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)

ANNUAL REPORT 2021

* For identification purpose only

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lee Jaeseong *(Chairman)*
Mr. Im Jonghak

Independent Non-executive Directors

Ms. Chen Dai
Mr. Kwok Kim Hung Eddie
Mr. Leung Yau Wan John
Mr. Lee Sungwoo (resigned on 28 August 2020)

COMPANY SECRETARY

Ms. Tsang Man Maan (appointed on 16 September 2020)
Ms. Tsang Oi Yin (resigned on 16 September 2020)

AUTHORISED REPRESENTATIVES

Mr. Lee Jaeseong
Ms. Tsang Man Maan (appointed on 16 September 2020)
Ms. Tsang Oi Yin (resigned on 16 September 2020)

AUDIT COMMITTEE

Mr. Kwok Kim Hung Eddie *(Chairman)*
Ms. Chen Dai
Mr. Leung Yau Wan John
Mr. Lee Sungwoo (resigned on 28 August 2020)

REMUNERATION COMMITTEE

Ms. Chen Dai *(Chairman)*
(appointed as Chairman on 28 August 2020)
Mr. Kwok Kim Hung Eddie
Mr. Leung Yau Wan John
Mr. Lee Sungwoo *(Chairman)*
(resigned on 28 August 2020)

NOMINATION COMMITTEE

Mr. Lee Jaeseong *(Chairman)*
Ms. Chen Dai
Mr. Kwok Kim Hung Eddie
Mr. Leung Yau Wan John

AUDITOR

Prism CPA Limited (appointed on 23 April 2021)
JH CPA Alliance Limited (resigned on 19 March 2021)

PRINCIPAL BANKER

The Hongkong 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 2021.

PERFORMANCE AND OPERATIONS

For the year under review, the Group recorded a yearly turnover of approximately HK$1,243.11 million (2020: HK$1,194.07 million). Trading of diesel, gasoline and related petroleum products and services in Republic of Korea ("**Korea**") contributed to 100.0% (2020: 100.0%) of the yearly turnover.

For the year under review, the Group recorded a profit before income tax of approximately HK$536.28 million (2020: loss before income tax of HK$1,509.18 million). The turnaround from loss to profit was mainly because of (i) the reversal of impairment loss on intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) of approximately HK$204.53 million (2020: impairment loss of HK$165.32 million) mainly due to the net effects arising from increase in coal sales prices of certain types of coals, hence the reduction in average percentage of cost of production to revenue, decrease in post-tax discount rate, appreciation of Russian Rubles to United States Dollars and the change in expected first year of coal production to 2028; (ii) the reversal of impairment loss on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) of approximately HK$439.44 million (2020: impairment loss of HK$1,170.70 million) also because of the net effects arising from increase in coal sales prices of certain types of coals, hence the reduction in average percentage of cost of production to revenue, decrease in post-tax discount rate, appreciation of Russian Rubles to United States Dollars and the change in expected first year of coal production to 2023; (iii) the decrease in amortization of intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) to approximately HK$89.36 million (2020: HK$139.61 million); (iv) the overall net reduction in administrative expenses to approximately HK$20.11 million (2020: HK$24.30 million) primarily due to no net exchange losses for this financial year (2020: net exchange losses of HK$4.27 million); and (v) the overall decrease in finance costs to approximately HK$8.10 million (2020: HK$9.64 million).

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

In respect of the trading business in Korea, it was motivating that total turnover for the year under review marked the milestone of the Group's successful attainment in exceeding yearly turnover of HK$1 billion for the second consecutive year.

In respect of both open-pit mining and underground mining of Lot 2 in Russian Federation ("**Russia**"), environmental sustainability remained top of mind for the Group to ensure least adverse impacts to the environment.

In response to the trading requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company in April 2020 completed 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. The share consolidation took effect on 24 April 2020.

CHAIRMAN'S STATEMENT

PROSPECTS

Looking forward, the ongoing implementation of COVID-19 vaccination programs alongside with supportive fiscal and monetary measures launched by various nations will help to mitigate the adverse influences of COVID-19 pandemic. Economic activities will continue to resume, yet they are still far behind the pre-pandemic level. Due to emergence of new COVID-19 strain, normal business activities will be disrupted again in the aftermath of COVID-19 pandemic. 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 diesel and 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 still 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) diesel and gasoline trading and (ii) coal mining, whilst keeping an eye on potential business opportunities for diversification.

The Group will further strengthen the trading business in Korea by stabilizing both the supply side and the demand side. Apart from striving for further growth in turnover, the Group will also look for various ways to improve the gross margin.

The Group will continue to take the cautious strategy in respect of open-pit mining and underground mining in Lot 2 to cater for the concerns of the residents of surrounding regions. The Group will keep focusing on deriving a well-balanced integrated mine development plan to ensure environmental sustainability as far as possible, and the Group 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 2021, 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.

APPRECIATION

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

Lee Jaeseong
Chairman

Hong Kong, 30 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2021, the Group recorded a total turnover of approximately HK$1,243.11 million (2020: HK$1,194.07 million), representing an increase of approximately 4.11% as compared to last corresponding year. Despite the unprecedented challenges from COVID-19 pandemic, the Group succeeded in achieving an increase in turnover for the year under review.

The Group's total turnover composed of sales of diesel of approximately HK$827.97 million (2020: HK$777.19 million), sales of gasoline of approximately HK$352.94 million (2020: HK$353.76 million) and sales of other related petroleum products and services of approximately HK$62.20 million (2020: HK$63.12 million). In terms of product mix, sales of diesel, sales of gasoline and sales of other related petroleum products and services accounted for approximately 66.61% (2020: 65.09%), 28.39% (2020: 29.63%) and 5.00% (2020: 5.28%), respectively, of total turnover of the Group. The increase in sales of diesel was the prime contributor for the increase in total turnover for the year under review.

Other Income

Other income during the year under review mainly represented interest income of approximately HK$0.45 million (2020: HK$0.28 million) and net exchange gains of approximately HK$0.31 million (2020: net exchange losses of HK$4.27 million).

Other Gains and Losses

During the year under review, (i) the reversal of impairment loss on intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) amounted to approximately HK$204.53 million (2020: impairment loss of HK$165.32 million) mainly due to the net effects of increase in coal sales prices of certain types of coals due to the adoption of export coal prices rather than domestic coal prices, accordingly the decrease in average percentage of cost of production to revenue, decrease in post-tax discount rate, appreciation of Russian Rubles to United States Dollars and the change in expected first year of coal production to 2028; and (ii) the reversal of impairment loss on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) amounted to approximately HK$439.44 million (2020: impairment loss of HK$1,170.70 million) also mainly due to the net effects of increase in coal sales prices of certain types of coals due to the adoption of export coal prices rather than domestic coal prices, accordingly the decrease in average percentage of cost of production to revenue, decrease in post-tax discount rate, appreciation of Russian Rubles to United States Dollars and the change in expected first year of coal production to 2023.

Selling and Distribution Costs

The selling and distribution costs for the year under review amounted to approximately HK$2.86 million (2020: HK$2.27 million). The increase in selling and distribution costs was mainly due to the increase in number of sales and marketing staff and also generally in line with the increase in turnover.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

During the year under review, total administrative expenses amounted to approximately HK$20.11 million (2020: HK$24.30 million). The decrease was mainly due to the net effects of (i) no net exchange losses for the year under review mainly due to the appreciation of Russian Rubles to United States Dollars (2020: net exchange losses of approximately HK$4.27 million); (ii) a slight increase in legal and professional fees from approximately HK$10.51 million to approximately HK$11.64 million; (iii) staff costs including pension fund contributions (excluding directors' remuneration) slightly decreased to approximately HK$4.11 million (2020: HK$4.30 million) due to the gradual decrease in total number of employees during the year.

Other Expenses

During the year under review, other expenses represented the amortization of intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) of approximately HK$89.36 million (2020: HK$139.61 million). The decrease in carrying value of intangible assets in previous year end as of 31 March 2020 caused corresponding decrease in the related amortization expense.

Finance Costs

During the year under review, total finance costs amounted to approximately HK$8.10 million (2020: HK$9.64 million). The decrease in the average effective interest rates on outstanding interest-bearing borrowings contributed to savings in overall loan interest expenses.

Profit Before Income Tax

For the year ended 31 March 2021, the profit before income tax of the Group was approximately HK$536.28 million (2020: loss before income tax of HK$1,509.18 million). The turnaround from loss to profit was mainly attributable to the combined effects of the aforementioned factors.

The Company would like to highlight that (i) the reversal of impairment loss of approximately HK$204.53 million (2020: impairment loss of HK$165.32 million) on intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines); and (ii) the reversal of impairment loss of approximately HK$439.44 million (2020: impairment loss of HK$1,170.70 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Trading

For the year under review, trading business of diesel, gasoline and the related petroleum products and services in Korea was the prime contributor to the Group's turnover.

Facing the repercussions of COVID-19 pandemic with intensified trade tension, the Group had carefully managed the trading business in Korea to avoid uncertainty in supply chain and demand chain. Competitive prices were achieved for individual petrol stations and stable supply of products at individual petrol stations was able to maintain. For the sake of minimizing the lead time and yielding cost savings, direct deliveries from oil refinery to petrol stations were implemented. In search of prospective customers, social media users such as bloggers were engaged to enhance marketing efforts.

Coal Mining

Lot 1 and Lot 1 Extension underground mining plan was heading towards the first year of coal production in around 2028, the Group had been trying to consult with experts in all aspects to find out the best way in causing the least adverse effects on environment. Public hearings were held several times and the opinion of residents were listened. By convincing that the mine business would revitalize regional economy and society, the Group would be able to secure a basis for business.

In respect of open-pit mining in certain area of Lot 2, as the Group showed concern for the public and had been trying to consult with experts in all aspects to find out the best way in causing the least adverse effects on environment, such as experts coming from the field of the law, the environment and the economics. The Group's goal would be to come up with an integrated approach for environmental sustainability in development planning. Other than the Group's efforts in concern for the environment, the Group had been communicating with regional society personnel. The Group tried to prove to them that the Group's business operation would not bring a significant adverse effect in regional environment, but rather, it would be a big step in enhancing regional economic growth.

In respect of underground mining of Lot 2, similarly, the Group had been listening to regional society's opinion and concerned about possible environmental pollution. The Group similarly tried to prove that the Group's business operation would not bring a significant adverse effect in regional environment, but instead, would assist in enhancing regional economic growth.

Geographical

In the year under review, Korea was the Group's sole market segment which accounted for 100.00% (2020: 100.00%) of the total revenue.

PROSPECTS

Looking forward, the year ahead will remain challenging for the Group. Despite the roll-out of COVID-19 vaccination programs, the ripple effects of COVID-19 pandemic show not much signs of abating. The efficacy of the vaccine and the outbreaks of new COVID-19 strain have continued to influence market sentiments. Coupled with the ongoing geo-political tension between the gigantic nations, the continuing long term recovery of global economy remained rather uncertain, which would make the Group's trading business rather challenging and would also have impacts on the coal prices.

MANAGEMENT DISCUSSION AND ANALYSIS

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 very significant adverse impacts on the Group's trading business in Korea in terms of the operating margins and results, financial resources, cashflows and future operating plans. As already mentioned above, the ripple effects of COVID-19 pandemic 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), 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 of trading and coal mining, may also consider diversification into other business areas when opportunities arise.

Trading

The Group will further strengthen the trading business in Korea by continuously providing competitive prices for individual petrol stations, stabilizing supply at petrol stations, purchasing at lower cost prices to draw favourable margins, broadening customer base to find more petrol stations, keeping trust-based business with customers, minimizing the lead time to help petrol stations replenish supplies as soon as possible, reducing cost of goods sold, observing any changes in trade regulation due to COVID-19 pandemic, and continuing the engagement with prospective customers in online social media. The Group is also planning to open a self-operated petrol station, but it may be delayed due to developments in COVID-19 pandemic.

In parallel, the Group will also strive to meet the needs of different customers looking for diversified products, and it will not hesitate to further diversify its trading business into other products when opportunities arise.

Coal Mining

Open-pit mining is characterized by shorter timeframes for mine infrastructure construction, lower capital expenditure requirements and relatively higher yields of coal ore extraction. However, open-pit mining inherently will cause disruptive impacts to the environment due to the extensive excavation processes, which may completely eliminate the existing surface vegetation, destroy the genetic soil profile, displace or destroy wildlife and habitat, degrade air quality and to some extent permanently change the general topography of the area mined.

Hence, the open-pit mining in certain area of Lot 2 will require more effort in sustaining environment than that of the underground mining, and the Group will focus more on its development plan. For a smooth start of the project, the Group will consistently cooperate with regional government and regional society. The Group is planning to construct auxiliary facilities of mining operation.

