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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014 AND CONTINUED SUSPENSION OF TRADING

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Siberian Mining Group Company Limited (the "**Company**") announces the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2014, together with the comparative figures for the year ended 31 March 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2014

	Notes	**2014** ***HK$'000***	2013 *HK$'000*
Turnover	*7*	**5,874**	9,498
Cost of sales		**(5,756)**	(9,342)
Gross profit		**118**	156
Other income	*7*	**299**	19
Other gains and losses	*7*	**(326,168)**	(1,976,989)
Selling and distribution costs		**(287)**	(390)
Administrative and other expenses		**(68,204)**	(112,654)
Finance costs	*8*	**(290,542)**	(9,655)
Loss before income tax	*9*	**(684,784)**	(2,099,513)
Income tax	*11*	**460**	(400)
Loss for the year		**(684,324)**	(2,099,913)

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Attributable to:			
Owners of the Company	*12*	**(670,714)**	(2,037,510)
Non-controlling interests		**(13,610)**	(62,403)
		(684,324)	(2,099,913)
Loss per share			
Basic (Hong Kong cents)	*14*	**132**	566
Diluted (Hong Kong cents)	*14*	**132**	766

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(684,324)**	(2,099,913)
Other comprehensive income for the year, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of foreign operations	**(37,104)**	(52,906)
Total comprehensive expenses for the year, net of tax	**(721,428)**	(2,152,819)
Attributable to:		
Owners of the Company	**(704,022)**	(2,085,125)
Non-controlling interests	**(17,406)**	(67,694)
	(721,428)	(2,152,819)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**4,935**	8,252
Prepayments for acquisition of property, plant and equipment		**4**	1,557
Other intangible assets	16	**180,348**	338,595
Exploration and evaluation assets	17	**758,283**	988,355
		943,570	1,336,759
Current assets			
Other receivables, deposits and prepayments		**2,628**	1,763
Cash and cash equivalents	19	**3,719**	833
		6,347	2,596
Current liabilities			
Other payables, accrued expenses and trade deposit received		**22,724**	11,454
Interest-bearing borrowings	20	**39,189**	14,500
Amount due to an ex-director	21(a)	**13,084**	901
Amount due to a shareholder	21(b)	**24,486**	—
Coal trading deposit received	22	**24,180**	24,180
Purchase consideration payable for additional acquisition	29	**3,328**	10,140
		126,991	61,175
Net current liabilities		**(120,644)**	(58,579)
Total assets less current liabilities		**822,926**	1,278,180

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Amount due to a related party	*33(i)*	**31,564**	49,552
Convertible note payables	*23*	**2,464,391**	2,185,693
Promissory notes payables	*24*	**64,256**	58,174
Provision for close down, restoration and environmental costs	*32*	**1,935**	2,065
Deferred tax liabilities	*25*	**—**	488
		2,562,146	2,295,972
NET LIABILITIES		**(1,739,220)**	(1,017,792)
CAPITAL AND RESERVES			
Share capital	*26*	**101,689**	101,689
Reserves		**(1,834,642)**	(1,130,620)
Equity attributable to owners of the Company		**(1,732,953)**	(1,028,931)
Non-controlling interests		**(6,267)**	11,139
CAPITAL DEFICIENCIES		**(1,739,220)**	(1,017,792)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	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$'000	Total HK$'000
At 1 April 2012	45,614	1,689,092	83,611	331,505	1,007	23,496	(1,198,158)	976,167	79,847	1,056,014
Loss for the year	—	—	—	—	—	—	(2,037,510)	(2,037,510)	(62,403)	(2,099,913)
Other comprehensive expenses for the year	—	—	(47,615)	—	—	—	—	(47,615)	(5,291)	(52,906)
Total comprehensive expenses for the year	—	—	(47,615)	—	—	—	(2,037,510)	(2,085,125)	(67,694)	(2,152,819)
Placement of new shares *(Note 26(iii))*	55,615	32,711	—	—	—	—	—	88,326	—	88,326
Adjustment to the consideration of acquisition of additional interests in a subsidiary from non-controlling interests completed in prior years *(Note 29)*	—	—	—	(9,126)	—	—	—	(9,126)	(1,014)	(10,140)
Issue of shares on exercise of share options *(Note 26(iv))*	460	600	—	—	(244)	—	—	816	—	816
Waiver of interest on early settlement of amount due to an ex-shareholder *(Note 33(i))*	—	—	—	—	—	11	—	11	—	11
At 31 March 2013	101,689	1,722,403	35,996	322,379	763	23,507	(3,235,668)	(1,028,931)	11,139	(1,017,792)
Loss for the year	—	—	—	—	—	—	(670,714)	(670,714)	(13,610)	(684,324)
Other comprehensive expenses for the year	—	—	(33,308)	—	—	—	—	(33,308)	(3,796)	(37,104)
Total comprehensive expenses for the year	—	—	(33,308)	—	—	—	(670,714)	(704,022)	(17,406)	(721,428)
At 31 March 2014	**101,689**	**1,722,403**	**2,688**	**322,379**	**763**	**23,507**	**(3,906,382)**	**(1,732,953)**	**(6,267)**	**(1,739,220)**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2014

	2014	2013
	HK$'000	HK$'000
Cash flow from operating activities		
Loss before income tax	**(684,784)**	(2,099,513)
Adjustments for:		
Interest income	**(255)**	—
Gain on partial settlement of the Modified PN in exchange for new shares	**—**	(2,464)
Gain arising in change in fair value of convertible note	**(998)**	(1,270,253)
Depreciation	**74**	78
Amortisation of other intangible assets	**30,659**	80,265
Finance costs	**290,542**	9,655
Provision for close down, restoration and environmental costs	**165**	201
Impairment loss on other intangible assets	**84,054**	513,790
Impairment loss on property, plant and equipment	**2,168**	12,154
Impairment loss on exploration and evaluation assets	**240,944**	2,723,762
Operating loss before working capital changes	**(37,431)**	(32,325)
(Increase)/Decrease in other receivables, deposits and prepayments	**(865)**	4,077
Increase in other payables, accrued expenses and trade deposits received	**11,270**	255
Decrease in coal trading deposit received	**—**	(3,120)
Cash used in operating activities	**(27,026)**	(31,113)
Interest and bank charges paid	**(65)**	(69)
Net cash used in operating activities	**(27,091)**	(31,182)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Cash flow from investing activities			
Payment of purchase consideration for additional acquisition	*29*	**(6,812)**	(660)
Deposits refunded from/(paid for) acquisition of property, plant and equipment		**1,553**	(1,388)
Purchases of property, plant and equipment		**(34)**	(936)
Capitalized expenses of exploration and evaluation assets		**(12,731)**	(6,547)
Interest received		**255**	—
Net cash used in investing activities		**(17,769)**	(9,531)
Cash flow from financing activities			
Loan received from a related party of the Company		**1,915**	6,641
Loan received from an ex-director of the Company		**15,373**	901
Loan received from a shareholder of the Company		**24,486**	—
Repayment of loan from an ex-director of the Company		**(3,190)**	—
Repayment of loan from a related party of the Company		**(19,903)**	(11,692)
Repayment of principal of promissory notes		**—**	(200)
Proceeds from issue of shares on exercise of share options, net		**—**	816
Proceeds from borrowings		**24,689**	14,500
Proceeds from placements of new shares, net		**—**	36,453
Net cash generated from financing activities		**43,370**	47,419
Net (decrease)/increase in cash and cash equivalents		**(1,490)**	6,706
Cash and cash equivalents at beginning of year		**833**	1,524
Effect of exchange rate changes on cash and cash equivalents		**4,376**	(7,397)
Cash and cash equivalents at end of year		**3,719**	833
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**3,719**	833

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS

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

The Company engages in investment holding. The principal activities of its principal subsidiaries are set out in Note 18.

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

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

The accounting policies and methods of computation used in these financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year and which have a material effect on the amounts reported and/or the presentation and disclosures set out in these financial statements.

Amendments to HKAS 1 — Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis-the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 *Disclosures — Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

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

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 13 — Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment" and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

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

HKFRS 13 — Fair Value Measurement *(Continued)*

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

HKAS 19 — Employee Benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have no material impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and join arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

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

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[1]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC) — Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognized in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognize the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognized in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

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

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 32 — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 — Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumptions

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

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

During the year, the Group incurred a net loss for the year of approximately HK$684,324,000 (2013: HK$2,099,913,000). The Group's current liabilities exceeded its current assets by approximately HK$120,644,000 (2013: HK$58,579,000) and a capital deficiency of HK$1,739,220,000 (2013: HK$1,017,792,000) as at 31 March 2014. 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.

3. BASIS OF PREPARATION *(Continued)*

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

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

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

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

(a) Obtained a loan facilities agreement from a director and also the Chairman of the Board of the Company to provide continuous financial support to the Group. A loan facility of up to HK$400,000,000 to the Group for the 18 months period commencing from 9 February 2015.

(b) As set out in Note 22, the New Coal Deposit Holder has agreed to extend the date of repayment of the coal trading deposit together with the related interests to 30 November 2016.

(c) As set out in Note 20, with regard to Other Loan 1, the lender agreed not to demand for repayment for the amount due before 19 August 2016.

(d) As set out in Note 20, with regard to Other Loan 2, the lender has agreed not to demand for repayment for the amount due before 19 August 2016.

(e) As set out in Note 20, with regard to Other Loan 3, the lender has agreed not to demand for repayment for the amount due before 15 August 2016.

(f) As set out in Note 24, with regard to promissory notes, the promissory notes holders have agreed not to demand for repayment of the amount due before 25 August 2016.

(g) With regard to amounts due to an ex-director, a related party and a shareholder, they have agreed not to demand for repayment of the amounts due before 31 August 2016.

