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## 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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2014 together with the comparative figures as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	Notes	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	4	231	2,754
Cost of sales		(227)	(2,698)
Gross profit		4	56
Other income	4	467	291
Other gains and losses	4	(31,418)	(230,440)
Selling and distribution costs		(46)	(184)
Administrative and other expenses		(30,988)	(33,072)
Finance costs	6	(158,325)	(141,665)
Loss before income tax	5	(220,306)	(405,014)
Income tax	7	(25)	349
Loss for the period		(220,331)	(404,665)
<b>Other comprehensive income for the period, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of foreign operations		(8,518)	(12,269)
Total comprehensive expenses for the period, net of tax		<u>(228,849)</u>	<u>(416,934)</u>

\* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME** *(Continued)*

*For the six months ended 30 September 2014*

		<b>2014</b>	2013
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to:			
Owners of the Company		<b>(217,548)</b>	(394,736)
Non-controlling interests		<b>(2,783)</b>	(9,929)
		<u><b>(220,331)</b></u>	<u>(404,665)</u>
Total comprehensive expenses attributable to:			
Owners of the Company		<b>(225,283)</b>	(405,762)
Non-controlling interests		<b>(3,566)</b>	(11,172)
		<u><b>(228,849)</b></u>	<u>(416,934)</u>
Loss per share			
Basic (Hong Kong cents)	9	<u><b>(42.79)</b></u>	<u>(77.64)</u>
Diluted (Hong Kong cents)	9	<u><b>(42.79)</b></u>	<u>(77.64)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 September 2014

		As at <b>30 September 2014</b> (Unaudited) <i>HK\$'000</i>	As at 31 March 2014 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	4,332	4,935
Prepayments for acquisition of property, plant and equipment		689	4
Other intangible assets	11	149,185	180,348
Exploration and evaluation assets	12	730,644	758,283
		<u>884,850</u>	<u>943,570</u>
<b>Current assets</b>			
Other receivables, deposits and prepayments		1,233	2,628
Cash and cash equivalents		1,432	3,719
		<u>2,665</u>	<u>6,347</u>
<b>Current liabilities</b>			
Other payables, accrued expenses and trade deposit received		19,629	22,724
Interest-bearing borrowings	13	52,550	39,189
Amount due to an ex-director	20(b)	13,379	13,084
Amount due to a shareholder	20(c)	25,170	24,486
Coal trading deposit received	14	24,180	24,180
Purchase consideration payable for additional acquisition	15	3,328	3,328
		<u>138,236</u>	<u>126,991</u>
<b>Net current liabilities</b>		<u>(135,571)</u>	<u>(120,644)</u>
<b>Total assets less current liabilities</b>		<u>749,279</u>	<u>822,926</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 September 2014

		As at <b>30 September</b> <b>2014</b> <i>HK\$'000</i>	As at 31 March 2014 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Amount due to a related party	20(d)	31,871	31,564
Convertible note payables	16	2,616,098	2,464,391
Promissory notes payables	17	67,532	64,256
Provision for close down, restoration and environmental costs		1,825	1,935
Deferred tax liabilities		22	—
		<u>2,717,348</u>	<u>2,562,146</u>
<b>NET LIABILITIES</b>		<b><u>(1,968,069)</u></b>	<b><u>(1,739,220)</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	101,689	101,689
Reserves		<u>(2,059,925)</u>	<u>(1,834,642)</u>
Equity attributable to owners of the Company		<b>(1,958,236)</b>	<b>(1,732,953)</b>
Non-controlling interests		<u>(9,833)</u>	<u>(6,267)</u>
<b>CAPITAL DEFICIENCIES</b>		<b><u>(1,968,069)</u></b>	<b><u>(1,739,220)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Share capital HK\$'000 (Note 18)	Share premium HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 (Note b)	Equity- settled share option reserve HK\$'000 (Note c)	Capital reserve HK\$'000 (Note a(i) & (ii))	Accumulated losses HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
As at 1 April 2014 (audited)	101,689	1,722,403	2,688	322,379	763	23,507	(3,906,382)	(1,732,953)	(6,267)	(1,739,220)
Loss for the period	—	—	—	—	—	—	(217,548)	(217,548)	(2,783)	(220,331)
Other comprehensive expenses for the period	—	—	(7,735)	—	—	—	—	(7,735)	(783)	(8,518)
Total comprehensive expenses for the period	—	—	(7,735)	—	—	—	(217,548)	(225,283)	(3,566)	(228,849)
Lapse of share options	—	716	—	—	(716)	—	—	—	—	—
<b>As at 30 September 2014 (unaudited)</b>	<b>101,689</b>	<b>1,723,119</b>	<b>(5,047)</b>	<b>322,379</b>	<b>47</b>	<b>23,507</b>	<b>(4,123,930)</b>	<b>(1,958,236)</b>	<b>(9,833)</b>	<b>(1,968,069)</b>
As at 1 April 2013 (audited)	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 period	—	—	—	—	—	—	(394,736)	(394,736)	(9,929)	(404,665)
Other comprehensive expenses for the period	—	—	(11,026)	—	—	—	—	(11,026)	(1,243)	(12,269)
Total comprehensive expenses for the period	—	—	(11,026)	—	—	—	(394,736)	(405,762)	(11,172)	(416,934)
As at 30 September 2013 (unaudited)	101,689	1,722,403	24,970	322,379	763	23,507	(3,630,404)	(1,434,693)	(33)	(1,434,726)