In respect of underground mining of Lot 2, similarly, before starting the project, the Group will consistently cooperate with regional government and regional society to show to them that the Group is open to hear their opinions and concerns on mining projects. Similarly, the Group is also planning to construct auxiliary facilities of mining operation.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Pursuant to Rule 13.64 of the Rules Governing the Listing of Securities on the Stock Exchange (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 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 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2021, the Group had net current liabilities of HK$3,609.27 million (2020: HK$3,620.12 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 0.85% (2020: 1.14%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 8.11% (2020: 9.89%).

The Group generally finances its operations with internally generated cash flows, loans from a substantial shareholder and its associates, 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 outflow of HK$3.73 million (2020: net cash inflow of HK$2.92 million), while the total cash and cash equivalents decreased to HK$2.15 million (2020: increased to HK$6.38 million) as at the end of reporting year.

As at 31 March 2021, the share capital of the Company amounted to HK$290.03 million (2020: HK$290.03 million); and the interest-bearing borrowings of the Group amounted to HK$62.25 million (2020: HK$124.64 million), the majority of which was repayable within a period of more than one year but not exceeding two years (2020: majority repayable within a period of more than one year but not exceeding two years). As at 31 March 2021, amounts due to shareholders amounted to HK$138.92 million (2020: HK$36.55 million), the majority of which was repayable within a period of more than one year but not exceeding two years (2020: majority repayable within a period of more than one year but not exceeding two years).

The directors of the Company (the "**Directors**" and each a "**Director**") will endeavor to further enhance the Group's financial strengths so as to tackle the net current liabilities position of the Group as at 31 March 2021. Cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The management will continue to closely review the Group's financial resources in a cautious manner and explore opportunities in potential financial institutions financing and equity funding. The Company will take proactive actions to improve the liquidity and financial position of the Group by way of equity fund raising exercises including placement of new shares as well as other pre-emptive offers. The Company will closely monitor the market situation and take prompt actions when such opportunities arise. During the year, the Company has raised several loans of HK$17.78 million in total (2020: HK$14.55 million) for the Group's daily operation and preparation works in relation to the Russian coal mines.

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 of the Company should be aware that the exchange rate volatility of RUB and KRW against HKD may have favourable or adverse effects on the operating results of the Group.

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

PRINCIPAL RISKS AND UNCERTAINTIES

The following is a list of principal risks and uncertainties that are considered to be of significance, as it would have potential significant impacts to the Group's business, 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 business of the Group, if the Group could not secure continuous supports from them.

(ii) The Group's trading business is 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 diesel, gasoline and related petroleum products and services. Such over concentration on petroleum products and services may materially affect the business of the Group, if there are sudden significant changes in business environment of these products and services.

(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) for accounting purposes, which may have material impacts on the Group's financial results due to the resultant impairment losses or reversal of impairment losses (as the case may be), 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 general integrated mining plan (if implemented) 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 holders of Third Convertible Note 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 diesel and gasoline trading business in Korea in terms of the operating margins and results, financial resources, cashflows and future operating plans. However, if the outbreaks of new COVID-19 strain become out of control in future, the demand of diesel and 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 diesel and gasoline trading business in Korea might be adversely impacted.

(x) If new COVID-19 strain becomes out of control in Russia in future, certain application procedures to the related Russian government departments involving the Group's coal mines development might be delayed, as the normal hours of operation of these related Russian government departments would be required to shorten.

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

(xii) Please refer to the relevant parts in Note 7 to the Financial Statements for the market risks, credit risks and liquidity risks on pages 66 to 71.

FINANCIAL KEY PERFORMANCE INDICATORS FOR BUSINESS REVIEW

(i) During the year under review, the Group has focused on the trading of diesel, gasoline and related petroleum products and services, such products accounted for 100.0% (2020: 100.0%) of the Group's yearly turnover.

(ii) The gross profit ratio (being gross profit to turnover) of trading business is approximately 0.6% (2020: approximately 0.8%), which experienced a decrease as costs of sales rose and the product mix varied.

(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 2021 decreased as compared with that of last year, the current ratio (being current assets to current liabilities) for the year under review decreased to 0.85% (2020: 1.14%).

(v) As of 31 March 2021, the total interest-bearing borrowings of the Group decreased and the total assets of the Group increased, hence the gearing ratio (being total interest-bearing borrowings to total assets) for the year under review decreased to 8.11% (2020: 9.89%).

MANAGEMENT DISCUSSION AND ANALYSIS

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 41 to the Financial Statements.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group had no capital commitments in respect of the exploration related contracts (2020: Nil) and no capital commitments in acquisition of property, plant and equipment (2020: Nil).

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 31 March 2021 and 31 March 2020.

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 37 to the Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2021, the Group had approximately 17 (2020: 20) 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 the 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 the 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 the Directors.

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 consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

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

An analysis of the principal activities of the subsidiaries is set out in Note 44 to the Financial Statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis section set out on pages 5 to 12 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 2021 and the state of affairs of the Group and the Company as at 31 March 2021 are set out on pages 36 to 127.

The Board does not recommend the payment of any dividend for the year ended 31 March 2021 (2020: 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 2021 is set out in Note 9 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 128.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 43 to the Financial Statements and in the Consolidated Statement of Changes in Equity, respectively.

As at 31 March 2021, the Company did not have any reserves for distribution (2020: 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 (2020: HK$1,956,517,000) may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 19 to the Financial Statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES PAYABLES

Details of the movements in the Company's share capital, share options and convertible notes payables are set out in Notes 36, 37 and 32, respectively, to the Financial Statements.

DONATION

The Group did not make any charitable donation during the year (2020: Nil).

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 2021.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's top five (2020: five) customers accounted for approximately 42.4% (2020: approximately 28.3%) of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 20.2% (2020: approximately 7.1%) of the Group's total turnover for the year.

Purchases from the Group's top five (2020: five) suppliers accounted for approximately 65.7% (2020: approximately 67.3%) of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 16.6% (2020: approximately 16.2%) of the Group's total purchases for the year.

None of the Directors, their associates (as defined in the Listing Rules) or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's customers or suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

Mr. Lee Jaeseong *(Chairman)*
Mr. Im Jonghak

Independent Non-executive Directors

Ms. Chen Dai
Mr. Kwok Kim Hung Eddie
Mr. Leung Yau Wan John
Mr. Lee Sungwoo (resigned on 28 August 2020)

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, except for Mr. Lee Sungwoo who resigned on 28 August 2020. The Company considers all of the INEDs are independent, except for Mr. Lee Sungwoo who resigned during the year.

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

Mr. Lee Jaeseong is appointed as the director of Afull Co., Ltd., a company in Korea, since January 2021.

Mr. Lee Sungwoo resigned as an INED, a member of the Audit Committee and the chairman of the Remuneration Committee of the Company on 28 August 2020.

Ms. Chen Dai was appointed as the chairman of the Remuneration Committee of the Company on 28 August 2020.

DIRECTORS' SERVICE CONTRACTS

None of the Directors had 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 39 to the Financial Statements, there was no transaction, arrangement or contract of significance to which any of the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

The Company did not enter into any contract, other than the contracts of service with the Directors or any person engaged in the full-time employment of the Company, by which a person undertakes the management and administration of the whole, or any substantial part of any business of the Company during the year.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed in this report, no contracts of significance were entered into between the Company or any of its subsidiaries and any controlling shareholders or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by any controlling shareholders or any of its subsidiaries.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their respective holding of the Company's securities.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals in the Group during the year are set out in Notes 15 and 16 to the Financial Statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2021, none of the Directors or their respective close associates (as defined under the Listing Rules) had any interests in any business, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group or any other conflicts of interest with the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lee Jaeseong ("Mr. Lee"), aged 39, 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 over 10 years of extensive experience and sustained knowledge of corporate management, corporate finance, corporate restructuring and strategic planning from an asset management company and companies including a listed company in Korea. He is appointed as the director of Afull Co., Ltd., a company in Korea, in January 2021. Mr. Lee obtained a bachelor's degree of business administration in accounting and finance from Korea National Open University in 2020.

Mr. Im Jonghak ("Mr. Im"), aged 43, 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 had been 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.

REPORT OF THE DIRECTORS

Independent Non-executive Directors

Ms. Chen Dai ("Ms. Chen"), aged 42, was appointed as an Independent Non-executive Director of the Company on 29 March 2018. She was 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 was also appointed as the chairman of the Remuneration Committee of the Company on 28 August 2020. 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 49, 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 (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 Chartered Governance Institute. 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. Leung Yau Wan John ("Mr. Leung"), aged 61, 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.

Mr. Lee Sungwoo ("Mr. Lee"), aged 34, 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 resigned as an Independent Non-executive Director, a member of the Audit Committee and the chairman of the Remuneration Committee of the Company on 28 August 2020. 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.

Senior Management

Mr. Wong Wing Cheong ("Mr. Wong"), aged 57, 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 Man Maan ("Ms. Tsang") was appointed as the company secretary of the Company and an authorized representative of the Company on 16 September 2020. She obtained a Master's Degree in Corporate Governance and Compliance from Hong Kong Baptist University. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. She has over eight years of experience in company secretarial field. Ms. Tsang is currently a director of the corporate services department of Hauzen Services Limited (an external corporate services provider).

Ms. Tsang Oi Yin was appointed as the company secretary and an authorized representative of the Company on 21 February 2020. She resigned as the company secretary and an authorized representative of the Company on 19 September 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. 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.

REPORT OF THE DIRECTORS

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

As at 31 March 2021, 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 2021.

None of the related party transactions set out in Note 39 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 37 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 Directors 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 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.

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. Further details of the Old Scheme and the New Scheme are set out in Note 37 to the Financial Statements. During the year, there is no outstanding share option granted under the Old Scheme (2020: Nil). During the year, no share option was granted under the New Scheme (2020: Nil) and there is no outstanding options granted under the New Scheme (2020: Nil).

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

As at 31 March 2021, 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$2.00 each in the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Space Hong Kong Enterprise Limited (Note 1)	Beneficial owner	43,134,137	29.74%
Onface Co., Limited (Note 2)	Beneficial owner	24,169,510	16.67%
Lucrezia Limited (Note 3)	Beneficial owner	9,003,076	6.21%
Token Century Limited	Beneficial owner	8,400,000	5.79%
Kim Wuju	Beneficial owner	7,440,000	5.13%
HCMP SPC Ltd. (Note 1)	Interest in controlled corporation	43,134,137	29.74%
BSE CMP Value-up Private Equity Fund (Note 1)	Interest in controlled corporation	43,134,137	29.74%
Cheon Ji In M Partners Co Ltd (Note 1)	Interest in controlled corporation	43,134,137	29.74%
Park Kyung Hyun (Note 2)	Interest in controlled corporation	24,169,510	16.67%
Yang Xiaolian (Note 3)	Interest in controlled corporation	9,003,076	6.21%

Note 1: HCMP SPC Ltd. held approximately 67.78% interest in Space Hong Kong Enterprise Limited. HCMP SPC Ltd. was a 100% wholly-owned subsidiary company of BSE CMP Value-up Private Equity Fund. BSE CMP Value-up Private Equity Fund was in turn a 100% wholly-owned subsidiary company of Cheon Ji In M Partners Co Ltd. By virtue of the SFO, each of HCMP SPC Ltd., BSE CMP Value-up Private Equity Fund and Cheon Ji In M Partners Co Ltd is deemed to be interested in these 43,134,137 shares which Space Hong Kong Enterprise Limited has beneficial interest in.

Note 2: Park Kyung Hyun held approximately 96.2% interest in Onface Co., Limited. By virtue of the SFO, Park Kyung Hyun is deemed to be interested in these 24,169,510 shares which Onface Co., Limited has beneficial interest in.

Note 3: Yang Xiaolian held 100% interest in Lucrezia Limited. By virtue of the SFO, Yang Xiaolian is deemed to be interested in these 9,003,076 shares which Lucrezia Limited has beneficial interest in.

REPORT OF THE DIRECTORS

(ii) Long position in underlying shares of HK$2.00 each in the Company

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

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

CORPORATE GOVERNANCE

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

REPORT OF THE DIRECTORS

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.

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 2021, and will be available on websites of the Stock Exchange and the Company in due course after the publication of the 2021 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 46 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

JH CPA Alliance Limited resigned as auditor of the Company on 19 March 2021. Prism CPA Limited was appointed as auditor of the Company on 23 April 2021. Save for the above-mentioned changes, in any of the preceding three years, the auditor of the Company had not been changed.