(h) Obtained an agreement from certain shareholders that they agreed to subscribe the issued new shares after the trading in the shares on the Stock Exchange has resumed.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

— has power over the investee;

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

— the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

— potential voting rights held by the Group, other vote holders or other parties;

— rights arising from other contractual arrangements; and

— any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

(b) Business Combination

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business Combination *(Continued)*

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

Subsidiaries are entities over which the Company is able to exercise control. Control is achieved where the company, directly or indirectly, has the power to govern the financial and operating policies of entities so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less any impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e) Property, plant and equipment

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

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

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

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

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

(f) Construction in progress

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

(g) Intangible assets excluding goodwill

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets excluding goodwill *(Continued)*

Mining Rights

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Exploration and evaluation assets

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

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

(ii) Impairment loss on financial assets

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

— significant financial difficulty of the debtor;

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial Instruments *(Continued)*

(iii) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities at amortised cost

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

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

(iv) Convertible notes

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial Instruments *(Continued)*

(iv) Convertible notes (Continued)

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

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

(v) Effective interest method

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

(vi) Derecognition

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

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

(k) Cash and cash equivalents

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

(l) Operating lease

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Provision, contingent liabilities and contingent assets

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

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

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

Provision for close down, restoration and environmental costs

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Foreign currencies

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

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

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

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

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

(o) Taxation

(i) Current tax

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Taxation *(Continued)*

(ii) Deferred tax

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employees' benefits

(i) Short-term benefits

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

(ii) Pension obligations

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

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

(iii) Share-based payments

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

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

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

(q) Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

Amortisation of mining right

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

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

(a) Critical judgements in applying accounting policies *(Continued)*

Going concern basis

These financial statements have been prepared on a going concern basis and the details are explained in note 3(b) to the financial statements.

(b) Key sources of estimation uncertainty

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

Equity-settled share option expense

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

Impairment of non-financial assets and goodwill

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

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

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

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

Impairment of non-financial assets and goodwill (Continued)

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

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

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

Reserve estimates

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

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

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

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

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

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

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

Reserve estimates (Continued)

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

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

Provision for close down, restoration and environmental costs

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

Exploration and evaluation expenditure

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

Income taxes

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

6. SEGMENT INFORMATION

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

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

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

(ii) Mineral resources and commodities trading segment comprises the business of coal, aluminium and scrapped iron trading to the Republic of Korea ("Korea").

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

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

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments

The following table present revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the years ended 31 March 2014 and 2013.

For the year ended 31 March 2014

	Mining *HK$'000*	Mineral resources and commodities trading *HK$'000*	Consolidated total *HK$'000*
Reportable segment revenue			
Revenue from external customers	**—**	**5,874**	**5,874**
Reportable segment loss	**(379,044)**	**(1,585)**	**(380,629)**
Interest income	**255**	**—**	**255**
Impairment loss on other intangible assets	**(84,054)**	**—**	**(84,054)**
Impairment loss on property, plant and equipment	**(2,168)**	**—**	**(2,168)**
Impairment loss on exploration and evaluation assets	**(240,944)**	**—**	**(240,944)**
Depreciation	**(69)**	**(5)**	**(74)**
Amortisation of other intangible assets	**(30,659)**	**—**	**(30,659)**
Reportable segment assets	**945,579**	**268**	**945,847**
Additions to non-current assets	**12,765**	**—**	**12,765**
Reportable segment liabilities	**(66,145)**	**(347)**	**(66,492)**

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

For the year ended 31 March 2013

	Mining *HK$'000*	Mineral resources and commodities trading *HK$'000*	Consolidated total *HK$'000*
Reportable segment revenue			
Revenue from external customers	—	9,498	9,498
Reportable segment loss	(3,350,563)	(701)	(3,351,264)
Impairment loss on other intangible assets	(513,790)	—	(513,790)
Impairment loss on property, plant and equipment	(12,154)	—	(12,154)
Impairment loss on exploration & evaluation assets	(2,723,762)	—	(2,723,762)
Depreciation	(72)	(3)	(75)
Amortisation of other intangible assets	(80,265)	—	(80,265)
Reportable segment assets	1,337,989	525	1,338,514
Additions to non-current assets	3,463,419	10	3,463,429
Reportable segment liabilities	(64,509)	(124)	(64,633)

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

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

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue and consolidated revenue	**5,874**	9,498

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment loss	**(380,629)**	(3,351,264)
Other income	**—**	6
Other gains and losses	**998**	1,272,717
Unallocated corporate expenses	**(14,611)**	(11,317)
Finance costs	**(290,542)**	(9,655)
Consolidated loss before income tax	**(684,784)**	(2,099,513)

	2014	2013
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**945,847**	1,338,514
Unallocated corporate assets	**4,070**	841
Consolidated total assets	**949,917**	1,339,355

	2014	2013
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**(66,492)**	(64,633)
Unallocated corporate liabilities	**(2,622,645)**	(2,292,514)
Consolidated total liabilities	**(2,689,137)**	(2,357,147)

6. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

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

	Revenue from external customers		Specific non-current assets	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Russia	**—**	—	**943,557**	1,336,741
Korea	**5,874**	9,498	**13**	18
	5,874	9,498	**943,570**	1,336,759

(c) Information about major customers

For the year ended 31 March 2014, the sole customer of the mineral resources and commodities trading segment with revenue of HK$5,874,000 contributed to 100% of the Group's revenue.

For the year ended 31 March 2013, three customers of the mineral resources and commodities trading segment with revenue of HK$4,212,000, HK$3,756,000 and HK$1,530,000 respectively, each contributed to more than 10% of the Group's revenue.

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

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

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

	2014	2013
	HK$'000	*HK$'000*
Turnover		
Trading of mineral resources and commodities	**5,874**	9,498
Other income		
Interest income	**255**	—
Sundry income	**44**	19
	299	19
Other gains and losses		
Gain on partial settlement of the Modified PN *(as defined in Note 24(i))* in exchange for new shares of the Company	**—**	2,464
Gain arising in change in fair value of convertible note *(Note 23)*	**998**	1,270,253
Impairment loss on other intangible assets *(Note 16)*	**(84,054)**	(513,790)
Impairment loss on property, plant and equipment *(Notes 15 & 16)*	**(2,168)**	(12,154)
Impairment loss on exploration and evaluation assets *(Note 17)*	**(240,944)**	(2,723,762)
	(326,168)	(1,976,989)

8. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest expenses on		
Loan from a related party	**1,010**	1,871
Loan from ex-director(s)	**536**	2
Loan from third parties	**1,849**	760
Loan from other shareholders	**987**	537
Imputed interest on promissory notes	**6,082**	6,416
Imputed interest on convertible note *(note 23)*	**279,696**	—
Other	**317**	—
	290,477	9,586
Bank charges	**65**	69
	290,542	9,655

9. LOSS BEFORE INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:—		
Employees benefit expenses (excluding directors' remuneration *(Note 10 (a))*):—		
Wages and salaries	**8,113**	8,526
Pension fund contributions	**503**	491
	8,616	9,017
Amortisation of other intangible assets		
— Mining right *(Note 16)*	**30,659**	80,265
Depreciation	**74**	78
Auditor's remuneration	**1,552**	2,732
Provision for close down, restoration and environmental costs *(Note 32)*	**165**	201
Minimum lease payments in respect of premises under operating leases	**3,864**	5,203
Net exchange losses	**8,443**	2,617
Cost of inventories sold	**5,756**	9,342

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

Name of directors	Fees		Salaries and allowances		Pension fund contributions		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Executive directors								
Lim Ho Sok*	**220**	240	**2,600**	2,916	**13**	15	**2,833**	3,171
Shin Min Chul#	**—**	80	**—**	123	**—**	—	**—**	203
Choi Jun Ho*	**220**	140	**730**	172	**13**	—	**963**	312
Jang Sam Ki	**19**	—	**—**	—	**—**	—	**19**	—
Hong Sang Joon	**37**	—	**140**	—	**—**	—	**177**	—
Su Run Fa	**19**	—	**—**	—	**—**	—	**19**	—
	515	460	**3,470**	3,211	**26**	15	**4,011**	3,686
Non-executive director								
Pang Ngoi Wah, Edward*	**120**	120	**—**	—	**—**	—	**120**	120
Independent non-executive directors								
Tam Tak Wah*	**180**	180	**—**	—	**—**	—	**180**	180
Liew Swee Yean*	**156**	156	**—**	—	**—**	—	**156**	156
Young Yue Wing, Alvin*	**120**	120	**—**	—	**—**	—	**120**	120
Cho Min Je*	**15**	240	**—**	—	**—**	—	**15**	240
Kwok Kim Hung, Eddie	**15**	—	**—**	—	**—**	—	**15**	—
Lai Han Zhen	**15**	—	**—**	—	**—**	—	**15**	—
Park Kun Ju	**15**	—	**—**	—	**—**	—	**15**	—
	516	696	**—**	—	**—**	—	**516**	696
Total	**1,151**	1,276	**3,470**	3,211	**26**	15	**4,647**	4,502

* These directors resigned as directors of the Company during the year.

This director resigned as director of the Company during the year ended 31 March 2013.

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

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

(b) Five highest paid individuals

The five highest paid individuals during the year included two directors (2013: one director), details of whose remuneration are set out in Note (a) above. Details of the remuneration of the remaining three (2013: four) non-directors, highest paid individuals for the year are as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	**4,140**	5,965
Pension fund contributions	**15**	15
	4,155	5,980

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

	2014	2013
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**—**	—
HK$2,500,001 to HK$3,000,000	**—**	1
	3	4

11. INCOME TAX

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

	2014 *HK$'000*	2013 *HK$'000*
Group:		
Current — Hong Kong		
Charge for the year	**—**	—
Current — Russia and other overseas		
Deferred taxation *(Note 25)*	**(460)**	400
	(460)	400

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

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

For the year ended 31 March 2014

	Total *HK$'000*
Loss before income tax expenses	(684,784)
Tax credit calculated at the weighted average statutory tax rate	(125,876)
Tax effect of expenses not deductible for taxation purposes	125,927
Tax effect of income not taxable for taxation purposes	(51)
Tax effect of tax losses not recognised	(460)
Income tax credit for the year	(460)

For the year ended 31 March 2013

	Total *HK$'000*
Loss before income tax expenses	(2,099,513)
Tax credit calculated at the weighted average statutory tax rate	(463,219)
Tax effect of expenses not deductible for taxation purposes	673,240
Tax effect of income not taxable for taxation purposes	(210,021)
Tax effect of tax losses not recognised	400
Income tax charge for the year	400

12. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss from ordinary activities attributable to owners of the Company for the year ended 31 March 2014 includes a loss of HK$325,688,000 (2013: loss of HK$3,337,337,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The board of directors did not recommend the payment of any dividend for the year ended 31 March 2014 (2013: Nil).

