level 3 (2019: Nil). The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting year in which they occur.

The carrying amount of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 March 2020 and 2019 except for the financial assets and liabilities fall into the fair value hierarchy described above.

#### (ii) *Estimation of fair values*

The following summarised the major methods and assumptions used in estimating the fair values of financial instruments are explained in Notes 16 and 17.

### (e) Offsetting financial assets and financial liabilities

As at 31 March 2020 and 2019, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

## 38. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### Reconciliation of liabilities arising from financing activities

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | At<br>1 April 2019<br>HK$'000 | Financing<br>cash flows<br>HK$'000 | Fair value<br>adjustments<br>HK$'000 | Other<br>changes (i)<br>HK$'000 | **At<br>31 March 2020<br>HK$'000** |
| Loan from shareholders | 136,498 | (99,918) | — | (35) | **36,545** |
| Loan from a related party | — | 6,369 | — | — | **6,369** |
| Interest-bearing borrowings | 68,119 | 56,518 | — | — | **124,637** |
| Lease liabilities | — | 874 | — | — | **874** |
| | 204,617 | (36,157) | — | (35) | **168,425** |

(i) Other changes including waiver of interest on early settle of amounts.

## 39. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at fair value through profit or loss | | |
| Other intangible assets | 138,970 | 479,729 |
| Exploration and evaluation assets | 1,098,295 | 2,271,689 |
| Financial assets at amortised cost | | |
| Trade receivables | 13,519 | 22,859 |
| Prepayment for acquisition of exploration and mining rights | — | 1,310 |
| Other receivables, deposits and prepayments | 21,820 | 7,690 |
| Cash and cash equivalents | 6,380 | 1,747 |
| | 1,278,984 | 2,785,024 |

| | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|
| **Financial liabilities** | | |
| Financial liabilities at fair value through profit or loss | | |
| Convertible note payables | 3,591,498 | 3,591,498 |
| Financial liabilities at amortised cost | | |
| Other payables, accrued expenses and trade deposit received | 37,470 | 20,869 |
| Interest-bearing borrowings | 124,637 | 68,119 |
| Amount due to shareholders | 36,545 | 136,498 |
| Amount due to a related company | 6,369 | — |
| Lease liabilities | 874 | — |
| Purchase consideration payable for additional acquisition | 3,307 | 3,349 |
| Promissory notes payables | 15,600 | 15,600 |
| | 3,816,300 | 3,835,933 |

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | 2020 HK$'000 | 2019 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | a | — | — |
| **Current assets** | | | |
| Asset held for sale | | — | 4,061 |
| Other receivables, deposits and prepayments | | 1,453 | 1,472 |
| Cash and cash equivalents | | 249 | 134 |
| | | 1,702 | 5,667 |
| **Current liabilities** | | | |
| Other payables and accrued expenses | | 30,455 | 15,724 |
| Interest-bearing borrowings | | — | 4,508 |
| Amount due to shareholders | | 2,551 | 2,374 |
| Conversion note payables | | 3,591,498 | 3,591,498 |
| | | 3,624,504 | 3,614,104 |
| **Net current liabilities** | | (3,622,802) | (3,608,437) |
| **Total assets less current liabilities** | | (3,622,802) | (3,608,437) |
| **Non-current liabilities** | | | |
| Amount due to a shareholder | | 2,495 | 102,895 |
| Interest-bearing borrowings | | 104,825 | 38,669 |
| Promissory notes payables | | 15,600 | 15,600 |
| | | 122,920 | 157,164 |
| **NET LIABILITIES** | | (3,745,722) | (3,756,601) |
| **CAPITAL AND RESERVES** | | | |
| **Share capital** | | 290,034 | 241,695 |
| **Reserves** | b | (4,035,756) | (4,007,296) |
| **CAPITAL DEFICIENCIES** | | (3,745,722) | (3,765,601) |

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

**Note a: Investment in subsidiaries**

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

**Note b: Reserves**

| | Share premium HK$'000 | Equity- settled share option reserve (Note i) HK$'000 | Capital reserve (Note ii & iii) HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2018 | 1,956,517 | 47 | 23,715 | (5,957,432) | (3,977,153) |
| Total comprehensive expenses for the year | — | — | — | (30,253) | (30,253) |
| Waiver of interest on early settle of amounts due to shareholders | — | — | 110 | — | 110 |
| **At 31 March 2019 & 1 April 2019** | **1,956,517** | **47** | **23,825** | **(5,987,685)** | **(4,007,296)** |
| **Total comprehensive expenses for the year** | **—** | **—** | **—** | **(28,495)** | **(28,495)** |
| **Waiver of interest on early settle of amounts due to shareholders** | **—** | **—** | **35** | **—** | **35** |
| **At 31 March 2020** | **1,956,517** | **47** | **23,860** | **(6,016,180)** | **(4,035,756)** |

Note:

At the end of reporting year, the equity-settled share option reserve and capital reserve of the Company represents respectively (i) the fair value of the outstanding share options of the Company at the respective grant dates; (ii) the amount of interest charged on amount due to a shareholder of the Company that was waived as a result of early settlement on the principal balance of the amount due to that shareholder of the Company. The amount waived was considered as a contribution from the equity participant of the Company; and (iii) the carrying amount of the Modified PN that was converted to equity and utilised to settle purchase consideration as set out in Note 27 as a result of early settlements on the principal balance of the Modified PN, which were considered as contributions from equity participant of the Company.