REPORT OF THE DIRECTORS

AUDITOR

JH CPA Alliance Limited has resigned as the auditor of the Company with effect from 19 March 2021. The Board, with the recommendation from the Audit Committee of the Company, has appointed Prism CPA Limited as the new auditor of the Company to fill the casual vacancy following the resignation of JH CPA Alliance Limited. Prism CPA Limited will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution for the reappointment of Prism CPA Limited as the auditor of the Company is expected to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Lee Jaeseong
Chairman

Hong Kong, 30 June 2021

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:-

Under code provision A.6.7 of the CG Code, INEDs should attend the general meetings and develop a balanced understanding of the views of shareholders. However, two INEDs of the Company (Ms. Chen Dai and Mr. Lee Sungwoo) were unable to attend the extraordinary general meeting of the Company held on 22 April 2020 due to flight restriction under COVID-19 pandemic situation in the People's Republic of China and Korea; and one INED of the Company (Ms. Chen Dai) was unable to attend the extraordinary general meeting of the Company held on 13 May 2021 also due to flight restriction under COVID-19 pandemic situation in the People's Republic of China.

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:-

The 2020 annual general meeting of the Company, originally intended to be held on or before 30 September 2020, was proposed initially to be re-scheduled to a later date to be determined but was finally not being held, as the Company needed more time to finalize the proposed placing of new shares under the general mandate granted at the 2019 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 2020 before its members at its 2020 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 2020 annual general meeting on or before 30 September 2020.

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, except for Mr. Lee Sungwoo (an INED) who resigned on 28 August 2020.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

As at 31 March 2021, the Board comprised of five Directors, of whom two were Executive Directors and three were INEDs. The Board believes the majority of the Board members are INEDs, the composition of the Board is thus adequate to provide checks and balances that safeguard the interests of shareholders of the Company 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, except for Mr. Lee Sungwoo who resigned during the year. Each of the INEDs has signed a letter of appointment with the Company for a term of ranging from one year to two years (as the case may be).

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)*
Mr. Im Jonghak

Independent Non-executive Directors

Ms. Chen Dai
Mr. Kwok Kim Hung Eddie
Mr. Leung Yau Wan John
Mr. Lee Sungwoo (resigned on 28 August 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 results and interim results.

CORPORATE GOVERNANCE REPORT

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.

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

	Attendance	
Name of Directors	**Board Meeting**	**Extraordinary General Meeting**
Executive Directors		
Mr. Lee Jaeseong *(Chairman)*	7/7	0/1
Mr. Im Jonghak	7/7	0/1
Independent Non-executive Directors		
Ms. Chen Dai	7/7	0/1
Mr. Kwok Kim Hung Eddie	7/7	1/1
Mr. Leung Yau Wan John	7/7	1/1
Mr. Lee Sungwoo (resigned on 28 August 2020)	2/2	0/1

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

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

During the year ended 31 March 2021, the Directors' participation in various continuous professional programs is summarised as below:

Name of Directors	**Attending training course/seminar**	**Reading materials**
Executive Directors		
Mr. Lee Jaeseong	✓	✓
Mr. Im Jonghak	✓	✓
Independent Non-executive Directors		
Ms. Chen Dai	✓	✓
Mr. Kwok Kim Hung Eddie	✓	✓
Mr. Leung Yau Wan John	✓	✓
Mr. Lee Sungwoo (resigned on 28 August 2020)	Note 1	Note 1

Note 1: The Company has not received any records of continuous professional development from Mr. Lee Sungwoo who resigned on 28 August 2020, thus the Company has no knowledge of his continuous professional development.

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 28 August 2020, the Remuneration Committee consisted of four INEDs. Mr. Lee Sungwoo was the chairman and the three other members were Ms. Chen Dai, Mr. Kwok Kim Hung Eddie and Mr. Leung Yau Wan John. Upon the resignation of Mr. Lee Sungwoo on 28 August 2020, the Remuneration Committee then consisted of three INEDs, with Ms. Chen Dai being appointed as the chairman of the Remuneration Committee on 28 August 2020.

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 the review of increase in directors' fee of two Executive Directors, and review of the remuneration policy of the Company and the remuneration of Directors for the coming year.

Please refer to Note 16 for remuneration payable to senior management by band.

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

Members	Attendance
Ms. Chen Dai *(Chairman)* (appointed on 28 August 2020)	2/2
Mr. Kwok Kim Hung Eddie	2/2
Mr. Leung Yau Wan John	2/2
Mr. Lee Sung Woo *(Chairman)* (resigned on 28 August 2020)	1/1

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

AUDIT COMMITTEE

During the year under review and up to 28 August 2020, the Audit Committee consisted of four INEDs. Mr. Kwok Kim Hung Eddie was the chairman and the three other members were Ms. Chen Dai, Mr. Leung Yau Wan John and Mr. Lee Sungwoo. Upon the resignation of Mr. Lee Sungwoo on 28 August 2020, the Audit Committee then consisted of three 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 annual results of the Group prior to recommending them to the Board for approval. The management of the Company provides the Audit Committee with all relevant information the Committee needs for it to discharge its responsibilities.

The Audit Committee meets regularly to review financial reporting, 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 four 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 2020 and interim financial statements for the six months ended 30 September 2020 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 the resignation of JH CPA Alliance Limited. The Audit Committee had also reviewed the audited consolidated results of the Company for the year ended 31 March 2021, including the accounting principles and practice adopted by the Group and recommended to the board for consideration, and reviewed the proposed appointment of Prism CPA Limited.

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

Members	**Attendance**
Mr. Kwok Kim Hung Eddie *(Chairman)*	4/4
Ms. Chen Dai	4/4
Mr. Leung Yau Wan John	4/4
Mr. Lee Sungwoo (resigned on 28 August 2020)	2/2

Pursuant to the Rule 3.21 of the Listing Rules, the Audit Committee from 1 April 2020 to 28 August 2020 comprised four members who were INEDs, and from 28 August 2020 to 31 March 2021 three members who were INEDs, and at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee was established in March 2012.

During the year under review, the chairman of the Nomination Committee was Mr. Lee Jaeseong (an Executive Director) and other three members included three INEDs, namely Ms. Chen Dai, Mr. Kwok Kim Hung Eddie and Mr. Leung Yau Wan John.

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 Nomination Committee held one meeting during the year under review. The main works performed by the Nomination Committee during the year included review of the structure, size and composition of the Board, and making recommendations on the re-appointment of Directors in the forthcoming annual general meeting.

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

Members	Attendance
Mr. Lee Jaeseong *(Chairman)*	1/1
Ms. Chen Dai	1/1
Mr. Kwok Kim Hung Eddie	1/1
Mr. Leung Yau Wan John	1/1

AUDITOR'S REMUNERATION

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

Nature of services	HK$
Review fee for interim results	150,000
Audit fee for annual results	1,240,000
Total audit and non-audit services	1,390,000

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.

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 2021, 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.

For the sake of enhancing the Company's system of handling inside information and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Company has adopted and implemented its inside information policy and procedures. Proper and reasonable measures have been in place and implemented from time to time to ensure that proper safeguards exist to prevent a breach of disclosure requirements in relation to the Group, which include (i) the access of confidential and possible price-sensitive information is restricted to a limited number of employees on a need-to-know basis and all employees who are in possession of any inside information are fully conversant with their obligations to preserve confidentiality; (ii) confidentiality agreements and non-disclosure agreements are well in place whenever the Group enters into any significant negotiations; and (iii) the Executive Directors are the only designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

COMPANY SECRETARY

Ms. Tsang Oi Yin resigned as the company secretary of the Company on 16 September 2020. As she had resigned during the year, the Company has no knowledge of whether or not she had taken no less than 15 hours of relevant training as required by the Listing Rules.

Ms. Tsang Man Maan was appointed as the company secretary of the Company on 16 September 2020. She is a director of Hauzen Services Limited, an external service provider, and has been engaged by the Company as its company secretary to support the Board. The primary contact person of the Company is Mr. Im Jonghak, the Executive Director of the Company. She had taken no less than 15 hours of relevant training as required by the Listing Rules.

SHAREHOLDER RIGHTS

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

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

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

PROCEDURES FOR PUTTING ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquires and concerns in writing to the Board, which contact details are as follows:-

Siberian Mining Group Company Limited
Units A & B, 15/F., Chinaweal Centre
414-424 Jaffe Road, Causeway Bay
Hong Kong

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

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

CONSTITUTIONAL DOCUMENTS

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

INVESTOR RELATIONS

To foster effective communications, the Company provided all necessary information to its shareholders in its annual report, interim report, announcements and circular. 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 endeavor to attend the general meetings (where situations under COVID-19 pandemic could allow) so that they could communicate with the shareholders and answer their questions.

INDEPENDENT AUDITOR'S REPORT

Prism CPA Limited
栢淳會計師事務所有限公司

Room 1002-3, 10/F., Perfect Commercial Building,
No. 20 Austin Avenue, Tsim Sha Tsui, Hong Kong
香港九龍尖沙咀柯士甸路20號保發商業大廈10樓1002-3室

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

OPINION

We have audited the consolidated financial statements of Siberian Mining Group Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 36 to 127, which comprise consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated 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 (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Consolidated 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.

MATERIAL UNCERTAINTY RELATED TO THE GOING CONCERN

As at 31 March 2021, the Group had net current liabilities and net liabilities of approximately HK$3,609,266,000 and HK$1,992,933,000 respectively. These conditions, along with other matters as set forth in note 2 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 of the Company 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 41 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS AND EXPLORATION AND EVALUATION ("E&E") ASSETS

Refer to notes 21 and 22 to the consolidated financial statements and the accounting policies on page 53.

The key audit matter	How the matter was addressed in our audit
As at 31 March 2021, the carrying amounts of the Group's intangible assets and E&E assets were approximately HK$258,398,000 and HK$1,538,201,000 respectively, which is mainly related to the assets arising from the Group's mine located in Russian Federation. The management of the Group has performed impairment assessment on the intangible assets and E&E assets at the end of the reporting period. When indication of possible impairment has been identified, recoverable amount is determined based on the higher of fair value less cost of disposal or value-in-use of each cash-generating unit. We have identified the impairment assessment on intangible assets and E&E assets as a key audit matter because of its significance to the consolidated financial statements as a whole and the involvement of significant management judgements and estimates when performing impairment assessment.	Our audit procedures were designed to review the management's judgements and estimates used in determining the indication of possible impairment and its impairment testing on the intangible assets and E&E assets. We have discussed and reviewed the impairment assessment prepared by the management of the Group, including the identification of possible impairment. For the impairment testing, we have reviewed the underlying data and assumptions used in the calculation of fair value less cost of disposal or value-in-use of the respective cash-generating unit as recoverable amount, including the coal price, recoverable reserves, exploration potentials, production costs estimates, growth rate, inflation rate and pre-tax discount rates. We have compared those underlying data and assumptions used to the historical data and other available market sources.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a 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 of the Company 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 of the Company are responsible for assessing the Group'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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED 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, solely to you, as a body and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the Company's 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 Group'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 Group 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 audit committee 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.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Kwok Lun.

Prism CPA Limited
Certified Public Accountants
Lee Kwok Lun
Practising Certificate Number: P06294

Hong Kong
30 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	2021 HK$'000	2020 HK$'000 (Re-presented)
Revenue	8	**1,243,111**	1,194,065
Cost of sales		**(1,235,769)**	(1,184,857)
Gross profit		**7,342**	9,208
Other income	10	**791**	544
Other gains and losses	11	**648,583**	(1,343,117)
Selling and distribution costs		**(2,858)**	(2,265)
Administrative expenses		**(20,113)**	(24,301)
Other expenses		**(89,363)**	(139,612)
Finance costs	12	**(8,099)**	(9,636)
Profit (loss) before income tax		**536,283**	(1,509,179)
Income tax credit (expenses)	13	**434**	(314)
Profit (loss) for the year	14	**536,717**	(1,509,493)
Profit (loss) for the year attributable to:			
Owners of the Company		**524,584**	(1,475,433)
Non-controlling interests		**12,133**	(34,060)
		536,717	(1,509,493)
Profit (loss) for the year		**536,717**	(1,509,493)
Other comprehensive income (expense) for the year:			
Item that will not be reclassified subsequently to profit or loss			
Exchange differences arising on translation of financial statements from functional currencies to presentation currencies		**4,317**	(34,174)
Total comprehensive income (expense) for the year		**541,034**	(1,543,667)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**528,647**	(1,506,142)
Non-controlling interests		**12,387**	(37,525)
		541,034	(1,543,667)
Earnings (loss) per share			
Basic (HK$)	18	**2.38**	(1.16)
Diluted (HK$)	18	**2.31**	(1.16)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 HK$'000	2020 HK$'000 (Re-presented)
ASSETS			
Non-current assets			
Property, plant and equipment	19	**15,243**	6,981
Right-of-use assets	20	**1,104**	884
Intangible assets	21	**258,398**	138,970
Exploration and evaluation assets	22	**1,538,201**	1,098,295
Rental deposits	24	**188**	—
		1,813,134	1,245,130
Current assets			
Trade receivables	23	**12,264**	13,519
Other receivables	24	**16,391**	21,820
Cash and cash equivalents	25	**2,145**	6,380
		30,800	41,719
LIABILITIES			
Current liabilities			
Trade payables	26	**68**	—
Other payables	27	**19,522**	34,507
Contract liabilities	28	**576**	2,963
Interest-bearing borrowings	29	**21,466**	19,812
Amounts due to shareholders	30	**2,728**	2,551
Amount due to a related company	30	**—**	6,369
Purchase consideration payable for additional acquisition	31	**3,316**	3,307
Lease liabilities	20	**694**	831
Convertible notes payables	32	**3,591,498**	3,591,498
Income tax payable		**198**	—
		3,640,066	3,661,838
Net current liabilities		**(3,609,266)**	(3,620,119)
Total assets less current liabilities		**(1,796,132)**	(2,374,989)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 HK$'000	2020 HK$'000 (Re-presented)
Non-current liabilities			
Amounts due to shareholders	30	**136,192**	33,994
Interest-bearing borrowings	29	**40,780**	104,825
Promissory notes payables	33	**15,600**	15,600
Provision for close down, restoration and environmental costs	34	**1,347**	1,245
Lease liabilities	20	**429**	43
Deferred tax liabilities	35	**2,453**	3,295
		196,801	159,002
NET LIABILITIES		**(1,992,933)**	(2,533,991)
CAPITAL AND RESERVES			
Share capital	36	**290,034**	290,034
Reserves		**(2,278,477)**	(2,807,148)
Equity attributable to owners of the Company		**(1,988,443)**	(2,517,114)
Non-controlling interests		**(4,490)**	(16,877)
CAPITAL DEFICIENCIES		**(1,992,933)**	(2,533,991)