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

As the Company's outstanding share options have an anti-dilutive effect to the basic loss per share calculation for the current and prior years, the conversion of the outstanding share options is therefore not assumed in the computation of diluted loss per share for the current and prior years. As the Company's outstanding convertible note has an anti-dilutive effect to the basic loss per share calculation in current year, no conversion of the outstanding convertible note is assumed. The dilutive effect of the outstanding convertible note to the basic loss per share calculation in prior year was shown below.

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

	2014	2013
	HK$'000	*HK$'000*
Loss		
Loss attributable to the owners of the Company, used in the basic loss per share	**670,714**	2,037,510
Change in fair value of convertible note	**—**	1,270,253
Loss attributable to the owners of the Company, used in the diluted loss per share	**670,714**	3,307,763

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(Continued)*

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares for basic loss per share	**508,442,763**	359,935,077
Effect of dilutive potential ordinary shares:		
Convertible note	**—**	71,998,875
Weighted average number of ordinary shares for diluted loss per share	**508,442,763**	431,933,952

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Construction in progress *HK$'000*	Freehold land *HK$'000*	Furniture and fixtures *HK$'000*	Equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost						
At 1 April 2012	22,163	3,418	197	197	398	26,373
Additions	893	17	10	16	—	936
Written off	—	—	—	(101)	—	(101)
Exchange realignments	(1,205)	(186)	(11)	—	(22)	(1,424)
At 31 March 2013	21,851	3,249	196	112	376	25,784
Additions	—	—	6	28	—	34
Exchange realignments	(2,974)	(442)	(25)	1	(51)	(3,491)
At 31 March 2014	**18,877**	**2,807**	**177**	**141**	**325**	**22,327**
Accumulated depreciation and impairment losses						
At 1 April 2012	4,585	698	166	130	126	5,705
Charge for the year *(Note 9)*	—	—	18	23	37	78
Written back	—	—	—	(101)	—	(101)
Impairment loss *(Note 7)*	10,588	1,566	—	—	—	12,154
Exchange realignments	(249)	(38)	(10)	—	(7)	(304)
At 31 March 2013	14,924	2,226	174	52	156	17,532
Charge for the year *(Note 9)*	—	—	14	25	35	74
Impairment losses *(Note 7)*	1,889	279	—	—	—	2,168
Exchange realignments	(2,031)	(303)	(25)	1	(24)	(2,382)
At 31 March 2014	**14,782**	**2,202**	**163**	**78**	**167**	**17,392**
Net carrying value						
At 31 March 2014	**4,095**	**605**	**14**	**63**	**158**	**4,935**
At 31 March 2013	6,927	1,023	22	60	220	8,252

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

16. OTHER INTANGIBLE ASSETS

The Group

	Mining right
	HK$'000
Cost	
At 1 April 2012	3,333,506
Exchange realignments	(181,690)
At 31 March 2013 & 1 April 2013	3,151,816
Exchange realignments	(428,990)
At 31 March 2014	**2,722,826**
Accumulated amortisation and impairment losses	
At 1 April 2012	2,346,784
Charge for the year *(Note 9)*	80,265
Impairment loss *(Note 7)*	513,790
Exchange realignments	(127,618)
At 31 March 2013 & 1 April 2013	2,813,221
Charge for the year *(Note 9)*	30,659
Impairment loss *(Note 7)*	84,054
Exchange realignments	(385,456)
At 31 March 2014	**2,542,478**
Net carrying value	
At 31 March 2014	**180,348**
At 31 March 2013	338,595

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.

16. OTHER INTANGIBLE ASSETS *(Continued)*

Mining right *(Continued)*

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

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

(i) Cash flow projection is determined for a period of 14 years up to 2027 (2013: a period of 15 years up to 2027) with the first year of production taken to be from year 2017 (2013: first year of production from year 2017) based on the senior management's current best estimated production plan.

(ii) The post-tax discount rate applied to the cash flow projection is 20.53% (2013: post-tax discount rate of 21.61%).

(iii) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show a decrease of approximately 21% (for both coking coals and steam coals) when compared to that of last year.

(iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (2013: increment of 3% p.a.), which is in line with the comparable market information.

(v) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 31 March 2014 is taken to be 1.00 US Dollar to 35.173 Rubles (31 March 2013: 1.00 US Dollar to 31.056 Rubles).

(vi) The inflation rate on operating costs is 3% p.a. (2013: 3% p.a.)

(vii) 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) and (v) mentioned above, other major assumptions used in the DCF analysis in current year, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that of last year.

The directors of the Company are of the opinion that based on the valuation, the mining right was impaired by HK$84,054,000 (2013: HK$513,790,000) compared with its carrying value as at 31 March 2014. The impairment loss is mainly attributable to the decrease of approximately 21% in the market prices of coking coals and steam coals during the current year as compared to previous year, and the changes in parameters for the other major assumptions in the DCF analysis for items (i), (ii) and (v) mentioned above do not have material impacts on the resultant impairment loss when compared with that of coal prices decreases.

16. OTHER INTANGIBLE ASSETS *(Continued)*

Mining right *(Continued)*

The directors of the Company are also of the opinion that based on the valuation above, property, plant and equipment associated with the mining right was partially impaired compared with their recoverable amounts as at 31 March 2014. Impairment loss of HK$2,168,000 (2013: HK$12,154,000) (Note 15) was recognised for property, plant and equipment associated with the mining right during the current year.

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

Intangible assets	Locations	Expiry Date
Mining right		
Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russian Federation	31 December 2014 (subsequently extended to 1 November 2017 in August 2014)

17. EXPLORATION AND EVALUATION ASSETS

	Total
	HK$'000
Cost	
At 1 April 2012	249,600
Additions	3,462,493
Exchange realignments	24
At 31 March 2013 & 1 April 2013	3,712,117
Additions	12,731
Exchange realignments	(1,859)
At 31 March 2014	**3,722,989**
Accumulated impairment losses	
At 1 April 2012	—
Impairment loss *(Note 7)*	2,723,762
At 31 March 2013 & 1 April 2013	2,723,762
Impairment loss *(Note 7)*	240,944
At 31 March 2014	**2,964,706**
Net carrying value	
At 31 March 2014	**758,283**
At 31 March 2013	988,355

17. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

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

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

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

(i) Cash flow projection is determined for a period of 12 years up to 2025 (2013: a period of 13 years up to 2025) with the first year of production taken to be from year 2016 (2013: first year of production from year 2016) based on the senior management's current best estimated production plan.

(ii) The post-tax discount rate applied to the cash flow projection is 20.53% (2013: 21.61%).

(iii) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show a decrease of approximately 21% (for both coking coals and steam coals) when compared to that of last year.

(iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (2013: 3% p.a.), which is in line with the comparable market information.

(v) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 31 March 2014 is taken to be 1.00 US Dollar to 35.173 Rubles (2013: 1.00 US Dollar to 31.056 Rubles).

(vi) The inflation rate on operating costs is 3% p.a. (2013: 3% p.a.).

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

The directors of the Company are of the opinion that based on the valuation, the exploration and evaluation asset was impaired by HK$240,944,000 (2013: HK$2,723,762,000) compared with its carrying value as at 31 March 2014. The impairment loss is mainly attributable to the decrease of approximately 21% in the market prices of coking coals and steam coals during the current year as compared to previous year, and the changes in parameters for the other major assumptions in the DCF analysis for items (i), (ii) and (v) mentioned above do not have material impacts on the resultant impairment loss when compared with that of coal prices decreases.

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

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

18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**—**	—
Amount due from subsidiaries	**5,943,035**	5,915,080
	5,943,035	5,915,080
Less: Impairment loss on amounts due from subsidiaries	**(5,942,364)**	(5,914,401)
	671	679

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

As at 31 March 2014, an accumulated impairment loss on amounts due from subsidiaries of HK$5,942,364,000 (2013: HK$5,914,401,000) was recognised for the carrying amount on the amounts due from subsidiaries (before deducting the impairment losses) in the amount of HK$5,943,035,000 (2013: HK$5,915,080,000) because the relevant subsidiaries had suffered continuous losses.

Particulars of the principal subsidiaries as at 31 March 2014 were as follows:—

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

Note:

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

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

19. CASH AND CASH EQUIVALENTS

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

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Cash and cash equivalents were denominated in:		
Russian Ruble ("RUB")	**239**	251
Korean Won ("KRW")	**5**	156
United States Dollars ("US$")	**2,568**	270
Hong Kong Dollars ("HK$")	**907**	156
Total	**3,719**	833

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Cash and cash equivalents were denominated in:		
HK$	**895**	217
US$	**2,537**	19
Total	**3,432**	236

20. INTEREST-BEARING BORROWINGS

	The Group & The Company	
	2014	2013
	HK$'000	*HK$'000*
Other Loan 1 *(Note 1)*	**14,500**	14,500
Other Loan 2 *(Note 2)*	**1,000**	—
Other Loan 3 *(Note 3)*	**23,400**	—
Other Loan 4 *(Note 4)*	**289**	—
	39,189	14,500

20. INTEREST-BEARING BORROWINGS *(Continued)*

	The Group & The Company	
	2014	2013
	HK$'000	*HK$'000*
Carrying amount repayable:—		
Within one year or on demand	**39,189**	14,500

Note:

1. Fixed rate loan with independent third party amounted to HK$14,500,000 (2013: HK$14,500,000) ("Other Loan 1"). The weighted average effective interest rate on the fixed rate loan is 10% per annum and repayable after 12 months from the date of drawdown, and the lender agreed to extend the repayment date to 19 August 2016.

2. Other loan in aggregate amount of HK$1,000,000 (2013: Nil) was received from an independent third party ("Other Loan 2"). Other Loan 2 is interest-bearing at 24% per annum and repayable after 3 months from the date of drawdown. As at 14 August 2014, the lender agreed to extend the repayment date to 19 August 2016.