### Notes:

- At the end of reporting period, capital reserve of the Group represented: (i) the amount of interest charged on amount due to an ex-shareholder of the Company that was waived as a result of early partial settlement on the principal loan due to the ex-shareholder, which was accounted for as capital contributions from an equity participant of the Company for the prior periods; and (ii) the difference between the carrying amount of the Modified PN discharged and the fair value of the new ordinary shares of the Company issued as consideration for the early partial settlements of the Modified PN. This difference was accounted for as a contribution from an equity participant of the Company for the prior periods.
- Other reserve represented the excess of the share of the carrying value of the subsidiary's net assets acquired from the non-controlling interests of a subsidiary over the fair value of the consideration paid on the completion date of the acquisition and the subsequent adjustment to the consideration recognised by the Group upon fulfillment of certain conditions as set out in Note 15.
- At the end of reporting period, the equity-settled share option reserve represented the fair value of the outstanding share options of the Company at the respective grant dates.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	2013
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Net cash outflow from operating activities</b>	<b>(24,547)</b>	(16,378)
<b>Net cash outflow from investing activities</b>	<b>(731)</b>	(6,128)
<b>Net cash inflow from financing activities</b>	<b>14,649</b>	19,569
Effect on foreign exchange rate changes	<b>8,342</b>	2,264
<b>Net decrease in cash and cash equivalents</b>	<b>(2,287)</b>	(673)
<b>Cash and cash equivalents at beginning of the period</b>	<b>3,719</b>	833
<b>Cash and cash equivalents at end of the period</b>	<b><u>1,432</u></b>	<u>160</u>
<b>Analysis of the balance of cash and cash equivalents</b>		
Cash and bank balances	<b><u>1,432</u></b>	<u>160</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

These condensed consolidated interim financial statements have been approved for issue by the Board of the Company on 22 April 2015.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 2.1 Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2014 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

During the period, the Group incurred a loss of approximately HK\$220,331,000 and had net current liabilities of approximately HK\$135,571,000 as at 30 September 2014.

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

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

- (i) Continue to exercise stringent cost control to reduce administrative and other expenses by further streamlining the Group operation.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

In addition, the Group has obtained funding and financial support from the following 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 14, 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 13, with regard to Other Loan 1, the lender has agreed not to demand for repayment for the amount due before 19 August 2016.
- (d) As set out in Note 13, 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 13, 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 17, 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 shareholder and a related party, 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 Interim Financial Statements on a going concern basis.

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

#### 2.2 Principal accounting policies

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

The accounting policies and methods of computation adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2014 (the “**Annual Financial Statements**”).



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION

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

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

- (i) Mining segment comprises holding mining and exploration rights of coal mines in Russia and will 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 areas, revenues and results are attributed to the segments based on the locations of the customers, and assets are attributed to the segments based on the location of the assets.

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

#### (a) Reportable segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the six months ended 30 September 2014 and 2013.