The Consolidated Financial Statements on pages 36 to 127 were approved and authorised for issue by the Board of Directors on 30 June 2021 and are signed on its behalf by:

Lee Jaeseong
Director

Im Jonghak
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Attributable to owners of the Company									
	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 interests HK$'000	Total equity HK$'000
As at 1 April 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 expenses 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 36(ii))	48,339	—	—	—	—	—	—	48,339	—	48,339
Waiver of interest on early settle of amounts due to a shareholder (Note 39(i))	—	—	—	—	—	35	—	35	—	35
As 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)
As at 1 April 2020	**290,034**	**1,956,517**	**(65,223)**	**322,366**	**47**	**23,860**	**(5,044,715)**	**(2,517,114)**	**(16,877)**	**(2,533,991)**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**524,584**	**524,584**	**12,133**	**536,717**
Other comprehensive income for the year	**—**	**—**	**4,063**	**—**	**—**	**—**	**—**	**4,063**	**254**	**4,317**
Total comprehensive income for the year	**—**	**—**	**4,063**	**—**	**—**	**—**	**524,584**	**528,647**	**12,387**	**541,034**
Waiver of interest on early settle of amounts due to a shareholder (Note 39(i))	**—**	**—**	**—**	**—**	**—**	**24**	**—**	**24**	**—**	**24**
As at 31 March 2021	**290,034**	**1,956,517**	**(61,160)**	**322,366**	**47**	**23,884**	**(4,520,131)**	**(1,988,443)**	**(4,490)**	**(1,992,933)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
Operating activities		
Profit (loss) before income tax	536,283	(1,509,179)
Adjustments for:		
Amortisation of intangible assets	89,363	139,612
Bank interest income	(446)	(280)
Depreciation of property, plant and equipment	60	56
Depreciation of right-of-use assets	1,105	1,138
Finance costs	8,099	9,636
Gain on disposal of interest in a joint venture	—	(693)
Impairment loss on trade and other receivables	2,350	—
Provision for close down, restoration and environmental cost	48	41
(Reversal of) impairment loss on intangible assets	(204,534)	165,322
(Reversal of) impairment loss on property, plant and equipment	(6,964)	7,785
(Reversal of) impairment loss on exploration and evaluation assets	(439,435)	1,170,703
Operating cash flows before working capital changes	(14,071)	(15,859)
Decrease in trade receivables	1,440	9,340
Decrease (increase) in other receivables	5,243	(14,154)
Increase in trade payables	66	—
(Decrease) increase in contract liabilities	(2,565)	2,756
(Decrease) increase in other payables	(1,391)	13,845
Cash used in operating activities	(11,278)	(4,072)
Income tax paid	(320)	(1,085)
Interest paid	(154)	(9,636)
Net cash used in operating activities	(11,752)	(14,793)
Investing activities		
Purchases of property, plant and equipment	(1,173)	(2,016)
Interest received	446	280
Proceeds from disposal of interest in a joint venture	—	5,460
Deposit refund from acquisition property, plant and equipment	—	1,310
Net cash (used in) from investing activities	(727)	5,034

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
Financing activities		
Repayment to a related company	(6,719)	—
Repayment of loan to shareholders	(1,213)	(100,111)
Repayment of lease liabilities	(1,093)	(1,199)
Loans received from shareholders	5,558	1,083
Proceeds from borrowings	12,219	97,264
Repayment of borrowings	—	(39,061)
Proceeds from placements of new shares, net	—	48,339
Advance from a related company	—	6,368
Net cash from financing activities	8,752	12,683
Net (decrease) increase in cash and cash equivalents	(3,727)	2,924
Cash and cash equivalents, at the beginning of the year	6,380	1,747
Effect of foreign exchange rate changes	(508)	1,709
Cash and cash equivalents, at the end of the year	2,145	6,380

1. CORPORATE INFORMATION

Siberian Mining Group Company Limited (the "**Company**") was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of 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 registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of principal place of business of the Company is 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 engaged in holding mining and exploration rights of coal mines in the Russian Federation ("**Russia**") and trading of diesel, gasoline and other products in the Republic of Korea ("**Korea**").

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong dollars ("**HKD**") while that of the subsidiaries established in the Russia and Korea are Russian Ruble ("**RUB**") and South Korean Won ("**KRW**") respectively. For the purpose of presenting the Consolidated Financial Statements, the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") adopted HK$ as its presentation currency, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going concern assumptions

As at 31 March 2021, the Group's current liabilities exceeded its current assets by approximately HK$3,609,266,000 (2020: HK$3,620,119,000) and there was a capital deficiency of approximately HK$1,992,933,000 (2020: HK$2,533,991,000). 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 32, 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.

Subsequent to various actions by CN holders against the conversion of part of the principal amounts 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Going concern assumptions *(Continued)*

The application by the Company to 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 Limited ("**Gold Ocean**") (now known as Solidarity Partnership) and China Panda Limited ("**China Panda**") (now known as Golden China Circle Holdings Company Limited ("**Golden China**")) (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 shares 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.

On 18 June 2020, Golden China and Solidarity Partnership have agreed with the Company in written confirmation on their willingness to further extend the maturity date of the CN to 31 December 2022 (including the related interests thereof).

The Directors currently continue to exercise cost control in administrative and other expenses by further streamlining the Group's operations to improve the operating and financial position of the Group.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Going concern assumptions *(Continued)*

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

(i) Executed various loan facilities agreements with different independent third parties, to provide continuous financial support to the Group. The loans facilities will provide funding to the Group of up to approximately US$95,646,000 (equivalent to approximately HK$746,038,000) for the 18 months period commencing on 22 June 2021.

(ii) As set out in Note 29, with regard to Others Loans 1, 4 and 5, the lenders have agreed not to demand for repayment for the amount due before 31 January 2023. In the opinion of the Directors, a further extension can be obtained when necessary.

(iii) As set out in Note 33, with regard to promissory notes payables, the promissory notes holder has agreed not to demand for repayment of the amount due before 31 January 2023. In the opinion of the Directors, a further extension can be obtained when necessary.

(iv) As set out in Notes 30(c) and (d), with regard to amounts due to shareholders, the shareholder agreed not to demand for repayment of the amount due before 31 January 2023.

(v) 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 46.

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 consolidated 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 consolidated 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 AMENDMENTS TO THE HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The application of these amendments in the current year had no impact on the consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments[5]
Amendments to HKFRS 3	Reference to Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle[3]
Accounting Guideline 5 (Revised)	Merger accounting for common control combination[6]
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies[5]
Amendments to HKAS (Revised)	Presentation of Financial Statements[5]
Amendments to HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors[5]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[5]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2023.
6 Effective for common control combinations that occur on or after beginning of the first annual report period on or after 1 January 2022.

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Company Ordinance.

The consolidated financial statements have been prepared on historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantages) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has:

- the power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Revenue recognition when (or as) the Group satisfies a performance obligation

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes sales related taxes.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue *(Continued)*

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration from the customer.

For a single contract with the customer, either a net contract asset or a net contract liability is presented.

The Group recognised revenue from the sales of diesel, gasoline and other products.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leasing

Definition of a lease

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use assets, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

The Group applies HKAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits cost

Payments to the pension fund/the Mandatory Provident Fund Scheme (the "MPF scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax credit (expenses) represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit (loss) before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference 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 the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each 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 each reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on exploration and evaluation assets, property, plant and equipment, right-of-use assets and intangible assets below). Amortisation for intangible assets with finite useful lives is recognised on a units-of-production basis over the total proved and probable reserves. The estimated reserves and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Cash and cash equivalent in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated in the statement of financial position of the company at cost less accumulated impairment loss.

Impairment losses on exploration and evaluation assets, property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its exploration and evaluation assets, property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (the "CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss was recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so 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 the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**"), and fair value through profit or loss ("**FVTPL**")

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("**ECL**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

(i) Amortised cost and effective interest method *(Continued)*

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Other income" line item (Note 10).

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL 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, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain and loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not yet exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

For the share option scheme approved and adopted by the Company on 19 October 2002, the financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the exercise price in the issued share capital. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible notes payables

Convertible notes issued by the Group that contain both liability and derivative components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled 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 classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Fair value measurement

When measuring fair value except for the Group's leasing transactions, net realisable value of inventories and value in use of property, plant and equipment, right-of-use assets and intangible assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets

Exploration and evaluation assets include studies related to surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing coal bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is expensed as incurred.

Once the exploration right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless a future economic benefit is more likely than not to be realised. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation,

Provisions are measured at the best estimate of the consideration required to settle the present the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the amounts of assets, abilities, revenue and expenses reported and disclosures made in consolidated financial statements. 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.

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern consideration

The assessment of the going concern assumptions involves making judgements by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in Note 2.

Principal versus agent consideration

The Group engages in sales of diesel, gasoline and other products. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, and the Group has inventory risk and discretion in establishing selling prices of the goods.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Key sources of estimation uncertainty *(Continued)*

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.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment, intangible assets, exploration and evaluation assets and right-of-use assets are stated at costs less accumulated depreciation, amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value-in-use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for market development, including but not limited to the impacts of COVD-19 pandemic. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 March 2021, the carrying amounts of property, plant and equipment and right-of-use assets are approximately HK$15,243,000 and HK$1,104,000 respectively (2020: HK$6,981,000 and HK$884,000 respectively). Based on the estimated recoverable amounts, reversal of impairment losses of approximately HK$6,964,000 (2020: impairment loss of HK$7,785,000) in respect of property, plant and equipment has been recognised respectively while no impairment loss in respect of right-of-use assets has been recognised (2020: Nil) in profit or loss.

Estimated impairment of exploration and evaluation assets and intangible assets

Exploration and evaluation assets and intangible assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determination as to whether and how much an asset is impaired involve management estimates and judgements such as future prices of coals and production profile. The Directors use all readily available information in determining an amount that is a reasonable approximately of recoverable amount, including estimates basis on reasonable and supportable assumptions and projections of future coal prices and production profile. As at 31 March 2021, the carrying value of exploration and evaluation assets and intangible assets are approximately HK$1,538,201,000 and HK$258,398,000 respectively (2020: HK$1,098,295,000 and HK$138,970,000 respectively). Based on the estimated recoverable amounts, reversal of impairment losses of approximately HK$439,435,000 and HK$204,534,000 respectively (2020: impairment loss of HK$1,170,703,000 and HK$165,322,000 respectively) have been recognised in profit or loss.

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

Key sources of estimation uncertainty *(Continued)*

Estimated useful life of property, plant and equipment

At the end of each reporting period, the Directors review the estimated useful life of property, plant and equipment. The estimated useful life reflects the Directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the Directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The carrying amounts of property, plant and equipment as at 31 March 2021 are approximately HK$15,243,000 (2020: HK$6,981,000).

Reserve estimates

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. Reserve estimates are based on, among other things, forecasts of production, prices, cost estimates and economic conditions.

Reserve estimates are critical to many accounting estimates including: (i) determining whether or not an exploratory well has found economically recoverable reserves. Such determinations involve the commitment of additional capital to develop the field based on current estimates of production, prices and other economic conditions; (ii) calculating unit-of-production depletion rates. Proved plus probable reserves are used to determine rates that are applied to each unit-of-production in calculating depletion expense; and (iii) assessing development and production assets for impairment. Estimated future net cash flows used to assess impairment of the Group's development and production assets are determined using proved plus probable reserves.