3. Other loan in aggregate amount of US$3,000,000 (equivalent to approximately HK$23,400,000) (2013: Nil) was received from an independent third party ("Other Loan 3"). Other Loan 3 is interest-bearing at 7.5% per annum and repayable after 1 year from the date of drawdown or on demand. As at 18 July 2014, the lender agreed to extend the repayment date to 15 August 2016.

4. Other loan in aggregate amount of KRW40,200,000 (equivalent to approximately HK$289,000) (2013: Nil) was received from a related company of the Group's Korea subsidiary ("Other Loan 4"). Other Loan 4 is interest-bearing at 5% per annum and repayable on 3 February 2015.

21. AMOUNT DUE TO AN EX-DIRECTOR/A SHAREHOLDER

(a) The amount due to an ex-director is unsecured, bears interest at 5% per annum and has no fixed term of repayment.

(b) The amounts due to a shareholder are unsecured and bears interest at the rate of 5%-6% per annum. Part of the amounts due has no fixed term of repayment while the remaining is repayable within three years after the drawdown date.

22. COAL TRADING DEPOSIT RECEIVED

The Group and the Company

As at 31 March 2014, coal trading deposit received represented a deposit of US$3,100,000 (equivalent to approximately HK$24,180,000) (2013: a deposit of US$3,100,000 (equivalent to approximately HK$24,180,000)) received from the then independent third party (the "Coal Purchaser") for future supply of coal by the Group. The Group is required to supply certain quantity of coal of Russian origin to the Coal Purchaser over a period of five years starting not later than one month from 1 November 2014. The deposit is unsecured and non-interest bearing, except interest of 5% per annum will be applied and the full amount of the deposit is refundable if the Group cannot supply coal of Russian origin to the Coal Purchaser within one month from 1 November 2014.

22. COAL TRADING DEPOSIT RECEIVED *(Continued)*

At the end of the reporting period, the Coal Purchaser holds approximately 10.42% of the total issued share capital of the Company.

During the year, the coal trading deposit received was transferred to an independent third party (the "New Coal Deposit Holder") on 3 March 2014.

23. CONVERTIBLE NOTE PAYABLES

The Group and the Company

(i) Convertible note

In prior year, the Third Convertible Note with a principal amount of US$443,070,000 (equivalents to approximately HK$3,455,946,000) was issued to Cordia in accordance with the terms of the Acquisition Agreement. As the last of certain conditions has been fulfilled on 27 March 2013, as (i) the mining license for Lot 2 of the Coal Mine was obtained by the Russian Subsidiary in November 2010; and (ii) a technical report has been issued by a technical expert acceptable to the Purchaser and Vendor on 27 March 2013 confirming the proved and probable coal reserves of Lot 2 of the Coal Mine being not less than 12,000,000 tonnes. In fact, such technical report confirmed that the proved and probable coal reserves of Lot 2 of the Coal Mine were 14,910,000 tonnes.

The exercise of the derivative component embedded in the Third Convertible Note would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. Accordingly, the embedded derivative component of the Third Convertible Note was accounted for as a financial liability. The initial fair value of the derivative component of the Third Convertible Note was determined at US$127,889 (equivalent to approximately HK$998,000) by reference to a valuation carried out by Access Partner Consultancy & Appraisals Limited ("Access Partner") and the liability component of the Third Convertible Note was US$280,089,133 (equivalent to approximately HK$2,184,695,000).

(ii) Measurement of convertible note

The fair value of the derivative components of the Third Convertible Note was determined based on a professional valuation performed by Access Partner using the Hull model at the date of issue, and the change in the fair value of convertible note of HK$998,000 (2013: HK$1,270,253,000) was credited to the profit or loss at the end of the reporting period. The effective interest rate of the liability component of the Third Convertible Note was 12.01%.

23. CONVERTIBLE NOTE PAYABLES *(Continued)*

(ii) Measurement of convertible note (Continued)

The major inputs into the Hull model used to value the Third Convertible Note were based on the following parameters:

	At 31 March 2014	Date of issue At 31 March 2013
Expected volatility	**45.92%**	96.86%
Expected life	**4.0 years**	5.0 years
Risk-free rate	**1.21%**	0.56%
Expected dividend yield	**Nil**	Nil
Bond yield	**Nil**	Nil

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

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

	Convertible notes		
	Liabilities component *HK$'000*	**Derivative component** *HK$'000*	**Total** *HK$'000*
At date of issue	3,455,946	—	3,455,946
Fair value gain on convertible note	(1,271,251)	998	(1,270,253)
At 31 March 2013 and 1 April 2013	2,184,695	998	2,185,693
Imputed interest charge during the year *(Note 8)*	279,696	—	279,696
Fair value gain on convertible note *(Note 7)*	—	(998)	(998)
At 31 March 2014	**2,464,391**	**—**	**2,464,391**

24. PROMISSORY NOTES PAYABLES

		The Group and the Company	
		2014	2013
	Note	***HK$'000***	*HK$'000*
At beginning of the year		**58,174**	104,051
Repaid during the year		**—**	(200)
Imputed interest charged	*8*	**6,082**	6,416
Converted to equity and utilised to settle purchase consideration		**—**	(52,093)
At the end of year and included in non-current liabilities		**64,256**	58,174

In prior years, three unsecured promissory notes in the aggregate principal amount of US$35,000,000 (equivalent to approximately HK$273,000,000) ("Modified PN") were issued by the Company to Cordia, an ex-shareholder of the Company, as a result of a conditional modification deed entered into between the Company and Cordia. The Modified PN was issued on 23 February 2010, and is non-interest-bearing and payable in one lump sum on maturity date of 25 May 2015. The principal amount of the Modified PN is 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 aggregated principal amounts of US$9,000,000 (equivalent to approximately HK$70,200,000) to the then three independent third parties (the "Three New PN Holders").

In prior year, Three New PN Holders entered into subscription agreements with the Company for the subscription of a total 124,072,110 new ordinary shares of the Company respectively, at the subscription price of HK$0.5658 per share (the "Subscriptions"). The total aggregate nominal consideration for the Subscriptions was US$9,000,000 (equivalent to approximately HK$70,200,000).

The Subscriptions were completed on 21 May 2012 and was settled in full by discharging the equivalent carrying amount of the Modified PN held by the Three New PN Holders in the aggregate amount of US$6,678,600 (equivalent to approximately HK$52,093,000). The difference of HK$2,464,000 between the market value of the shares of the Company issued for the Subscriptions in the aggregate amount of HK$49,629,000 and carrying amount of the Modified PN of US$6,678,600 (equivalent to approximately HK$52,093,000) discharged was credited to the profit or loss in prior year.

During the year, an imputed interest of HK$6,082,000 (2013: HK$6,416,000) was charged to profit or loss. The remaining outstanding Modified PN is classified as non-current liabilities and carried on the amortised cost basis until extinguished on redemption. As at the end of the reporting period, the carrying amount of the Modified PN was HK$64,256,000 (2013: HK$58,174,000).

25. DEFERRED TAXATION

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

	HK$'000
At 1 April 2012	93
Charge to the consolidated financial statements	400
Exchange realignments	(5)
At 31 March 2013 & 1 April 2013	488
Charge to the consolidated financial statements	(460)
Exchange realignments	(28)
At 31 March 2014	—

At 31 March 2014, the Group had unused tax losses of HK$42,366,000 (2013: HK$35,790,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2014 and 2013 in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group entities. There was no other significant unrecognised deferred tax as at 31 March 2014 and 2013.

26. SHARE CAPITAL

	Number of shares		**Nominal value**	
	2014	2013	**2014**	2013
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares of HK$0.2 each (2013: HK$0.2 each)	**5,000,000,000**	5,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of year	**508,442,763**	228,070,653	**101,689**	45,614
Placements of new shares after share consolidation *(Note i, ii & iii)*	—	278,072,110	**—**	55,615
Issue of shares on exercise of share options *(Note iv & v)*	**—**	2,300,000	**—**	460
At end of year	**508,442,763**	508,442,763	**101,689**	101,689

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

26. SHARE CAPITAL *(Continued)*

Notes:

(i) During the year ended 31 March 2013, an aggregate of 124,072,110 new ordinary shares at par value of HK$0.2 each were issued at subscription price of HK$0.5658 to the Three New PN Holders, to discharge part of the Modified PN with aggregate principal amount of approximately US$9,000,000 (equivalent to approximately HK$70,200,000). The fair value of the 124,072,110 new ordinary shares of the Company issued was HK$49,629,000 determined with reference to the market share price of HK$0.4 per share on the issuance date, of which HK$24,815,000 was credited to share capital and HK$24,477,000 (net of issue expenses) was credited to share premium.

(ii) During the year ended 31 March 2013, an aggregate of 70,000,000 new ordinary shares at par value of HK$0.2 each were issued to ACME Prefect Limited, at subscription price of HK$0.25 each. The aggregate consideration was approximately HK$17,500,000, of which HK$14,000,000 was credited to share capital and HK$3,416,000 (net of issue expenses) was credited to share premium.

(iii) During the year ended 31 March 2013:—

(1) an aggregate of 28,200,000 new ordinary shares at par value of HK$0.2 each were issued to Kim Chul at a subscription price of HK$0.26 each. The aggregate consideration was approximately HK$7,332,000, of which HK$5,640,000 was credited to share capital and HK$1,617,000 (net of issue expenses) was credited to the share premium.

(2) an aggregate of 13,800,000 new ordinary shares at par value of HK$0.2 each were issued to Wonang Industries Co., Ltd. at a subscription price of HK$0.26 each. The aggregate consideration was approximately HK$3,588,000, of which HK$2,760,000 was credited to share capital and HK$792,000 (net of issue expenses) was credited to the share premium.

(3) an aggregate of 42,000,000 new ordinary shares at par value of HK$0.2 each were issued to Keystone Global Co. Ltd. at a subscription price of HK$0.26 each. The aggregate consideration was approximately HK$10,920,000, of which HK$8,400,000 was credited to share capital and HK$2,409,000 (net of issue expenses) was credited to the share premium.