	<b>Six months ended 30 September 2014</b>		
	<b>Mining</b>	<b>Mineral resources and commodities trading</b>	<b>Consolidated total</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Reportable segment revenue</b>			
Revenue from external customers	<u>—</u>	<u>231</u>	<u>231</u>
<b>Reportable segment loss</b>	<u>(57,602)</u>	<u>(531)</u>	<u>(58,133)</u>
Impairment loss on other intangible assets	(5,137)	—	(5,137)
Impairment loss on property, plant and equipment	(147)	—	(147)
Impairment loss on exploration and evaluation assets	(26,134)	—	(26,134)
Depreciation	(29)	(3)	(32)
Amortisation of other intangible assets	<u>(11,139)</u>	<u>—</u>	<u>(11,139)</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 September 2013		
	Mining (unaudited) <i>HK\$'000</i>	Mineral resources and commodities trading (unaudited) <i>HK\$'000</i>	Consolidated total (unaudited) <i>HK\$'000</i>
<b>Reportable segment revenue</b>			
Revenue from external customers	—	2,754	2,754
<b>Reportable segment loss</b>	<u>(257,422)</u>	<u>(864)</u>	<u>(258,286)</u>
Impairment loss on other intangible assets	(73,144)	—	(73,144)
Impairment loss on property, plant and equipment	(1,864)	—	(1,864)
Impairment loss on exploration and evaluation assets	(156,430)	—	(156,430)
Depreciation	(35)	(2)	(37)
Amortisation of other intangible assets	<u>(17,797)</u>	<u>—</u>	<u>(17,797)</u>

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

	Six months ended 30 September	
	2014 (unaudited) <i>HK\$'000</i>	2013 (unaudited) <i>HK\$'000</i>
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	<u>231</u>	<u>2,754</u>
<b>Loss before income tax</b>		
Reportable segment loss	(58,133)	(258,286)
Other gains and losses	—	998
Unallocated corporate expenses	(3,848)	(6,061)
Finance costs	<u>(158,325)</u>	<u>(141,665)</u>
Consolidated loss before income tax	<u>(220,306)</u>	<u>(405,014)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

	As at 30 September 2014 (unaudited) <i>HK\$'000</i>	As at 31 March 2014 (audited) <i>HK\$'000</i>
<b>Assets</b>		
Reportable segment assets	885,767	945,847
Unallocated corporate assets	<u>1,748</u>	<u>4,070</u>
Consolidated total assets	<u><u>887,515</u></u>	<u><u>949,917</u></u>
	As at 30 September 2014 (unaudited) <i>HK\$'000</i>	As at 31 March 2014 (audited) <i>HK\$'000</i>
<b>Liabilities</b>		
Reportable segment liabilities	(64,014)	(66,492)
Unallocated corporate liabilities	<u>(2,791,570)</u>	<u>(2,622,645)</u>
Consolidated total liabilities	<u><u>(2,855,584)</u></u>	<u><u>(2,689,137)</u></u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION *(Continued)*

#### (b) Geographical areas

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

	Revenue from external customers		Specific non-current assets	
	Six months ended 30 September 2014 (unaudited) HK\$'000	Six months ended 30 September 2013 (unaudited) HK\$'000	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Russia	—	—	884,839	943,557
Korea	231	2,754	11	13
	<u>231</u>	<u>2,754</u>	<u>884,850</u>	<u>943,570</u>

#### (c) Information about major customers

For the six months ended 30 September 2014, the sole customer of the mineral resources and commodities trading segment contributed all the Group's revenue of HK\$231,000.

For the six months ended 30 September 2013, the sole customer of the mineral resources and commodities trading segment contributed all the Group's revenue of HK\$2,754,000.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Six months ended 30 September	
	2014 (unaudited) <i>HK\$'000</i>	2013 (unaudited) <i>HK\$'000</i>
<b>Turnover</b>		
Trading of mineral resources and commodities	<u>231</u>	<u>2,754</u>
<b>Other income</b>		
Interest income	—	261
Sundry income	<u>467</u>	<u>30</u>
	<u>467</u>	<u>291</u>
<b>Other gains and losses</b>		
Gain arising in change in fair value of convertible note ( <i>Note 16</i> )	—	998
Impairment loss on other intangible assets ( <i>Note 11</i> )	(5,137)	(73,144)
Impairment loss on exploration and evaluation assets ( <i>Note 12</i> )	(26,134)	(156,430)
Impairment loss on property, plant and equipment	<u>(147)</u>	<u>(1,864)</u>
	<u>(31,418)</u>	<u>(230,440)</u>

### 5. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2014 (unaudited) <i>HK\$'000</i>	2013 (unaudited) <i>HK\$'000</i>
Loss before income tax is arrived at after charging:—		
Amortisation of other intangible assets		
— Mining right	11,139	17,797
Depreciation	<u>32</u>	<u>37</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. FINANCE COSTS

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Interest expenses on</b>		
Loans from third parties	1,993	727
Loan from a related party ( <i>Note 20(a)</i> )	309	707
Loan from ex-director(s)	315	192
Loan from a shareholder	684	251
Imputed interest on convertible note ( <i>Note 16</i> )	151,707	136,787
Imputed interest on promissory notes ( <i>Note 17</i> )	3,276	2,966
	<u>158,284</u>	<u>141,630</u>
<b>Bank charges</b>	<u>41</u>	<u>35</u>
	<u><u>158,325</u></u>	<u><u>141,665</u></u>