Provision for close down, restoration and environmental costs

Provisions are recognised for the future decommissioning and restoration of mines. The amounts of the provision recognised are the present values of the estimated future expenditures that the Group is expected to incur. The estimation of the future expenditures is based on their past experience and best estimation of future expenditure, after taking into account the existing relevant regulations in Russia. In addition to these factors, the present values of these estimated future expenditures are also impacted by the estimation of the economic lives of mining properties. Changes in any of these estimates will impact the operating results and the financial position of the Group over the remaining economic lives of the mining properties.

Income taxes

As at 31 March 2021, no deferred tax asset has been recognised on the tax losses of approximately HK$28,232,000 (2020: HK$28,232,000) and deductible temporary difference of approximately HK$3,962,900,000 (2020: HK$4,610,353,000) respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of trade and other receivables

The impairment provisions for trade and other receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. As at 31 March 2021, the carrying values of trade and other receivables were approximately HK$12,264,000 and HK$16,391,000 (2020: HK$13,519,000 and HK$21,820,000) respectively, while impairment losses of approximately HK$881,000 (2020: Nil) and HK$1,469,000 (2020: Nil) have been recognised in profit and loss respectively.

Litigations

In prior years, the Company or its subsidiaries have been named as defendants in local courts for certain litigations. With the opinion of the independent legal advisers of the Company, the Directors considered that no provision for any potential liability has been made in the consolidated financial statements as the Group has pledged reasonable chance of success in defence. Details of the litigation are disclosed in Note 41.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of interest-bearing borrowings, amounts due to shareholders, convertible notes payables and promissory notes payables, net of cash and cash equivalent and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
At amortised cost (including cash and cash equivalent)	**25,087**	28,692
Financial liabilities		
At amortised cost	**3,831,170**	3,812,463

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables (other than advance payments and prepayments), cash and cash equivalents, trade payables, other payables, interest-bearing borrowings, amounts due to shareholders and a related company, purchase consideration payable for additional acquisition, convertible notes payables and promissory notes payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(a) Currency risk

The Group's business operations in Korea is denominated in 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.

(b) Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from promissory notes payables and convertible notes. The Group's promissory notes and convertible notes 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 instruments to hedge potential fluctuation in interest rates.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge all obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade receivables, other receivables and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an collectively basis by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 29% (2020: 26%) and 75% (2020: 60%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively as at 31 March 2021.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across the industry.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase the Group compares the risk of a default occurring on the asset as at the reporting date with the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- external credit rating
- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The Group's exposure to credit risk

In order to minimise credit risk, the Group has maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management of the Group uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The Group's exposure to credit risk *(Continued)*

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	2021 Gross carrying amounts HK$'000	2021 Loss allowances HK$'000	2021 Net carrying amounts HK$'000	2020 Gross carrying amounts HK$'000	2020 Loss allowances HK$'000	2020 Net carrying amounts HK$'000
Trade receivables	23	(Note)	Lifetime ECL (simplified approach)	**13,169**	**(905)**	**12,264**	13,519	—	13,519
Other receivables	24	Doubtful	Lifetime ECL – not credit impaired	**12,187**	**(1,509)**	**10,678**	8,793	—	8,793
					(2,414)			—	

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group's policy to manage liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from lenders and shareholders to meet its liquidity requirements in the short and longer term. The Group relies on amounts due to shareholders, convertible notes payables and interest-bearing borrowing as a significant source of liquidity as set out in Note 2.

The following table details the remaining contractual maturities at the end of reporting year of the Group's non-derivative financial liabilities and lease 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 can be required to pay.

	At 31 March 2021			
	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amounts HK$'000
Trade payables	68	—	68	68
Other payables	7,452	12,070	19,522	19,522
Amounts due to shareholders	2,728	150,461	153,189	138,920
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	3,316	—	3,316	3,316
Interest-bearing borrowings	21,466	43,055	64,521	62,246
	3,626,528	221,186	3,847,714	3,831,170
Lease liabilities	714	432	1,146	1,123

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	At 31 March 2020			
	On demand or within 1 year HK$'000	More than 1 year but less than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amounts HK$'000
Other payables	7,633	26,875	34,508	34,507
Amounts due to shareholders	2,551	34,735	37,286	36,545
Amounts due to a related company	6,480	—	6,480	6,369
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
Interest-bearing borrowings	20,499	115,946	136,445	124,637
	3,631,968	193,156	3,825,124	3,812,463
Lease liabilities	871	47	918	874

Fair value measurement objective and policies

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The Directors consider that the carrying amounts of current financial assets, current and non-current financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

8. REVENUE

Revenue represents revenue arising from sales of diesel, gasoline and other products. An analysis of the Group's revenue for the year is as follows:

	2021 **HK$'000**	2020 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
Sales of diesel	**827,972**	777,193
Sales of gasoline	**352,935**	353,756
Sales of others	**62,204**	63,116
	1,243,111	1,194,065

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

During the years ended 31 March 2021 and 2020, all of the Group's revenue, based on the location of the operations, was generated in Korea.

Transaction price allocated to the remaining performance obligations

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

9. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Directors have chosen to organise the Group around differences in products and services. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

(i) Mining segment – Holding mining and exploration rights of coal mines in Russia; and

(ii) Trading segment – Sales of diesel, gasoline and others products in Korea.

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

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

9. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2021

	Mining HK$'000	**Trading HK$'000**	**Total HK$'000**
Segment revenue	**—**	**1,243,111**	**1,243,111**
Segment profit	**552,211**	**1,673**	**553,884**
Unallocated corporate expenses			**(9,502)**
Unallocated finance costs			**(8,099)**
Profit before income tax			**536,283**

For the year ended 31 March 2020

	Mining HK$'000	Trading HK$'000	Total HK$'000
Segment revenue	—	1,194,065	1,194,065
Segment (loss) profit	(1,493,260)	6,376	(1,486,884)
Unallocated income			64
Gain on disposal of interest in a joint venture			693
Unallocated corporate expenses			(13,416)
Unallocated finance costs			(9,636)
Loss before income tax			(1,509,179)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) of each segment without allocation of central administration costs, directors' emoluments, gain on disposal of interest in a joint venture, unallocated other income and finance costs. This is the measure reported to the Directors with respect to the resource allocation and performance assessment.

9. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2021 HK$'000	2020 HK$'000
Mining	**1,813,860**	1,247,059
Trading	**28,530**	38,054
Total segment assets	**1,842,390**	1,285,113
Corporate and other assets	**1,544**	1,736
Total assets	**1,843,934**	1,286,849

Segment liabilities

	2021 HK$'000	2020 HK$'000
Mining	**41,423**	41,088
Trading	**25,407**	32,327
Total segment liabilities	**66,830**	73,415
Corporate and other liabilities	**3,770,037**	3,747,425
Total liabilities	**3,836,867**	3,820,840

For the purposes of monitoring segment performance and allocating resources between segments:

— All assets are allocated to operating segment, other than unallocated other receivables, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

— All liabilities are allocated to operating segments, other than unallocated other payables, income tax payables, interest-bearing borrowings, amounts due to shareholders and a related company, convertible notes payables, promissory notes payables, deferred tax liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

9. SEGMENT INFORMATION *(Continued)*

Other segment information

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 2021 and 2020.

	For the year ended 31 March 2021		
	Mining HK$'000	Trading HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	—	1,173	1,173
Depreciation of property, plant and equipment	30	30	60
Depreciation of right-of-use assets	924	181	1,105
Amortisation of other intangible assets	89,363	—	89,363
Reversal of impairment loss on intangible assets	204,534	—	204,534
Reversal of impairment loss on property, plant and equipment	6,964	—	6,964
Reversal of impairment loss on exploration and evaluation assets	439,435	—	439,435
Impairment loss on trade and other receivables	—	2,350	2,350
Amount regularly provided to the CODM but not included in the measure of segment profit or loss:			
Income tax (credit) expenses	(948)	514	(434)

9. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	For the year ended 31 March 2020		
	Mining HK$'000	Trading HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	3,660	453	4,113
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
Impairment loss on 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
Amount regularly provided to the CODM but not included in the measure of segment profit or loss:			
Income tax (credit) expenses	(701)	1,015	314

Geographical Information

The Group's operations are located in Hong Kong, Russia and Korea.

Information about the Group's revenue from external customers is presented based on the location of the operations.

Information about the Group's non-current assets is presented based on the geographical location of these assets.

Revenue from external customers

	2021 HK$'000	2020 HK$'000
Korea	**1,243,111**	1,194,065

9. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

Non-current assets

	2021 HK$'000	2020 HK$'000
Hong Kong	**1,067**	518
Russia	**1,810,622**	1,244,364
Korea	**1,257**	248
	1,812,946	1,245,130

Non-current assets excluded rental deposits.

Information about major customer

Details of the customer contributing over 10% of total revenue of the Group are as follows:

	2021 HK$'000	2020 HK$'000
Customer A[1]	**251,256**	N/A[2]

1 Revenue from trading segment
2 The corresponding revenue did not contribute over 10% of the total revenue of the Group

10. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Interest income	**446**	280
Sundry income	**36**	264
Net exchange gains	**309**	—
	791	544

11. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Reversal of (impairment loss) on intangible assets	**204,534**	(165,322)
Reversal of (impairment loss) on property, plant and equipment	**6,964**	(7,785)
Reversal of (impairment loss) on exploration and evaluation assets	**439,435**	(1,170,703)
Impairment loss on trade and other receivables	**(2,350)**	—
Gain on disposal of interests in a joint venture	**—**	693
	648,583	(1,343,117)

12. FINANCE COSTS

	2021 HK$'000	2020 HK$'000 (Re-presented)
Interest on:		
— Loan from third parties	**2,839**	8,987
— Loan from shareholders	**5,106**	584
— Loan from a related party	**106**	19
— Lease liabilities	**48**	46
	8,099	9,636

13. INCOME TAX CREDIT (EXPENSES)

	2021 HK$'000	2020 HK$'000
Current tax:		
Korea corporation tax	**561**	1,087
Deferred tax (Note 35)	**(995)**	(773)
	(434)	314

Notes:

(a) No Hong Kong profits tax and Russia profits tax has been provided for the years ended 31 March 2021 and 2020 as the Hong Kong and Russian subsidiaries of the Group have no assessable profits subject to Hong Kong profits tax and Russia profits tax purposes in the current and prior years.

(b) Taxation for the Russia and Korea are similarly charged at the appropriate current rates of 20% of taxation ruling in the relevant countries.

13. INCOME TAX CREDIT (EXPENSES) *(Continued)*

The income tax expenses can be reconciled to the profit (loss) before income tax per the consolidated statement of profit or loss and other comprehensive income (expenses) as follows:

	2021 HK$'000	2020 HK$'000
Profit (loss) before income tax	**536,283**	(1,509,179)
Tax at the domestic rates applicable to profits in the countries concerned	**92,964**	(249,155)
Tax effect of expenses of not deductible for taxation purposes	**22,304**	29,884
Tax effect of income not taxable for taxation purposes	**(126)**	(1,490)
Tax effect of deductible temporary difference not recognised	**—**	221,075
Utilisation of deductible temporary difference previously not recognised	**(115,576)**	—
Income tax (credit) expenses for the year	**(434)**	314

14. PROFIT (LOSS) FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Profit (loss) for the year has been arrived at after charging:		
Employee benefits expenses		
Directors' emoluments	**775**	513
Salaries and wages	**3,872**	3,968
Pension fund contribution	**237**	328
	4,884	4,809
Amortisation for intangible assets - mining right (include in other expenses)	**89,363**	139,612
Depreciation		
— Property, plant and equipment	**60**	56
— Right-of-use assets	**1,105**	1,138
Auditor's remuneration	**1,469**	1,709
Provision for close down, restoration and environmental cost	**48**	41
Net exchange losses	**—**	4,266
Cost of inventories recognised as an expense	**1,235,769**	1,184,857

15. DIRECTORS' EMOLUMENTS

Details of directors' emoluments are as follows:

	Emoluments paid or receivable in respect of a person services as a director, whether of the Company or its subsidiaries undertaking	Emoluments paid or receivable in respect of a person services in connection with the management of the affairs of the Company or its subsidiaries undertaking		
	Director's Fees HK$'000	Salaries and allowances HK$'000	Pension fund contributions HK$'000	Total HK$'000
Year ended 31 March 2021				
Executive Directors				
Lee Jaeseong[2]	153	—	—	153
Im Jonghak[2]	153	—	—	153
Independent Non-Executive Directors				
Kwok Kim Hung Eddie	120	—	—	120
Lee Sungwoo[1]	49	—	—	49
Chen Dai	120	—	—	120
Leung Yau Wan John[2]	180	—	—	180
Total	775	—	—	775

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

15. DIRECTORS' EMOLUMENTS *(Continued)*

	Emoluments paid or receivable in respect of a person services as a director, whether of the Company or its subsidiaries undertaking	Emoluments paid or receivable in respect of a person services in connection with the management of the affairs of the Company or its subsidiaries undertaking		
	Director's Fees HK$'000	Salaries and allowances HK$'000	Pension fund contributions HK$'000	Total HK$'000
Year ended 31 March 2020				
Executive Directors				
Lee Jaeseong[2]	13	—	—	13
Im Jonghak[2]	13	—	—	13
Jo Sang Hee[3]	107	—	—	107
Independent Non-Executive Directors				
Kwok Kim Hung Eddie	120	—	—	120
Lee Sungwoo[1]	120	—	—	120
Chen Dai	120	—	—	120
Leung Yau Wan John[2]	20	—	—	20
Total	513	—	—	513

Notes:

(1) Resigned on 28 August 2020.