(4) The total subscription price of all the Subscription shares, being HK$21,840,000 (equivalent to approximately US$2,800,000), has been settled by setting off with the US$2,800,000 (equivalent to approximately HK$21,840,000) outstanding aggregate principal amount of Loan Agreements with the three subscribers.

(iv) During the year ended 31 March 2013, 300,000 new ordinary share of par value HK$0.2 each were issued at subscription price of HK$0.355 each on exercise of 300,000 share options at an aggregate consideration of HK$106,000 of which HK$60,000 was credited to share capital and the remaining balance of HK$46,000 was credited to the share premium. In addition, an amount attributable to the related share options of HK$32,000 has been transferred from equity-settled share option reserve to the share premium.

(v) During the year ended 31 March 2013, 2,000,000 new ordinary share of par value HK$0.2 each were issued at subscription price of HK$0.355 each on exercise of 2,000,000 share options at an aggregate consideration of HK$710,000 of which HK$400,000 was credited to share capital and the remaining balance of HK$310,000 was credited to the share premium. In addition, an amount attributable to the related share options of HK$212,000 has been transferred from equity-settled share option reserve to the share premium.

27. RESERVES

The Company

	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 2012	1,689,092	1,007	23,496	(825,359)	888,236
Total comprehensive expenses for the year	—	—	—	(3,337,337)	(3,337,337)
Placement of new shares *(note 26 i, ii & iii)*	32,711	—	—	—	32,711
Issue of shares on exercise of share options *(Note 26 iv & v)*	600	(244)	—	—	356
Waiver of interests on early settlement of amount due to an ex-shareholder *(Note 33(i))*	—	—	11	—	11
At 31 March 2013 & 1 April 2013	1,722,403	763	23,507	(4,162,696)	(2,416,023)
Total comprehensive expenses for the year	—	—	—	(325,688)	(325,688)
At 31 March 2014	**1,722,403**	**763**	**23,507**	**(4,488,384)**	**(2,741,711)**

Note:

At the end of reporting period, the equity-settled share option reserve and capital reserve of the Company represents respectively (i) the fair value of the outstanding share options of the Company at the respective grant dates; (ii) the amount of interest charged on amount due to an ex-shareholder of the Company that was waived as a result of early settlement on the principal balance of the amount due to that ex-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 24 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.

28. SHARE OPTION SCHEME

The Company has two share option schemes.

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

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

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

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

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

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

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

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

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

28. SHARE OPTION SCHEME *(Continued)*

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2014:

Name or category of participant	At 1/4/2013 *Number*	Exercised during the year *Number*	At 31/3/2014 *Number*	Date of grant of share options	Exercise period of share options	Exercise price of share options *HK$*
Executive director						
— Lim Ho Sok	2,000,000	—	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Non-executive director						
— Pang Ngoi Wah Edward	2,000,000	—	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Employees and consultants other than directors						
— In aggregate	580,000	—	580,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	4,580,000	—	4,580,000			

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2013:

Name or category of participant	At 1/4/2012 *Number*	Exercised during the year *Number*	At 31/3/2013 *Number*	Date of grant of share options	Exercise period of share options	Exercise price of share options *HK$*
Executive director						
— Lim Ho Sok	2,000,000	—	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Non-executive director						
— Pang Ngoi Wah Edward	2,000,000	—	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Employees and consultants other than directors						
— In aggregate	2,880,000	(2,300,000)	580,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	6,880,000	(2,300,000)	4,580,000			

28. SHARE OPTION SCHEME *(Continued)*

Note:

The exercise price of share options outstanding at the end of the year was HK$0.355 (2013: HK$0.355) and their weighted average remaining contractual life was 7.83 years (2013: 8.83 years).

The total number of share options outstanding as at 31 March 2014 was 4,580,000 (2013: 4,580,000) all of which were exercisable as at that date.

The weighted average share price at the date of exercise of share options exercised during the current year was HK$Nil (2013: HK$0.355).

At 31 March 2014, the Company had 4,580,000 (2013: 4,580,000) share options outstanding under the Old Scheme, representing 0.9% (2013: 0.9%) of the Company's issued share capital. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 31 March 2014, result in the issue of 4,580,000 (2013: 4,580,000) additional ordinary shares of HK$0.2 (2013: HK$0.2) each of the Company, additional share capital of HK$916,000 (2013: HK$916,000) and additional share premium of approximately HK$710,000 (2013: HK$710,000) (before issue expense). In addition, amount attributable to the related share options of HK$763,000 (2013: HK$763,000) would be transferred from equity-settled share option reserve to the share premium account.

Valuation of share options

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

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

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

28. 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, which the share options must be exercised in any event not later than 10 years or a shorter period as specified, from the date of grant. The Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

During the year ended 31 March 2014 and 2013, no option has been granted under the New Scheme since the adoption date to the date of this report.

29. 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 taxation 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.

During the year, 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$3,328,000).

30. OPERATING LEASE COMMITMENTS

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

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

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Within one year	**2,169**	2,881
In the second to fifth years, inclusive	**—**	2,092
Over five years	**—**	—
	2,169	4,973

31. CAPITAL COMMITMENTS

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

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Exploration related contracts	**9,283**	5,158
Property, plant and equipment	**431**	708

32. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	The Group	
	2014	2013
	HK$'000	*HK$'000*
At beginning of year	**2,065**	1,971
Provision during the year *(Note 9)*	**165**	201
Exchange realignments	**(295)**	(107)
At end of year	**1,935**	2,065

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

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

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

33. RELATED PARTY TRANSACTIONS

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

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

The amount drawn by the Group under the above loan facilities amounted to approximately HK$31,564,000 as at 31 March 2014 (2013: approximately HK$49,552,000). In a letter to the Company dated 23 July 2014, Cordia undertook not to demand payment of any of the loans to the Group before 31 August 2016, as set out in Note 38. Accordingly, this amount has been classified as a non-current liability as at 31 March 2014 and 2013. The balance is unsecured and bears interest at the rate of 0-8% per annum.

In prior year before Cordia disposed of all its shares of the Company, Cordia have agreed to waive a portion of the interest charged US$1,400 (equivalent to approximately HK$11,000) on the amount due in view of the early settlement on the principal loan due to Cordia. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company in the current year (Note 27).

After Cordia ceased to be a shareholder of the Company, Cordia also agreed to waive the interest charged in the total of US$37,500 (equivalent to approximately HK$293,000) on the amount due in view the early settlement on part of the principal loan. Such amount was credited to the profit or loss in prior year.

33. RELATED PARTY TRANSACTIONS *(Continued)*

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

Name of Company	Relationship	Nature of transaction	2014	2013
			HK$'000	HK$'000
Cordia Global Limited	Related party	Interest expenses thereto	**1,010**	1,871
Lim Ho Sok	Ex-director	Interest expenses thereto	**518**	1
Choi Jun Ho	Ex-director	Interest expenses thereto	**18**	1
Choi Sung Min	Shareholder	Interest expenses thereto	**—**	2
Keystone Global Co. Ltd.	Shareholder	Interest expenses thereto	**—**	152
Kim Chul	Shareholder	Interest expenses thereto	**—**	104
Wonang Industries Co., Ltd.	Shareholder	Interest expenses thereto	**—**	51
Goldwyn Management Limited	Shareholder	Interest expenses thereto	**987**	—
ACME Perfect Limited	Shareholder	Interest expenses thereto	**—**	228

(iii) Members of key management personnel during the year comprised only of the executive directors of the Company whose remuneration is set out in Note 10(a).

34. LITIGATIONS

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

(i) The Company/Its Subsidiary as the Defendant

Legal Proceedings Taken By Former Shareholders of a Russian Subsidiary

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

34. LITIGATIONS *(Continued)*

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

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

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

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

The Group and the Third Claimant entered into an amicable agreement dated 13 May 2013 to settle the Third Claim by three instalments. In February 2014, US$100,000 (approximately HK$780,000) was paid. The Third Claimant also threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the Third Claim. As of the date of this announcement, the outstanding amount of the Third Claim is US$238,000 (approximately HK$1,856,400), which had been also fully provided for since 31 March 2013.

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

On 26 April 2013 at the hearing of the inter partes summons, the High Court of Hong Kong granted an interim injunction restraining, among other things, certain shareholders of the Company from (a) disposing of or in any way dealing with, and (b) exercising voting rights of, their respective shares in the Company until further order.

As further announced by the Company on 16 August 2013, some of the defendants subsequently applied to vary the above injunction order, but such application was dismissed by the High Court of Hong Kong on 23 September 2013 (as announced by the Company on 16 October 2013). The legal action has not progressed further or gone to trial. It has been dormant since February 2014. The injunction order granted on 26 April 2013 however still remains in force.

The Company is sued as a nominal defendant only as the disputes concern the ownership of the shares in the Company. Preliminary assessment reveals that the legal action is unlikely to have any unfavourable outcome on the Company.

34. LITIGATIONS *(Continued)*

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

HCA 721 of 2013

As announced by the Company on 13 May 2013, Park Seung Ho and Skyline Merit Limited (a shareholder of the Company) as the plaintiffs on 30 April 2014 issued a writ of summons in the High Court of Hong Kong (HCA 721 of 2013) against certain persons (including certain shareholders of the Company and certain the then directors of the Company) and the Company. It was alleged as a derivative action, and the complaints of it concerned, inter alia, the Company's 2008 acquisition of the Russian coal mines. The plaintiffs also alleged that the Third Convertible Note issued by the Company on 3 April 2013 was improperly issued in that the two condition precedents had not been fulfilled.

As further announced by the Company on 5 June 2013, the plaintiffs filed a Notice of Discontinuance with the High Court of Hong Kong on 31 May 2013, whereby the plaintiffs wholly discontinued the legal action.

Cause No. FSD 110 of 2013 (AJJ)

As announced by the Company on 10 August 2013, Keystone Global Co., Ltd ("**Keystone**") (an existing shareholder of the Company) served on the Company in Cayman Islands a document titled "statutory demand" dated 1 August 2013 in relation to the coal trading deposit of US$3,100,000 (approximately HK$24,180,000). Keystone also threatened to wind up the Company if it failed to return the deposit by 22 August 2013.