## 41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

| Name of company | Country of incorporation and operation | Particulars of issued and paid-up capital | Proportion of ownership interest: Group's effective interest | Proportion of ownership interest: Held by the Company | Proportion of ownership interest: Held by the subsidiaries | Principal activity |
|---|---|---|---|---|---|---|
| Langfeld (Note 1) | The Republic of Cyprus ('**Cyprus**") | Ordinary Euro 10,000 | 90% | — | 90% | Investment holding |
| LLC "Shakhta Lapichevskaya" ("**Lapi**") (Note 1) | Russia | Registered capital of Russian Roubles ("**RUB**") of 172,315,950 | 90% | — | 90% | Holding of mining and exploration rights |
| Grandvest | BVI | Ordinary US$1 | 100% | 100% | — | Investment holding |
| Global Power Asia Co. Limited (Note 1) | Korea | Registered capital of Korean Won ("**KRW**") of 179,595,000 | 100% | — | 100% | Mineral resources and commodities trading |

Note:

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

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

## 42. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, certain legal actions against the Company were dismissed. Please refer to Note 35 for details of such legal cases.

(b) Subsequent to the end of the reporting period, certain loans of US$295,000 (approximately HK$2,301,000) in total were granted to the Company.

(c) Subsequent to the end of the reporting period, certain lenders have agreed to further extend the due dates of the loans (and the related interests payables where applicable) to 31 January 2022. Please refer to Note 2(b) for more information.

(d) At the extraordinary general meeting of the Company held on 22 April 2020, the share consolidation (the "**Share Consolidation**") of the Company in respect of every ten (10) issued and unissued shares of nominal value of HK$0.20 each in the share capital of the Company be consolidated into one (1) consolidated share of nominal value of HK$2.00 each was approved. The Share Consolidation took effect on 24 April 2020. In addition, with effect from 24 April 2020, the board lot size of the shares of the Company for trading on the Stock Exchange was changed from 10,000 shares (before the Share Consolidation) to 4,000 shares (after the Share Consolidation).

(e) As announced by the Company on 23 April 2020, the conversion price of the Third Convertible Note was adjusted from HK$48.00 per conversion share to HK$480.00 per conversion share with effect from 24 April 2020 as a result of the completion of the Share Consolidation.

(f) On 23 June 2020, the Company entered into a loan facilities agreement with the holding company of the controlling shareholder, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the holding company of the controlling shareholder could provide financial support to the Company up to approximately US$3,314,240 (approximately HK$25,851,072).

(g) On 23 June 2020, the Company entered into a loan facilities agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US$17,533,003 (approximately HK$136,757,423).

(h) On 23 June 2020, the Company entered into a loan facilities agreement with a related company of the holding company of the controlling shareholder, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US$9,932,657 (approximately HK$77,474,725).

(i) On 23 June 2020, the Company entered into a loan facilities agreement with a related company of the holding company of the controlling shareholder, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US$58,644,113 (approximately HK$457,424,081).

## 42. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(j) On 23 June 2020, the Company entered into a loan facilities agreement with a related company of the holding company of the controlling shareholder, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US$9,526,424 (approximately HK$74,306,107).

(k) On 23 June 2020, the Company entered into a loan facilities agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US$652,441 (approximately HK$5,089,040).

(l) On 23 June 2020, the Company entered into a loan facilities agreement with a related company of the holding company of the controlling shareholder, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US$4,214,556 (approximately HK$32,873,537).

(m) On 23 June 2020, the Company entered into a loan facilities agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US$10,994,880 (approximately HK$85,760,064).

(n) On 23 June 2020, the Company entered into a loan facilities agreement with a related company of the holding company of the controlling shareholder, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US$3,629,365 (approximately HK$28,309,047).

(o) On 23 June 2020, the Company entered into a loan facilities agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US$17,118,090 (approximately HK$133,521,102).

## 43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2020.

# Financial Summary

For the year ended 31 March 2020
(Expressed in Hong Kong dollars)

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2020.

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2020 HK$'000** | 2019 HK$'000 | 2018 HK$'000 | 2017 HK$'000 | 2016 HK$'000 |
| Turnover | **1,194,065** | 647,951 | 2,972 | 1,673 | 1,824 |
| Loss before tax and non-controlling interests | **(1,509,179)** | (60,948) | (504,723) | 2,027,292 | (465,573) |
| Income Tax | **(314)** | 806 | (6,408) | 3 | (2) |
| (Loss)/profit after tax and before non-controlling interests | **(1,509,493)** | (60,142) | (511,131) | 2,027,295 | (465,575) |
| Non-controlling interests | **34,060** | (1,588) | 1,676 | (49,293) | 5,645 |
| Loss attributable to owners of the Company | **(1,475,433)** | (61,730) | (509,455) | 1,978,002 | (459,930) |

## ASSETS AND LIABILITIES

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2020 HK$'000** | 2019 HK$'000 | 2018 HK$'000 | 2017 HK$'000 | 2016 HK$'000 |
| Non-current assets | **1,245,130** | 2,765,815 | 2,868,057 | 2,935,384 | 475,911 |
| Current assets | **41,719** | 37,667 | 15,759 | 14,902 | 2,056 |
| Current liabilities | **(3,661,838)** | (3,626,043) | (3,625,170) | (3,254,426) | (190,941) |
| Non-current liabilities | **(159,002)** | (216,137) | (167,684) | (89,926) | (2,934,200) |
| Non-controlling interests | **16,877** | (20,648) | (25,991) | (27,508) | 25,872 |
| Equity attributable to owners of the Company | **(2,517,114)** | (1,059,346) | (935,029) | (421,574) | (2,621,302) |