(2) Appointed on 21 February 2020.

(3) Resigned on 21 February 2020.

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 during the years ended 31 March 2021 and 2020.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2020: Nil).

16. EMPLOYEES' EMOLUMENTS

The five highest paid individuals during the year do not included any Directors (2020: Nil) but included one (2020: one) senior management staff. Details of directors' remuneration are set out in Note 15 above. Details of the remuneration of the five (2020: five) non-directors (including one senior management staff), highest paid individuals for the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other emoluments	**3,075**	3,317
Pension fund contribution	**94**	101
	3,169	3,418

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

	2021 Number of individuals	2020 Number of individuals
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 (Note 1)	**1**	—
HK$2,000,001 to HK$2,500,000 (Note 1)	**—**	1

Note 1: Included senior management

No emoluments were paid by the Group to the five highest paid individuals or any of the Directors as an incentive payment to join or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2021 and 2020.

17. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

18. EARNINGS (LOSS) PER SHARE

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

	2021 HK$'000	2020 HK$'000
Earnings (loss)		
Earnings (loss) attributable to owners of the Company, used in the basic and diluted earnings (loss) per share	524,584	(1,475,433)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	220,108,089	1,271,870,960
Effect of dilutive potential ordinary shares: Adjustments for convertible notes payables	6,506,338	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	226,614,427	1,271,870,960

19. 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						
As at 1 April 2019	12,693	1,554	154	232	182	14,815
Additions	2,006	—	5	5	—	2,016
Written-off	—	—	(7)	(32)	—	(39)
Exchange realignments	(2,566)	(274)	(21)	(4)	(32)	(2,897)
As at 31 March 2020 and 1 April 2020	12,133	1,280	131	201	150	13,895
Additions	—	—	—	—	1,173	1,173
Written-off	—	—	—	(7)	—	(7)
Exchange realignments	531	56	4	4	38	633
As at 31 March 2021	**12,664**	**1,336**	**135**	**198**	**1,361**	**15,694**
Accumulated depletion, depreciation and impairment losses						
As at 1 April 2019	—	—	115	130	173	418
Charge for the year	—	—	19	29	8	56
Impairment losses recognised	7,042	743	—	—	—	7,785
Written off	—	—	(7)	(32)	—	(39)
Exchange realignments	(1,137)	(120)	(17)	(1)	(31)	(1,306)
As at 31 March 2020 and 1 April 2020	5,905	623	110	126	150	6,914
Charge for the year	—	—	13	28	19	60
Reversal of impairment losses	(6,299)	(665)	—	—	—	(6,964)
Written off	—	—	—	(7)	—	(7)
Exchange realignments	394	42	3	2	7	448
As at 31 March 2021	**—**	**—**	**126**	**149**	**176**	**451**
Carrying values						
As at 31 March 2021	**12,664**	**1,336**	**9**	**49**	**1,185**	**15,243**
As at 31 March 2020	6,228	657	21	75	—	6,981

Note: As explained in Note 21, impairment of property, plant and equipment associated with the mining right had been reversed during the current year.

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	20%
Equipment	10% to 20%
Motor vehicles	10% to 30%

20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

	2021 **HK$'000**	2020 HK$'000
As at 1 April	**884**	1,637
Additions	**—**	460
Modification	**1,302**	—
Depreciation	**(1,105)**	(1,138)
Exchange realignments	**23**	(75)
As at 31 March	**1,104**	884

The Group has lease arrangements for buildings. The lease terms are generally ranged from 1 to 2 years.

Additions to the right-of-use assets for the year ended 31 March 2020 amounted to approximately HK$460,000 due to new lease of buildings, but there were no additions for the year ended 31 March 2021.

(b) Lease liabilities

	2021 **HK$'000**	2020 HK$'000
Total lease liabilities	**1,123**	874
Less: current portion	**(694)**	(831)
Non-current portion	**429**	43

20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(b) Lease liabilities *(Continued)*

(i) Amounts payable under lease liabilities

	2021 **HK$'000**	2020 HK$'000
Within one year	**694**	831
After one year but within two years	**429**	43
	1,123	874
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(694)**	(831)
Amount due for settlement after 12 months	**429**	43

During the year ended 31 March 2020, the Group entered into a new lease agreement in respect of renting properties and recognised lease liabilities of approximately HK$460,000. There was no new lease agreement for the year ended 31 March 2021.

(ii) Amount recognised in profit or loss

	2021 **HK$'000**	2020 HK$'000
Depreciation of right-of-use assets		
— Building	**1,105**	1,138
Interest expense on lease liabilities	**48**	46

(iii) Others

During the year ended 31 March 2021, the total cash outflow for lease amount to approximately HK$1,141,000 (2020: HK$1,208,000).

21. INTANGIBLE ASSETS

	Mining right HK$'000
Cost	
As at 1 April 2019	1,507,522
Exchange realignments	(265,722)
As at 31 March 2020 and 1 April 2020	1,241,800
Exchange realignments	54,381
As at 31 March 2021	**1,296,181**
Accumulated amortisation and impairment losses	
As at 1 April 2019	1,027,793
Charge for the year	139,612
Impairment losses recognised	165,322
Exchange realignments	(229,897)
As at 31 March 2020 and 1 April 2020	1,102,830
Charge for the year	89,363
Reversal of impairment losses	(204,534)
Exchange realignments	50,124
As at 31 March 2021	**1,037,783**
Carrying values	
As at 31 March 2021	**258,398**
As at 31 March 2020	138,970

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 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.

21. 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 2038 (2020: a period of 18 years up to 2037) with the first year of production taken to be from year 2028 (2020: first year of production from year 2027) based on the Director's current best estimated production plan.

(ii) Cost of production (including royalties) on average is taken as 44.22% (2020: 53.06%) of revenue.

(iii) The post-tax discount rate applied to the cash flow projection is 23.26% (2020: post-tax discount rate of 23.91%).

(iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (2020: increment of 3% p.a.), which is in line with the comparable market information.

(v) During the year, due to the increase in demand of coal in overseas, the Group changed its parameter adopted in the valuation technique used to estimate the recoverable amount from domestic coal sales price to export coal sales price. In the DCF, export coal sales prices used in current and domestic coal sales prices used in prior year are determined with reference to current market information of the respective valuation dates, which show a decrease of approximately 56% to increase of approximately 43.75% (depends on different type of coals) when compared to that of last year.

(vi) The exchange rate for USD to RUB with reference to the approximate spot rate as of 31 March 2021 is taken to be US$1.00 to RUB75.55 (2020: US$1.00 to RUB78.42).

(vii) The inflation rate on operating costs is 3% p.a. (2020: 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 and relevant taxation rate, remained within more or less the same range when compared with that of last year.

The Directors are of the opinion that based on the valuation, there was a reversal of impairment losses of mining rights by HK$204,534,000 (2020: impaired loss HK$165,322,000) compared with its carrying amount as at 31 March 2021. The reversal of impairment loss is mainly attributable to the net effects of change of expected first year of coal production to 2028, the increase of the relevant coal prices due to adoption of export coal price rather than domestic coal price, the appreciation of Russian Rubles to United States Dollars, the increase in cost of production and the decrease in post-tax discount rate during the current year as compared to previous year.

The Directors 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 2021. Reversal of impairment losses of approximately HK$6,964,000 (2020: impairment losses of HK$7,785,000) (Note 19) was recognised for property, plant and equipment associated with the mining right during the current year.

21. INTANGIBLE ASSETS *(Continued)*

Mining right *(Continued)*

Details of the Group's mining right are as follow:

Intangible asset	Location	Expiry Date
Mining right		
Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russia Federation	1 July 2025

22. EXPLORATION AND EVALUATION ASSETS

	Total HK$'000
Cost	
As at 1 April 2019	3,643,445
Exchange realignments	(5,387)
As at 31 March 2020 and 1 April 2020	3,638,058
Exchange realignments	1,102
As at 31 March 2021	**3,639,160**
Accumulated impairment losses	
As at 1 April 2019	1,371,756
Impairment losses recognised	1,170,703
Exchange realignments	(2,696)
As at 31 March 2020 and 1 April 2020	2,539,763
Reversal of impairment losses	(439,435)
Exchange realignments	631
As at 31 March 2021	**2,100,959**
Carrying values	
As at 31 March 2021	**1,538,201**
As at 31 March 2020	1,098,295

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.

22. EXPLORATION AND EVALUATION ASSETS *(Continued)*

In performing the impairment test for current year, the Directors 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 2032 (2020: a period of 12 years up to 2031) with the first year of production taken to be from year 2023 (2020: first year of production from year 2022) based on the Directors' current best estimated production plan.

(ii) Cost of production (including royalties) on average is taken as 26.85% (2020: 31.36%) of revenue.

(iii) The post-tax discount rate applied to the cash flow projection is 23.26% (2020: post-tax discount rate of 23.91%).

(iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (2020: increment of 3% p.a.), which is in line with the comparable market information.

(v) During the year, due to the increase in demand of coal in overseas, the Group changed its parameter adopted in the valuation technique used to estimate the recoverable amount from domestic coal sales price to export coal sales prices. In the DCF, export coal sales prices used in current year and domestic coal sales prices used in prior year are determined with reference to current market information of the respective valuation dates, which show an increase of approximately 15% to 43.75% (depends on different type of coals) when compared to that of last year.

(vi) The exchange rate for USD to RUB with reference to the approximate spot rate as of 31 March 2021 is taken to be US$1.00 to RUB75.55 (2020: US$1.00 to RUB78.42).

(vii) The inflation rate on operating costs is 3% p.a. (2020: 3% p.a.)

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 and relevant taxation rate, remained within more or less the same range when compared with that of last year.

The Directors are of the opinion that based on the valuation, the exploration and evaluation assets were evaluated upward. It thus would result in a reversal of impairment losses of approximately HK$439,435,000 (2020: impairment loss of approximately HK$1,170,703,000) compared with its carrying amount as at 31 March 2021. The reversal of impairment loss is mainly attributable to the net effects of change of expected first year of coal production to 2023, the increase of the relevant coal prices due to adoption of export coal price rather than domestic coal price, the appreciation of Russian Rubles to US Dollars and the decrease in post-tax discount rate in current year as compared to previous year.

22. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

Exploration and evaluation asset	Location	Expiry Date
Lapichevskaya Mine-2	"Kemerovo district" and "Kemerovo city" municipal Formations of Kemerovo region, Russia Federation	31 October 2035

23. TRADE RECEIVABLES

Trade receivables at the end of each reporting period comprise amounts receivable from third parties.

The Group does not have specific credit term granted to trade customers and no interest is charged. The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the respective recognition dates, at the end of the reporting period.

	2021 **HK$'000**	2020 HK$'000
0 to 90 days	**12,261**	13,519
91 to 180 days	**3**	—
	12,264	13,519

The following table provides information which are assessed based on provision matrix.

	Weighted average expected loss rate %	**Gross carrying amounts** HK$'000	**Allowances** HK$'000
0 to 90 days	6.8%	13,159	898
91 to 180 days	25.0%	4	1
Over 1 year	100.0%	6	6
		13,169	905

23. TRADE RECEIVABLES *(Continued)*

The movements in the allowance for impairment of trade receivables are set out below:

	HK$'000
At 1 April 2020	—
Impairment loss recognised	**881**
Exchange realignments	**24**
At 31 March 2021	**905**

The Directors consider the ECL of trade receivables as at 31 March 2020 was insignificant, therefore no loss allowance on trade receivables was recognised as at 31 March 2020.

24. OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Deposits	**1,009**	1,026
Other loans receivables	**8,910**	7,150
Other receivables	**759**	617
Advance payments	**4,401**	11,116
Prepayments	**1,500**	1,911
	16,579	21,820
Less: Rental deposits classified as non-current assets	**(188)**	—
Current portion included in other receivables	**16,391**	21,820

Details of impairment assessment of other receivables for the year ended 31 March 2021 and 2020 are set out in Note 7.