As further announced by the Company on 27 August 2013, the Company issued an originating summons in the Grand Court of the Cayman Islands on 20 August 2013 against Keystone to set aside the statutory demand and an injunction restraining Keystone from presenting a winding up petition against the Company based upon the statutory demand (Cause No. FSD 110 of 2013 (AJJ)). A hearing of the ex parte summons was held on 22 August 2013 and the Cayman Court granted an interlocutory injunction order in favour of the Company, by which, inter alia, Keystone was restrained from presenting a winding up petition against the Company based upon the statutory demand until after the hearing of the originating summons or a further order of the Cayman Court in the meantime.

As further announced by the Company on 18 October 2013, the Company accepted Keystone's proposal to end the action, upon Keystone's undertaking to the Company and the Cayman Court that it would not on or before 31 December 2013 present a petition seeking the winding up of the Company based upon the statutory demand. Hence, the injunction was discharged and the action was dismissed on 11 October 2013.

As further announced by the Company on 13 December 2013, Keystone had withdrawn all statutory demands made against the Company.

34. LITIGATIONS *(Continued)*

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

HCA 206 of 2014

As announced by the Company on 7 February 2014, Park Seung Ho (the same plaintiff in HCA 721 of 2013) as the plaintiff on 30 January 2014 issued a writ of summons in the High Court of Hong Kong (HCA 206 of 2014) against certain persons (including certain shareholders of the Company and certain the then directors of the Company) and the Company. It was alleged as a derivative action, and the complaints of it concerned, inter alia, the Company's 2008 acquisition of the Russian coal mines. The plaintiff also alleged that the Third Convertible Note was improperly issued, and made complaints of misrepresentation, fraud and some other serious accusations.

As further announced by the Company on 23 June 2014, the plaintiff filed a Notice of Discontinuance with the High Court of Hong Kong on 18 June 2014, whereby the plaintiff wholly discontinued the legal action.

HCA 227 of 2014

As announced by the Company on 12 February 2014, Jeong Keun Hae as the plaintiff on 8 February 2014 issued a writ of summons in the High Court of Hong Kong (HCA 227 of 2014) against certain persons (including a certain shareholder of the Company and certain the then directors of the Company) and the Company. The complaints of it concerned, inter alia, the Company's 2008 acquisition of the Russian coal mines. The plaintiff also alleged that the Third Convertible Note was improperly issued and thus demanded the rescission, and made complaints of misrepresentation, fraud and some other serious accusations (including the technical report signed by Dr. Herman Tso).

As further announced by the Company on 23 June 2014, the plaintiff filed a Notice of Discontinuance with the High Court of Hong Kong on 18 June 2014, whereby the plaintiff wholly discontinued the legal action.

HCA 1151 of 2014

As announced by the Company on 27 June 2014, Chi Chang Hyun (also known as Charles Chi or Charles Zhi) as the plaintiff on 23 June 2014 issued a writ of summons in the High Court of Hong Kong (HCA 1151 of 2014) against certain persons (including a certain shareholder of the Company and all existing directors of the Company) and the Company. It was alleged as a derivative action. The complaints of it concerned, inter alia, the Company's 2008 acquisition of the Russian coal mines. The plaintiff also alleged that the Third Convertible Note was improperly issued and thus demanded the rescission, and made complaints of misrepresentation, fraud and some other serious accusations (including the technical report signed by Dr. Herman Tso, false drillings, etc.).

On 21 January 2015, the High Court of Hong Kong allowed the plaintiff's application to discontinue his claims against certain defendants, and on 28 January 2015, he was allowed by the High Court of Hong Kong to amend his statement of claims accordingly.

34. LITIGATIONS *(Continued)*

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

HCA 1151 of 2014 *(Continued)*

On 6 February 2015, the High Court of Hong Kong dismissed the plaintiff's application for an injunction order to restrain the Company from taking certain actions.

On 17 March 2015, the Company's existing directors (the 1st to 6th defendants) and an ex-director of the Company (Mr. Lim Ho Sok, being the 7th defendant) took out an application to strike out the legal action. The date for the substantial hearing on the strike out application is yet to be fixed.

HCCW 282 of 2014

As announced by the Company on 16 September 2014, a document dated 1 September 2014 and purported to be a statutory demand was sent from Hyon Hi Hun (the father-in-law of Chi Chang Hyun (also known as Charles Chi or Charles Zhi)). In such document, Hyon Hi Hun alleged that he was holding an US$2,000,000 (approximately HK$15,600,000) promissory note issued by the Company and claimed a sum of US$1,857,837 (approximately HK$14,491,129) from the Company in respect of the promissory note.

As further announced by the Company on 17 October 2014, the Company received a petition (the "**Petition**") filed by Hyon Hi Hun on 10 October 2014 with the High Court of Hong Kong (HCCW 282 of 2014). Pursuant to such Petition, Hyon Hi Hun alleged that the Company was indebted to him in the sum of US$2,000,000 (approximately HK$15,600,000) in respect of a promissory note issued by the Company, and petitioned to wind up the Company.

As further announced by the Company on 30 January 2015, the Company made an application on 8 December 2014 to strike out the Petition. The substantive hearing of the said application would be held on 13 March 2015.

As further announced by the Company on 25 March 2015, the strike out application was successfully granted, and the Company on 20 March 2015 obtained the sealed Court Order which directed that the Petition be struck out and do stand dismissed. The Company is currently seeking to recover legal costs from Hyon Hi Hun and Charles Zhi (who had acted as the contributory in the Petition).

HCA 2247 of 2014

As announced by the Company on 21 November 2014, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 5 November 2014 issued a writ of summons in the High Court of Hong Kong (HCA 2247 of 2014) against certain persons (including a certain shareholder of the Company and ex-directors of the Company) and the Company. It was alleged as a derivative action. The complaints of it concerned, inter alia, the Company's 2008 acquisition of the Russian coal mines. The plaintiff also alleged that the First Convertible Note, the Second Convertible Note and the Third Convertible Note should not be issued and thus demanded the rescission, and made complaints, inter alia, on the SRK technical report issued in 2008.

34. LITIGATIONS *(Continued)*

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

HCA 2247 of 2014 *(Continued)*

On 9 January 2015, an ex-director of the Company (Mr. Lim Ho Sok, being the 4th defendant) took out an application to strike out the legal action, and alternatively to seek security for costs from the plaintiff in the event that the High Court of Hong Kong is not prepared to strike out the legal action. The date for the substantial hearing on the strike out application has been fixed on 25 August 2015.

HCA 43 of 2015

As announced by the Company on 20 January 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 7 January 2015 issued a writ of summons in the High Court of Hong Kong (HCA 43 of 2015) against certain persons (including a certain shareholder of the Company, an existing director and an ex-director of the Company) and the Company. The plaintiff made rather similar allegations as that in his other legal actions in HCA 1151 of 2014 and HCA 2247 of 2015, relating, inter alia, the Company's 2008 acquisition of the Russian coal mines, the SRK technical report issued in 2008, the US$2,000,000 (approximately HK$15,600,000) promissory note as referred to in HCCW 282 of 2014, the Third Convertible Note, etc.

The current deadline for the Company to file the statement of defence is 6 May 2015.

HCA 160 of 2015

As announced by the Company on 30 January 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 19 January 2015 issued a writ of summons in the High Court of Hong Kong (HCA 160 of 2015) against certain persons (including a certain shareholder of the Company and an ex-director of the Company) and the Company. The plaintiff made rather similar allegations as that in his other legal actions in HCA 1151 of 2014, HCA 2247 of 2015 and 43 of 2015, relating, inter alia, the Company's 2008 acquisition of the Russian coal mines, the SRK technical report issued in 2008, the promissory note as referred to in HCCW 282 of 2014, the First Convertible Note, the Second Convertible Note, the Third Convertible Note, the technical report signed by Dr. Herman Tso, etc.

On 19 March 2015, the High Court of Hong Kong dismissed the plaintiff's application for orders to restrain the Company from taking certain actions.

The current deadline for the Company to file the statement of defence is 13 May 2015.

34. LITIGATIONS *(Continued)*

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

HCA 168 of 2015

As announced by the Company on 30 January 2015, Hyon Hi Hun (the same person making the petition in HCCW 282 of 2014, and being the father-in-law of Charles Zhi) as the plaintiff on 20 January 2015 issued a writ of summons in the High Court of Hong Kong (HCA 168 of 2015) against certain persons (including a certain shareholder of the Company and an ex-director of the Company) and the Company. The plaintiff made rather similar allegations as that in his petition in HCCW 282 of 2014, and his complaints mainly concerned, inter alia, an US$2,000,000 (approximately HK$15,600,000) promissory note issued by the Company, and some other accusations (including use of false instrument and fraud).

The current deadline for the Company to file the statement of defence is 13 May 2015.

HCA 284 of 2015

As announced by the Company on 23 February 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 5 February 2015 issued a writ of summons in the High Court of Hong Kong (HCA 284 of 2015) against certain persons (including certain shareholders of the Company, certain existing directors and an ex-director of the Company) and the Company. The complaints in the legal action concerned, inter alia, the plaintiff's own disputes with a certain ex-shareholder, certain existing shareholders and a certain alleged beneficial owner of shares of the Company, and an US$2,000,000 (approximately HK$15,600,000) promissory note issued by the Company.

The current deadline for the Company to file the statement of defence is 15 May 2015.

HCA 347 of 2015

As announced by the Company on 9 March 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 14 February 2015 issued a writ of summons in the High Court of Hong Kong (HCA 347 of 2015) against certain persons (including certain existing directors and an ex-director of the Company) and the Company. The Company received the writ of summons on 23 February 2015. It was alleged as a derivative action, and the complaints of it concerned mainly, inter alia, the conducts and alleged conflict of interest of the Company's legal adviser.

The current deadline for the Company to file the statement of defence is 13 May 2015.

(ii) The Company as the Plaintiff

Civil Proceedings Taken by the Company Against Three Former Directors of the Company

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.

34. LITIGATIONS *(Continued)*

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

Civil Proceedings Taken by the Company Against Three Former Directors of the Company *(Continued)*

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 against these three former executive directors to claim damages in the total sum of approximately HK$18,980,000. In pursuing the proceedings, mediation has been sought with a view to settle the matter according to the Civil Justice Reform. Senior Counsel has advised the Company to consider negotiations for a settlement for the sake of saving time and legal costs, provided that the ultimate settlement amount is desirable and acceptable. Any settlement arrangement shall be subject to approval by the court.

However, no settlement arrangement has been reached and the Company proceeds further with the action against these three former directors. All the pleadings were filed, the process of discovery completed, and witnesses statements of the parties were 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.

As at the date of this announcement, the Company has finalized the engagement of new solicitors to act for the Company so as to further proceed with the case.

HCMP 443 of 2015

The originating summons of this legal action was issued by the Company as the plaintiff against Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the defendant on 22 February 2015, by which the Company claims against Charles Zhi for the orders that, inter alia, (i) Charles Zhi be restrained or otherwise be prohibited from commencing or issuing any fresh claims or proceedings in any court in Hong Kong by whatever originating process without first obtaining approval from the High Court of Hong Kong; (ii) alternatively Charles Zhi be restrained or otherwise be prohibited from commencing or issuing in any court in Hong Kong any fresh claims or proceedings by whatever originating process concerning any matter involving or relating to or touching upon or leading to proceedings in relation to HCA 206 of 2014, HCA 227 of 2014, HCA 1151 of 2014, HCCW 282 of 2014, HCA 2247 of 2014, HCA 43 of 2015, HCA 160 of 2015, HCA 168 of 2015, HCA 284 of 2015, HCA 347 of 2015, and any other proceeding which Charles Zhi may commence in the interim time, without first obtaining approval from the High Court of Hong Kong; (iii) Charles Zhi be restrained or otherwise be prohibited from corresponding or in any way communicating with the Hong Kong Stock Exchange or the Securities and Futures Commission with respect to any matter involving or relating to or touching upon the Company, without first obtaining approval from the High Court of Hong Kong; and (iv) if Charles Zhi, without first obtaining approval from the High Court of Hong Kong, commences or issues a fresh claim or proceeding against the Company, that fresh claim or proceeding shall automatically be dismissed without further order of the Court or action by any other party or person.

Up to the latest file search at the High Court of Hong Kong on 8 April 2015, it appears that Charles Zhi has not filed any acknowledgment of service of proceedings and/or any affirmation in opposition before the prescribed deadlines. The Company will proceed with the fixing of a date for substantive hearing.

35. CAPITAL RISK MANAGEMENT

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

The Group monitors its capital position by monitoring its gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated statement of financial position, including amount due to a shareholder, amounts due to related parties and promissory notes payable. Total capital is calculated as "equity attributable to owners of the Company", as shown in the consolidated statement of financial position, plus borrowings. The gearing ratios of the Group at 31 March 2014 and 2013 were as follows:

	2014	2013
	HK$'000	*HK$'000*
Total borrowings	**172,579**	123,127
Equity	**1,732,953**	1,028,931
Total capital	**1,905,532**	1,152,058
Gearing ratio	**9.1%**	10.7%

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

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

36. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

The Group

	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables		
Financial assets included in other receivables, deposit and prepayment	**2,628**	1,763
Cash and cash equivalents	**3,719**	833
	6,347	2,596
Financial liabilities		
Other payables, accrued expenses and trade deposit received	**22,724**	11,454
Coal trading deposit received	**24,180**	24,180
Interest-bearing borrowings	**39,189**	14,500
Amount due to an ex-director	**13,084**	901
Amount due to a shareholder	**24,486**	—
Purchase consideration payable for additional acquisition	**3,328**	10,140
Amount due to a related party	**31,564**	49,552
Convertible note payables	**2,464,391**	2,185,693
Promissory notes payables	**64,256**	58,174
	2,687,202	2,354,594

The Company

	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Loan and receivables		
Financial assets included in other receivables, deposit and prepayment	**638**	605
Cash and cash equivalents	**3,432**	236
	4,070	841
Financial liabilities		
Other payables and accrued expenses	**8,485**	5,521
Coal trading deposit received	**24,180**	24,180
Interest-bearing borrowings	**38,900**	14,500
Amount due to an ex-director	**13,084**	901
Amount due to a shareholder	**24,486**	—
Amount due to a related party	**6,982**	26,884
Convertible note payables	**2,464,391**	2,185,693
Promissory notes payables	**64,256**	58,174
	2,644,764	2,315,853

37. FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Foreign currency risk

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

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

(ii) Cash flow and fair value interest rate risk

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

(b) Credit risk

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

(c) Liquidity risk

The Group's policy to manage liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from lenders and shareholders to meet its liquidity requirements in the short and longer term. The Group relies on borrowings as a significant source of liquidity as set out in Note 3(b).

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

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

The Group	Carrying amount	Total contractual undiscounted cash flow	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2014							
Other payables and accrued expenses	**22,724**	**22,724**	**22,724**	**—**	**—**	**—**	**—**
Amount due to a related party	**31,564**	**32,954**	**9,242**	**1,194**	**—**	**22,518**	
Amount due to a shareholder	**24,486**	**25,042**	**5,485**	**3,041**	**16,516**	**—**	**—**
Amount due to an ex-director	**13,084**	**13,084**	**13,084**	**—**	**—**	**—**	**—**
Promissory notes payables	**64,256**	**72,160**	**—**	**—**	**—**	**72,160**	**—**
Convertible note payables	**2,464,391**	**3,974,338**	**—**	**—**	**—**	**3,974,338**	**—**
Coal trading deposit received	**24,180**	**26,195**	**—**	**—**	**26,195**	**—**	**—**
Purchase consideration payables for additional acquisition	**3,328**	**3,328**	**3,328**	**—**	**—**	**—**	**—**
Interest-bearing borrowings	**39,189**	**39,335**	**37,900**	**—**	**1,435**	**—**	**—**
	2,687,202	**4,209,160**	**91,763**	**4,235**	**44,146**	**4,069,016**	**—**
At 31 March 2013							
Other payables and accrued expenses	11,454	11,454	11,454	—	—	—	—
Amount due to a related party	49,552	53,415	8,231	—	—	45,184	—
Amount due to a director	901	901	901	—	—	—	—
Promissory notes payables	58,174	72,160	—	—	—	72,160	—
Convertible note payables	2,185,693	3,974,338	—	—	—	—	3,974,338
Coal trading deposit received	24,180	26,195	—	—	—	26,195	—
Purchase consideration payables for additional acquisition	10,140	10,140	10,140	—	—	—	—
Interest-bearing borrowings	14,500	15,157	—	—	15,157	—	—
	2,354,594	4,163,760	30,726	—	15,157	143,539	3,974,338

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

The Company	Carrying amount	Total contractual undiscounted cash flow	On demand	Less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2014							
Other payables and accrued expenses	**8,485**	**8,485**	**8,485**	**—**	**—**	**—**	**—**
Amount due to a related party	**6,982**	**7,254**	**2,647**	**4**	**—**	**4,603**	**—**
Amount due to a shareholder	**24,486**	**25,042**	**5,485**	**3,041**	**16,516**	**—**	**—**
Amount due to an ex-director	**13,084**	**13,084**	**13,084**	**—**	**—**	**—**	**—**
Promissory notes payables	**64,256**	**72,160**	**—**	**—**	**—**	**72,160**	**—**
Convertible note payables	**2,464,391**	**3,974,338**	**—**	**—**	**—**	**3,974,338**	**—**
Interest-bearing borrowings	**38,900**	**39,035**	**37,900**	**—**	**1,135**	**—**	**—**
Coal trading deposit received	**24,180**	**26,195**	**—**	**—**	**—**	**26,195**	**—**
	2,644,764	**4,165,593**	**67,601**	**3,045**	**17,651**	**4,077,296**	**—**
At 31 March 2013							
Other payables and accrued expenses	5,521	5,521	5,521	—	—	—	—
Amount due to a related party	26,884	29,225	2,042	—	—	27,183	—
Amount due to a director	901	901	901	—	—	—	—
Promissory notes payables	58,174	72,160	—	—	—	72,160	—
Convertible note payables	2,185,693	3,974,338	—	—	—	—	3,974,338
Interest-bearing borrowings	14,500	15,157	—	—	15,157	—	—
Coal trading deposit received	24,180	26,195	—	—	—	26,195	—
	2,315,853	4,123,497	8,464	—	15,157	125,538	3,974,338

37. FINANCIAL RISK MANAGEMENT *(Continued)*

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

The Group

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

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

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

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

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

At 31 March 2014 and 2013, the only financial instruments of the Company carried at fair value were other intangible assets, exploration and evaluation assets and prepayment for acquisition of exploration and mining rights and convertible notes payables. These instruments fall into Level 2 of the fair value hierarchy described above.

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(a) On 14 August 2014, the lender of Other Loan 2, as defined in Note 20, with an independent third party for an aggregate amount of HK$1,000,000 agreed not to demand for repayment of the amount due before 19 August 2016.

(b) On 23 July 2014, the New Coal Deposit Holder referred to in Note 22 has issued a letter to the Company whereby the New Coal Deposit Holder agreed to extend the date of repayment of the coal trading deposit together with the related interests to 30 November 2016.

(c) On 4 August 2014, 27 October 2014 and 22 January 2015, the Company entered into loan agreements with an independent third party who has agreed to make a loan facilities to the Group amount of US$1,000,000, US$1,300,000 and US$1,500,000 respectively. On 18 July 2014, the lender agreed not to demand for repayment of the amounts due in respect of the loan amount of US$3,750,000 before 15 August 2016.

(d) On 18 July 2014, two previous legal proceedings were discontinuous by the plaintiffs.

(e) On 21 July 2014, 14 August 2014 and 15 August 2014, three promissory notes holders agreed not to demand for repayment of the amounts due before 25 August 2016.

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

(f) On 23 July 2014, the director, the shareholder and the related party agreed not to demand for repayment of the amounts due before 31 August 2016.