The movements in the allowance for impairment of other receivables are set out below:

	2021 HK$'000
At 1 April 2020	—
Impairment loss recognised	**1,469**
Exchange realignments	**40**
At 31 March 2021	**1,509**

The Directors consider the ECL of other receivables as at 31 March 2020 was insignificant, therefore no loss allowance on trade receivables was recognised as at 31 March 2020.

25. 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 amounts of the cash and cash equivalents approximate their fair value.

	2021 **HK$'000**	2020 HK$'000
RUB	**256**	166
KRW	**794**	4,811
USD	**4**	7
HKD	**1,091**	1,396
Total	**2,145**	6,380

26. TRADE PAYABLES

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

	2021 **HK$'000**	2020 HK$'000
0 to 30 days	**68**	—

The average credit period on purchase of goods is from 30 days to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

27. OTHER PAYABLES

	2021 **HK$'000**	2020 HK$'000
Other payables	**300**	739
Accrued expenses	**4,131**	4,991
Interest payables	**15,091**	28,777
	19,522	34,507

28. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Advances from customers	**576**	2,963

In general, the Group receives certain percentage of the contract sum as advance payment from the customers upon signing of the sales contracts.

The changes in contract liabilities in 2021 was mainly due to decrease in purchases order from customers in early 2021.

Revenue recognised during the year ended 31 March 2021 that was included in the contract liabilities as at 31 March 2021 was approximately HK$2,963,000 (2020: HK$334,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

29. INTEREST-BEARING BORROWINGS

	2021 HK$'000	2020 HK$'000
Other loan 1 (Note a)	**28,561**	28,561
Other loan 2 (Note b)	**—**	76,264
Other loan 3 (Note c)	**21,466**	19,812
Other loan 4 (Note d)	**9,219**	—
Other loan 5 (Note e)	**3,000**	—
	62,246	124,637

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2021 HK$'000	2020 HK$'000
Within one year	**21,466**	19,812
After one year but within two years	**40,780**	104,825
	62,246	124,637
Carrying amount of repayable within one year and amounts shown under current liabilities	**21,466**	19,812
Amounts shown under non-current liabilities	**40,780**	104,825
	62,246	124,637

29. INTEREST-BEARING BORROWINGS *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	**4.6% - 6%**	5% - 6%

The Group's interest-bearing borrowings are denominated in the following currencies:

	2021 **HK$'000**	2020 HK$'000
HKD	**8,000**	5,000
USD	**32,780**	99,825
KRW	**21,466**	19,812
	62,246	124,637

Notes:

a. As at 31 March 2021, the aggregate amount of approximately HK$28,561,000 (2020: HK$28,561,000) ("**Other Loan 1**") was unsecured, bearing interest at 5%-6% per annum and repayment on demand. The lender had agreed to extend the repayment date to 31 January 2023.

b. In the previous year, the amount of approximately HK$76,264,000 ("**Other Loan 2**") 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.

During the year ended 31 March 2021, part of Other Loan 2 amounting to approximately HK$1,044,000 has been repaid. Agreements were entered into with the same independent third party for new loans in the aggregate amount of HK$3,000,000 and US$295,000 (equivalent to approximately HK$2,301,000) which bear interest at 5% and 6% per annum respectively and repayable after 1 year from the date of drawdown or on demand.

As at 31 March 2021, the remaining unsettle Other Loan 2 in aggregate amount of HK$80,521,000 was due to the lender.

During the year ended 31 March 2021, the lender became a shareholder of the Company. Therefore, the outstanding amounts and interest payables of HK$92,948,000 in total were reclassified as amount due to a shareholder.

c. During the year ended 31 March 2020, the aggregate amount of KRW3,120,000,000 (equivalent to approximately HK$21,466,000) (2020: HK$19,812,000) ("**Other Loan 3**") was bearing interest at 4.6% per annum and repayable after 12 months from the date of drawdown or on demand.

d. During the year ended 31 March 2021, a new loan amount of approximately HK$9,219,000 was obtained from an independent third party ("**Other Loan 4**"). Other Loan 4 is unsecured bearing interest at 5% per annum and repayable after 12 months from the date of drawdown or on demand. The lender had agreed to extend the repayment date to 31 January 2023.

e. During the year ended 31 March 2021, a new loan amount of approximately HK$3,000,000 was obtained from an independent third party ("**Other Loan 5**"). Other Loan 5 is unsecured bearing interest at 5% per annum and repayable after 1 year from the date of drawdown or on demand. The lender had agreed to extend the repayment date to 31 January 2023.

30. AMOUNTS DUE TO A RELATED PARTY/SHAREHOLDERS

(a) As at 31 March 2021, the amount due to a shareholder amounting to HK$228,000 (2020: HK$228,000) was unsecured, interest free and repayable on demand.

(b) As at 31 March 2021, the amount due to a shareholder amounting to approximately HK$2,500,000 (2020: HK$2,323,000) was unsecured, bears interest at the weighted average effective interest rate of 10% per annum and repayable upon maturity or on demand.

(c) In the previous year, the amount due to a shareholder was bearing interest rate at 5%-6% per annum and no fixed term of repayment or on demand, was classified as interest-bearing borrowings.

During the year ended 31 March 2021, the lender, who was classified as an independent third party of the Company in previous year, was considered as a shareholder of the Company. The aggregate amount of approximately HK$92,948,000 was bearing interest at 5%-6% per annum and repayable after 12 months from the date of drawdown or on demand. The shareholder had agreed to extend the repayment date of all loans (including new addition loans) to 31 January 2023. Details are shown in Note 29(b).

(d) As at 31 March 2021, the amount due to a shareholder totaling approximately HK$34,462,000 (2020: HK$33,994,000), 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 2023.

(e) During the year ended 31 March 2021, new loans with amounts of HK$3,000,000 and US$317,000 (equivalent to approximately HK$2,558,000) were obtained from shareholders, which were unsecured, bearing interest at 0%-5.5% per annum and repayable after 12 months from the date of drawdown or on demand.

(f) During the year ended 31 March 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. The loan (including interest payable) has been fully settled during the year ended 31 March 2021.

31. 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$3,316,000 (2020: HK$3,307,000)).

During the years ended 31 March 2021 and 2020, the Group has no further settlement on the 4th Adjusted Consideration.

32. CONVERTIBLE NOTES PAYABLES

Convertible notes

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 approximately HK$2,127,088,000 (as restated 31 March 2013), HK$2,398,314,000 (as restated 31 March 2014) and HK$2,702,681,000 (as restated 31 March 2015). The Company had also re-performed the yearly valuation to determine the recoverable amounts of the exploration and evaluation assets for the years ended 31 March 2013, 2014, 2015 and 2016. Based on the re-performed results, impairment tests for the years ended 31 March 2013, 2014 and 2015 were re-assessed and adjustments were made to reflect the effect/cumulative effect of the re-performed impairment amounts for each of the said years.

On 22 August 2016, in response to the New Technical Report dated 11 August 2016, Cordia, Choi Sungmin, Grandvest, Daily Loyal Limited 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.

32. CONVERTIBLE NOTES PAYABLES *(Continued)*

Convertible notes *(Continued)*

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.

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.

32. CONVERTIBLE NOTES PAYABLES *(Continued)*

Convertible notes *(Continued)*

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

1. The principal amount of the notes has been updated to a reduced principal amount of US$400,390,000 to reflect conversions of and adjustments to the Original Notes since their original issuance.

2. The maturity date of the Original Notes was five years after the date of issue of the Original Notes, or 3 April 2018. The Amended Note Instrument extended the maturity date of the Notes to the date falling one year after the date of the Amended Note Instrument without interest, or 19 October 2019.

3. The Original Note Instrument gave holders of the Original Notes the right to require conversion of the Original Notes. The Amended Note Instrument granted holders of the Amended Notes, as well as the Company, to require conversion of the Amended Notes.

4. The Original Notes were secured by certain share charges as provided in condition 6 thereunder. Pursuant to the Amended Note Instrument, the parties agreed to release and discharge such share charges immediately after execution of the Amended Note Instrument.

5. Condition 14 of the Original Note Instrument provided that the terms and conditions of the Original Note Instrument may be amended by agreement in writing between the Company and the noteholders holding in aggregate not less than 75% in outstanding principal amount of the Original Notes. The Amended Note Instrument provided that the terms and conditions of the Amended Note Instrument may be amended by agreement in writing between the Company and noteholders holding in aggregate not less than 65% in outstanding principal amount of the Amended Notes.

6. Certain provisions under the Original Note Agreement requiring the approval of the noteholders thereunder (including the appointment of a Calculation Agent as defined thereunder, and other provisions for the protection of noteholders), were amended to require the approval of noteholders holding in aggregate not less than 65% in outstanding principal amount of the Amended Notes.

All other material terms of the Original Notes, including the conversion price thereunder of HK$48 at that time, 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.

32. CONVERTIBLE NOTES PAYABLES *(Continued)*

Convertible notes *(Continued)*

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.

Measurement of convertible notes

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 (2020: 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 2021	At 31 March 2020
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.

32. CONVERTIBLE NOTES PAYABLES *(Continued)*

Movement of the different components of the convertible notes

	Liabilities component HK$'000	Derivative component HK$'000	Total HK$'000
At 1 April 2019	3,591,498	—	3,591,498
Imputed interest charged during the year	—	—	—
At 31 March 2020 and 1 April 2020	3,591,498	—	3,591,498
Imputed interest charged during the year	—	—	—
At 31 March 2021	**3,591,498**	**—**	**3,591,498**

33. PROMISSORY NOTES PAYABLES

	2021 HK$'000	2020 HK$'000
At the beginning of the year and at the end of year	**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 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 (2020: HK$15,600,000).

On 15 June 2021, the remaining promissory notes holder of the Modified PN agreed to extend the maturity date of the promissory notes to 31 January 2023.

34. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	2021 HK$'000	2020 HK$'000
As at 1 April	**1,245**	1,470
Provision during the year	**48**	41
Exchange realignments	**54**	(266)
As at 31 March	**1,347**	1,245

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.

35. DEFERRED TAX LIABILITIES

	HK$'000
At 1 April 2019	4,777
Charged to profit or loss (Note 13)	(773)
Exchange realignments	(709)
At 31 March 2020 and 1 April 2020	3,295
Charged to profit or loss (Note 13)	(995)
Exchange realignments	153
At 31 March 2021	**2,453**

At 31 March 2021, the Group had unused tax losses of approximately HK$28,232,000 (2020: HK$28,232,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2021 and 2020 in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group entities.

As at 31 March 2021, the Group has deductible temporary differences of approximately HK$3,962,900,000 (2020: HK$4,610,353,000). As at 31 March 2021, no deferred asset has been recognised in relation to such deductible temporary difference and it is not considered probable that taxable profits will be available against which such deductible temporary differences can be utilized.

36. SHARE CAPITAL

	Number of shares		Nominal value	
	2021	2020	**2021 HK$'000**	2020 HK$'000
Authorised:				
Ordinary shares of HK$2.0 each (2020: HK$0.2 each) (Note (ii))	**500,000,000**	5,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of the year	**1,450,170,627**	1,208,475,523	**290,034**	241,695
Issue of shares upon new placement (Note (i))	**—**	241,695,104	**—**	48,339
Share consolidation (Note (ii))	**(1,305,153,565)**	—	**—**	—
At the end of the year	**145,017,062**	1,450,170,627	**290,034**	290,034

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

Notes:

(i) 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 approximately 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.

(ii) Effective from 24 April 2020, every ten issued and unissued ordinary shares of the Company of nominal value of HK$0.20 each were consolidated into one consolidated ordinary share of nominal value of HK$2.00 each.

37. 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 was granted for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. Eligible persons of the Old Scheme included 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 Old Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 8 November 2002 and remained in force for a period of 10 years from that date.

The maximum number of unexercised share options 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), were 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, were subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options might 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 was 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 Old Scheme did 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 could be exercised.

The exercise price of the share options granted was not recorded in the statement of financial position of the Company nor of the Group until such time as the options were vested. Upon the exercise of the share options, the resulting shares issued were 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 was recorded by the Company in the share premium account. Options which were cancelled prior to their exercisable date were deleted from the register of outstanding options.

Share options did 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. As at 31 March 2021, there was no option remained outstanding under the Old Scheme (2020: Nil).

37. SHARE OPTION SCHEME *(Continued)*

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 2021 and 2020, no option had been granted under the New Scheme. As at 31 March 2021, there was no option remained outstanding under the New Scheme (2020: Nil). Since the adoption date of the New Scheme to the date of this report, no option has been granted.

38. CAPITAL COMMITMENTS

There was no capital expenditure contracted for but not provided in the Consolidated Financial Statements as at 31 March 2021 and 2020.

39. 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 substituted the old loan facilities letter entered into on 25 May 2009. Under the new agreement, Cordia had 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 were 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 had therefore expired in November 2012.