(g) On 15 August 2014, the lender of Other Loan 1, as defined in Note 20, has agreed not to demand for repayment for the amount due before 19 August 2016.

(h) On 9 February 2015, an agreement was obtained from certain shareholders that they agreed to subscribe the issued new shares after the trading in the shares on the Stock Exchange has resumed.

(i) On 9 February 2015, the Company entered into a loan facilities agreement from a director and also the Chairman of the Board of the Company to provide continuous financial support to the Group. A loan facility of up to HK$400,000,000 to the Group for the 18 months period commencing from 9 February 2015.

(j) Subsequent to the reporting period, the licence of Lot 1 for the mining right was renewed and the new expiry date was 1 November 2017.

(k) Subsequent to the reporting period, several writ of summon were raised by certain shareholders and debt holder against the Company. Detail please refer to Note 34.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The auditor expresses an unqualified opinion in the independent auditor's report, but wishes to draw attention by adding the emphasis of matter paragraph as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 3(b) to the consolidated financial statements which indicates that the Group incurred a net loss of HK$684,324,000 for the year ended 31 March 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK$120,644,000. These conditions, along with other matters as set forth in Note 3(b) indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2014, the Group recorded a total turnover of HK$5.9 million (2013: HK$9.5 million), representing a decrease of approximately 37.9% as compared to last corresponding year. The reduction is mainly due to no turnover was recorded from coal trading and aluminium trading, as the Group took a prudent approach to mitigate business risks.

During the year under review, the Group recorded a turnover of HK$5.9 million (2013: HK$1.5 million) from scrapped iron trading, while no turnover was recorded from coal trading (2013: HK$4.2 million) and aluminium trading (2013: HK$3.8m).

Other gains and losses

During the year under review, (i) the gain arising from change in fair value of the Third Convertible Note reduced significantly from HK$1,270.3 million to HK$1.0 million as the issuance and booking of the Third Convertible Note in last corresponding year was not recurring in this year; (ii) the impairment loss on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) decreased from HK$513.8 million to HK$84.1 million mainly due to decrease in international coal prices was less severe; and (iii) the impairment loss on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) also decreased from HK$2,723.8 million to HK$240.9 million mainly due to decrease in international coal prices was less severe.

Administrative and Other Expenses

During the year under review, amortization of mining rights dropped from HK$80.3 million to HK$30.7 million. Staff costs (excluding directors' remuneration) remained more or less at the same level of HK$8.6 million (2013: HK$9.0 million), government fees to Russian Kemerovo City Administration authority increased from HK$2.6 million to HK$8.4 million, and legal and professional fees increased from HK$3.0 million to HK$9.7 million as the Company was get involved in more and more legal proceedings.

Finance costs

During the year under review, the increase in total finance costs from HK$9.7 million to HK$290.5 million is mainly resulted from the imputed interest on the Third Convertible Note of HK$279.7 million (2013: nil), as almost a full year's imputed interest on Third Convertible Note was made in this year after its issuance on 3 April 2013.

Loss Before Income Tax

For the year ended 31 March 2014, the loss before income tax of the Group was HK$684.8 million (2013: HK$2,099.5 million), representing a decrease of 67.4% as compared to the last corresponding year. The decrease in loss is mainly attributable to the combined effects of the above-mentioned factors.

The Company would like to highlight that both the substantial impairment loss of HK$84.1 million (2013: HK$513.8 million) on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) and the substantial impairment loss on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) of HK$240.9 million (2013: HK$2,723.8 million) were just non-cash items arising from year end valuation exercises for accounting purposes, which would not affect the cashflow position of the Group.

OPERATION REVIEW

Mineral Resources and Commodities Trading

Although the price competition in scrapped iron trading remained very keen, its patterns of price fluctuations appeared to be more manageable than that of coal and aluminium. Hence, the Group traded scrapped iron instead of coal and aluminium for the year under review as so to mitigate business risks.

Coal Mining

The second phase of exploration drilling in Lot 2 of the Group's Russian coal mines commenced in May 2013 and more than 6,100 metres in total were drilled by end of October 2013 to complete the license requirements. To further enhance the exploration process, additional drilling was performed, and the total length of approximately 6,920 metres for a total of fourteen boreholes was finally made.

As the mining license of Lot 1 of the Group's Russian coal mines will expire on 31 December 2014, the Group submitted the application for extending the expiry date of the Lot 1 license during first quarter of 2014.

After the approval for separate development of open pit mining from underground mining for Lot 2 of the Group's Russian coal mines by GKZ (which is the State Committee of Reserves under the Russian Federation Ministry of National Resources), the Group made TEO Conditions submission for open pit mining in February 2014.

Geographical

In the year under review, the Republic of Korea ("**Korea**") is the Group's sole market segment which accounted for 100% (2013: 100%) of the total revenue.

PROSPECTS

Looking forward, the year ahead will remain extremely challenging for the Group. The Company will keep focusing on its core businesses, i.e. (i) mineral resources and commodities trading; and (ii) coal mining.

Mineral Resources and Commodities Trading

The Group will maintain its prudent approach in mineral resources and commodities trading business, and will continue to look for long-term strategic business partners. The Group will concentrate its efforts in scrapped iron trading which would be expected as the prime contributor to the Group's turnover in the foreseeable future.

Coal Mining

The Group has successfully completed the second phase of drilling in 2013, and the third phase of drilling is targeted to start in the second half of 2014 as planned. The Group expected that (i) the result on application for extension of the mining license of Lot 1 of the Group's Russian coal mines and (ii) the approval of TEO Conditions by GKZ for open pit mining in Lot 2 of the Group's Russian coal mines will be available in the second half of 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the Group had net current liabilities of HK$120.6 million (2013: HK$58.6 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 5.0% (2013: 4.2%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 8.89% (2013: 3.38%).

The Group generally finances its operations with internally generated cash flows, loans from directors and their associates, and independent third parties, and facilities provided by Cordia Global Limited ("**Cordia**"), a related party of the Company 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$1.5 million (2013: net cash inflow of HK$6.7 million), while the total cash and cash equivalents increased to HK$3.7 million (2013: reduced to HK$0.8 million) as at the end of reporting period.

The management will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities of the Group as at 31 March 2014. 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. During the year, the Company has raised several loans of a total HK$66.5 million (2013: HK$22.0 million) for the Group's daily operation and the coal mining operation.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

LITIGATIONS

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

CAPITAL COMMITMENTS

Details of capital commitments of the Group as at 31 March 2014 as disclosed in Note 31 to the financial statements.

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 31 March 2014 or 31 March 2013.

SHARE OPTION SCHEMES

The Group has adopted share option scheme whereby directors, employees and consultants of the Group may be granted options to subscribe for the new shares of the Company. Details of the share option schemes are set out in Note 28 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2014, the Group had approximately 29 (2013: 28) staff in Hong Kong, Russia and Korea. Remuneration policy is reviewed by the management periodically and is determined by reference to industry practice, company performance, and individual qualifications and performance. Remuneration packages comprised salary, commissions and bonuses based on individual performance. Share options may also be granted to eligible employees of the Group.

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 2014.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend in respect of the financial year ended 31 March 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The existing audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive directors of the Company, chaired by Mr. Kwok Kim Hung Eddie and the other two members are Mr. Lai Han Zhen and Mr. Park Kun Ju. The annual results of the Group for the year ended 31 March 2014 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

During the year ended 31 March 2014, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules, except for the deviations as described below:

(i) Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("**CEO**") should be segregated and should not be performed by the same individual. Mr. Lim Ho Sok assumed the roles of both the chairman and CEO of the Company, which constitutes a deviation from the code provision A.2.1 during the period. Whilst the Company is looking for suitable replacement for the post of CEO, the Board believes that the vesting of the roles of chairman and CEO in the same person provides the Group with strong and consistent leadership during this transitional period.

    On 18 February 2014, Mr. Lim Ho Sok resigned as the chairman and executive director ("**ED**") of the Company. Mr. Jang Sam Ki was appointed as the chairman of the Company. Thereafter, the Company has complied with the CG Code.

(ii) Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. However, three of the independent non-executive directors ("**INEDs**"), namely Mr. Tam Tak Wah, Mr. Liew Swee Yean and Mr. Young Yue Wing Alvin, have not been appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's articles of association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those in the CG Code.

    On 18 February 2014, the above three INEDs, Mr. Tam Tak Wah, Mr. Liew Swee Yean and Mr. Young Yue Wing Alvin, resigned as INEDs. Thereafter, the Company has complied with the CG Code.

NON-COMPLIANCE WITH THE LISTING RULES

Pursuant to Rules 13.46(2) and 13.49(1) of the Listing Rules, the Company is required to despatch to every shareholder of the Company and other holders of its listed securities its annual report not more than four months and to make announcement of its annual results not more than three months after the year ended 31 March 2014. However, the Company was unable to despatch its annual report and to make announcements of its annual results for the year ended 31 March 2014 within the prescribed time limit as set out in the relevant Listing Rules. The Board acknowledges that the delay in the despatch of the annual report and announcement of its annual results constitute non-compliance with Rule 13.46(2) and Rule 13.49(1), respectively.

AUDITOR

The consolidated financial statements for the year ended 31 March 2014 have been audited by JH CPA Alliance Limited ("**JH CPA**") who will retire and being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

SCOPE OF WORK OF JH CPA

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Group's auditor, JH CPA, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by JH CPA in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by JH CPA on the preliminary announcement.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 22 April 2012 and will remain suspended until further notice.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://siberian.todayir.com respectively. The annual report of the Company for the year ended 31 March 2014 will be dispatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our utmost gratitude to our valued customers, suppliers, shareholders and business associates for their continued support for and confidence in the Group. I also wish to express our sincere appreciation to our management and employees for their endeavours and contributions over the year.

By Order of the Board
Siberian Mining Group Company Limited
Jang Sam Ki
Chairman

Hong Kong, 22 April 2015

As at the date of this announcement, the Board consists of Mr. Jang Sam Ki, Mr. Hong Sang Joon and Mr. Su Run Fa as executive Directors, and Mr. Kwok Kim Hung Eddie, Mr. Lai Han Zhen and Mr. Park Kun Ju as independent non-executive Directors.