During the year, Cordia had agreed to waive a portion of the interest charged US$3,000 (equivalent to approximately HK$24,000) (2020: US$5,000 (equivalent to approximately HK$35,000)) 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 43).

(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 transactions	2021 HK$'000	2020 HK$'000
Cordia Global Limited	Shareholder	Interest expenses thereto	**404**	406
First Glory Limited	Shareholder	Interest expenses thereto	**177**	178
Space Hong Kong Enterprise Limited	Shareholder	Interest expenses thereto	**4,525**	—

(iii) Members of key management personnel during the year comprised only of the executive Directors whose remuneration is set out in Note 15.

40. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 31 March 2021, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$237,000 (2020: HK$328,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period. 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 2021. As at 31 March 2021, contribution payable to the MPF Scheme (both employer and employee portions) amounted to HK$8,000 (2020: HK$6,000).

41. 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 (equivalent to 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 (equivalent to approximately HK$2,251,080) (the "**Second Claim**") and the Third Claimant claimed US$338,000 (equivalent to 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.

41. 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 (equivalent to 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 2021, the outstanding amount of the Second Claim is US$188,600 (equivalent to 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 (equivalent to 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 2021, the outstanding amount of the Third Claim was US$238,000 (equivalent to 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 and the Company. Cordia also took out an inter partes summons to seek, inter alia, an injunction against certain parties 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 partes summons, the High Court of Hong Kong granted an interim injunction restraining, among other things, certain shareholders of the Company from (a) disposing of or in any way dealing with, and (b) exercising voting rights of, their respective shares in the Company until further order (the "**Injunction Order**").

As further announced by the Company on 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. The proceedings had 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.

41. 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.

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 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, 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.

41. 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. As the Trustee has no objection to discontinue the legal action, the Company will proceed to discontinue such legal action.

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 an existing Director of the Company and Grandvest International Limited (a wholly-owned subsidiary 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 existing Director and Grandvest International Limited 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.

41. LITIGATIONS *(Continued)*

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

HCA 2633 of 2016

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

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. 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.

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.

41. 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. 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.

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.

41. 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 will take 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.

41. 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 (now it would become HK$480 per share after the share consolidation becoming effective on 24 April 2020) 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.

41. 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 (equivalent to 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 (equivalent to 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 as 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 (equivalent to 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 and this legal action is ready to be set down for trial.

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 late 2021 or early 2022 at the earliest.

41. 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 will take 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 2077 of 2017

As announced by the Company on 30 April 2021, Company on 20 April 2021 was purportedly served with a counterclaim in High Court Action No. 2077 of 2017 in which a company called Lucrezia Limited ("**Lucrezia**") claimed damages from the Company in respect of a dispute over a sale and purchase agreement between Gold Ocean (now known as "Solidarity Partnership") and Lucrezia for a promissory note in the amount of US$3,751,282 (equivalent to approximately HK$29,260,000) issued by the Company back in February 2013. Lucrezia first filed its counterclaim in the action against certain other parties on 28 March 2018 and it was not immediately clear why it had waited more than 3 years before joining the Company as a co-defendant to the counterclaim.

The Company is in the process of taking legal advice on such counterclaim made by Lucrezia.

41. LITIGATIONS *(Continued)*

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

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 (now known as "**Golden China Circle Holdings Company Limited**") (as the 1st plaintiff) and Gold Ocean (now known as "**Solidarity Partnership**") (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.

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 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.

As of 31 March 2021, the pleadings are undergoing further amendment following an application by Daily Loyal to amend its defence and counterclaim. This legal case will enter the witness statement stage shortly. 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 late 2021 or early 2022 at the earliest.

41. LITIGATIONS *(Continued)*

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

Fourth Party Notices in Relation to HCA 51 of 2017

As announced by the Company on 7 February 2017, 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.

As announced by the Company on 13 February 2017, the Company on 6 February 2017 received a Fourth Party Notice dated 25 January 2017 from Kim Sungho whereby he purported to join 10 parties as the fourth parties and such parties include the Company and Grandvest International Limited in the same legal action HCA 51 of 2017. In such Fourth Party Notice, Kim Sungho 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.

41. LITIGATIONS *(Continued)*

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

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 would 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.

As of 31 March 2021, the pleadings of this legal case are complete and this legal case is in the discovery and witness statement stage. 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 late 2021 or early 2022 at the earliest.

41. LITIGATIONS *(Continued)*

(ii) The Company as the Plaintiff

HCA 706 of 2010 (Civil Proceedings Taken by the Company Against Three Former Directors of the Company) 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 had been reached. The Company proceeded further with the action against these three former directors. All the pleadings were filed, and discovery was completed with the witness statements of the parties duly exchanged. A trial judge was assigned for the case on 25 March 2014. As a result of the solicitors ceasing to act for the Company from 9 February 2015, the hearing on the case management conference originally fixed on 11 February 2015 was adjourned pending an application by the Company to act in person or the Company's engagement of new solicitors.

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

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

41. LITIGATIONS *(Continued)*

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

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

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

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

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

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

Second mediation was conducted on 18 September 2018, but no settlement arrangement could be reached. The 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.

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 (equivalent to approximately HK$3,455,946,000) as damages. Herman Tso in his defence statement made counterclaims of US$443,070,000 (equivalent to approximately HK$3,455,946,000) 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.

41. LITIGATIONS *(Continued)*

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

HCA 51 of 2017

As announced by the Company on 7 February 2017, the Company (as the plaintiff) commenced a legal action against Newborn Global Energy Limited ("**Newborn Global**") (formerly known as "**HASS Natural Resources Limited**") as the 1st defendant and Tso Chi Ming (also known as Herman Tso) ("**Herman 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. Herman Tso was one of the directors of Newborn Global at all material times.

In such action, the Company pointed out, among other things, that Herman 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 Herman Tso.

The action has been dormant since June 2017. The Company is in the process of discontinuing the proceedings.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash change. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to shareholders HK$'000	Amount due to a related party HK$'000	Interest-bearing borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 April 2020	**36,545**	**6,369**	**124,637**	**874**	**168,425**
Financing cash flows:					
— Additions	**5,558**	**—**	**12,219**	**—**	**17,777**
— Repayments	**(1,213)**	**(6,719)**	**—**	**(1,093)**	**(9,025)**
— Interest paid	**—**	**(106)**	**—**	**(48)**	**(154)**
Non-cash changes:					
— Finance costs incurred	**5,106**	**106**	**—**	**48**	**5,260**
— Reclassification from interest-bearing borrowings to amounts due to shareholders	**92,948**	**—**	**(76,264)**	**—**	**16,684**
— Lease modification	**—**	**—**	**—**	**1,302**	**1,302**
— Waiver of interest on early settlement of amounts due to a shareholder	**(24)**	**—**	**—**	**—**	**(24)**
— Exchange realignments	**—**	**350**	**1,654**	**40**	**2,044**
As at 31 March 2021	**138,920**	**—**	**62,246**	**1,123**	**202,289**

	Amounts due to shareholders HK$'000	Amount due to a related party HK$'000	Interest-bearing borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 April 2019	136,498	—	68,119	1,614	206,231
Financing cash flows:					
— Additions	—	6,368	97,264	—	103,632
— Repayments	(100,111)	—	(39,061)	(1,199)	(140,371)
— Interest paid	(584)	(19)	—	(46)	(649)
Non-cash changes:					
— Finance costs incurred	584	19	—	46	649
— Waiver of interest on early settlement of amounts due to a shareholder	(35)	—	—	—	(35)
— Exchange realignments	193	1	(1,685)	(1)	(1,492)
— New lease recognised	—	—	—	460	460
At 31 March 2020	36,545	6,369	124,637	874	168,425

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 HK$'000	2020 HK$'000
Non-current asset			
Investments in subsidiaries	(a)	—	—
Current assets			
Other receivables		1,439	1,453
Cash and cash equivalents		72	249
		1,511	1,702
Current liabilities			
Other payables		15,398	30,455
Amount due to shareholders		2,728	2,551
Conversion note payables		3,591,498	3,591,498
		3,609,624	3,624,504
Net current liabilities		(3,608,113)	(3,622,802)
Total assets less current liabilities		(3,608,113)	(3,622,802)
Non-current liabilities			
Amounts due to shareholders		104,033	2,495
Amount due to a subsidiary		3,295	—
Interest-bearing borrowings		40,781	104,825
Promissory notes payables		15,600	15,600
		163,709	122,920
TOTAL LIABILITIES		(3,771,822)	(3,745,722)
Shareholders' Equity			
Share capital		290,034	290,034
Reserves	(b)	(4,061,856)	(4,035,756)
CAPITAL DEFICIENCIES		(3,771,822)	(3,745,722)

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) The amounts including the amounts due from subsidiaries are unsecured, interest-free and not expected to be repaid with 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.

(b) Reserves movement of the Company is as follows:

	Share premium	Equity-settled share option reserve (Note i)	Capital reserve (Note ii & iii)	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2019	1,956,517	47	23,825	(5,987,685)	(4,007,296)
Loss and total comprehensive expenses for the year	—	—	—	(28,495)	(28,495)
Waiver of interest on early settle of amounts due to a shareholder	—	—	35	—	35
At 31 March 2020 and 1 April 2020	1,956,517	47	23,860	(6,016,180)	(4,035,756)
Loss and total comprehensive expenses for the year	—	—	—	(26,124)	(26,124)
Waiver of interest on early settle of amount due to a shareholder	—	—	24	—	24
At 31 March 2021	**1,956,517**	**47**	**23,884**	**(6,042,304)**	**(4,061,856)**

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 33 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.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 March 2021 and 2020 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Class of shares held	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
				Direct		Indirect		
				2021	2020	**2021**	2020	
Langfeld	The Republic of Cyprus ("**Cyprus**")	Ordinary	EUR10,000	**–**	–	**90%**	90%	Investment holding
Lapi	Russia	Registered capital	RUB172,315,950	**–**	–	**90%**	90%	Holding of mining and exploration rights
Grandvest	BVI	Ordinary	US$1	**100%**	100%	**–**	–	Investment holding
Global Power Asia	Korea	Registered capital	KRW179,595,000	**–**	–	**100%**	100%	Trading of diesel, gasoline and others products

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 all other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

45. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2021, the interest-bearing borrowings and interest payables amounting to approximately HK$76,264,000 and HK$16,684,000 respectively have been reclassified as amounts due to shareholders as the creditor became a shareholder of the Company.

46. EVENTS AFTER REPORTING PERIOD

(a) Subsequent to the end of the reporting period, the Company was involved in certain legal action (HCA 2077 of 2017). Please refer to Note 41 for details of such legal case.

(b) Subsequent to the end of the reporting period, certain loan of US$148,000 (equivalent to approximately HK$1,154,000) in total was granted to the Company.

(c) Subsequent to the end of the reporting period, certain lenders had agreed to further extend the due dates of the loans (and the related interests payables where applicable) to 31 January 2023. Please refer to Note 2 for more information.

(d) On 22 June 2021, 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$66,908,000 (equivalent to approximately HK$521,882,000).

(e) On 22 June 2021, 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$18,511,000 (equivalent to approximately HK$144,386,000).

(f) On 22 June 2021, 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$18,511,000 (approximately HK$144,384,000).

(g) On 22 June 2021, 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$10,227,000 (equivalent to approximately HK$79,771,000).

47. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. The changes included (i) reclassifying bank charges from "finance costs" to "administrative expenses" and (ii) contract liabilities has been presented as a separate line item in the Consolidated Statement of Financial Position from "other payables".

FINANCIAL SUMMARY

For the year ended 31 March 2021
(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 2021.

RESULTS

	Year ended 31 March				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**1,243,111**	1,194,065	647,951	2,972	1,673
Profit (Loss) before tax and non-controlling interests	**536,283**	(1,509,179)	(60,948)	(504,723)	2,027,292
Income Tax	**434**	(314)	806	(6,408)	3
Profit (Loss) after tax and before non-controlling interests	**536,717**	(1,509,493)	(60,142)	(511,131)	2,027,295
Non-controlling interests	**(12,133)**	34,060	(1,588)	1,676	(49,293)
Profit (Loss) attributable to owners of the Company	**524,584**	(1,475,433)	(61,730)	(509,455)	1,978,002

ASSETS AND LIABILITIES

	Year ended 31 March				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Non-current assets	**1,813,134**	1,245,130	2,765,815	2,868,057	2,935,384
Current assets	**30,800**	41,719	37,667	15,759	14,902
Current liabilities	**(3,640,066)**	(3,661,838)	(3,626,043)	(3,625,170)	(3,254,426)
Non-current liabilities	**(196,801)**	(159,002)	(216,137)	(167,684)	(89,926)
Non-controlling interests	**4,490**	16,877	(20,648)	(25,991)	(27,508)
Equity attributable to owners of the Company	**(1,988,443)**	(2,517,114)	(1,059,346)	(935,029)	(421,574)