### 7. INCOME TAX

	Six months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax	<u>25</u>	<u>(349)</u>

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

### 8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2014 (2013: Nil).



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. OTHER INTANGIBLE ASSETS

	<b>Mining rights HK\$'000</b>
<b>Cost</b>	
At 1 April 2013	3,151,816
Exchange realignments	(428,990)
	<hr/>
At 31 March 2014 and 1 April 2014 (audited)	2,722,826
Exchange realignments	(240,991)
	<hr/>
<b>At 30 September 2014 (unaudited)</b>	<b>2,481,835</b>
	<hr/>
<b>Accumulated amortisation and impairment losses</b>	
At 1 April 2013	2,813,221
Charge for the year	30,659
Impairment loss	84,054
Exchange realignments	(385,456)
	<hr/>
At 31 March 2014 and 1 April 2014 (audited)	2,542,478
Charge for the period	11,139
Impairment loss	5,137
Exchange realignments	(226,104)
	<hr/>
<b>At 30 September 2014 (unaudited)</b>	<b>2,332,650</b>
	<hr/>
<b>Net carrying value</b>	
<b>At 30 September 2014 (unaudited)</b>	<b>149,185</b>
	<hr/> <hr/>
At 31 March 2014 (audited)	180,348
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#### **Mining rights**

The mining rights relating to the cash generating unit of coal mining (the “**Coal Mining CGU**”) acquired in prior periods.

In performing the impairment test for current period, the directors of the Company have engaged Access Partner Consultancy & Appraisals Limited (“**Access Partner**”), an independent firm of professional valuer in determining the recoverable amount of the Coal Mining CGU which is the higher of the Coal Mining CGU fair value less costs to sell and its value in use. Given the current development status of the Coal Mining CGU, 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 Coal Mining CGU’s fair value.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. OTHER INTANGIBLE ASSETS (Continued)

#### Mining rights (Continued)

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

- (i) Cash flow projection is determined for a period of 16 years up to 2029 (31 March 2014: a period of 14 years up to 2027) with the first year of production taken to be from year 2019 (31 March 2014: 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 20.47%(31 March 2014: 20.53%).
- (iii) Coal sales prices used in the DCF in the current and prior periods are determined with reference to current market information of the respective valuation dates, which show decreases of approximately 9% to 11% (depended on different type of coals) when compared to that of the year ended 31 March 2014.
- (iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (31 March 2014: 3% p.a.), which is in line with the comparable market information.
- (v) The exchange rate for US Dollars ("US\$") to Russian Rubles ("RUB") with reference to the approximate spot rate as of 30 September 2014 is taken to be 1.00 US\$ to 39.61 RUB (31 March 2014: 1.00 US\$ to 35.173 RUB).
- (vi) The inflation rate on operating costs is 3% p.a. (31 March 2014: 3% p.a.).

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (i), (ii), (iii) and (v) mentioned above, other major assumptions used in the DCF analysis in current period, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that used for the year ended 31 March 2014.

The directors of the Company are of the opinion that based on the valuation, the Coal Mining CGU was impaired by HK\$5,284,000; the mining rights and the property, plant and equipment attributable to the Coal Mining CGU were impaired by HK\$5,137,000 (31 March 2014: HK\$84,054,000) and HK\$147,000 (31 March 2014: HK\$2,168,000), respectively, as compared with its respective carrying values as at 30 September 2014. The impairment loss is mainly attributable to the decreases of approximately 9% to 11% (depended different type of coals) in the market prices of coking coals and steam coals and the decrease of the exchange rate during the current period as compared to the year ended 31 March 2014. Changes in parameters for items (i) and (ii) above do not have material impacts on the resultant impairment loss when compared with that of coal prices decreases.

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

<b>Intangible assets</b>	<b>Locations</b>	<b>Expiry date</b>
<b>Mining rights</b>		
Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russian Federation	1 November 2017

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. EXPLORATION AND EVALUATION ASSETS

	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>	
At 1 April 2013	3,712,117
Additions	12,731
Exchange realignments	(1,859)
	<hr/>
At 31 March 2014 & 1 April 2014 (audited)	3,722,989
Additions	42
Exchange realignments	(1,547)
	<hr/>
<b>At 30 September 2014 (unaudited)</b>	<b>3,721,484</b>
	<hr/>
<b>Accumulated impairment losses</b>	
At 1 April 2013	2,723,762
Impairment loss ( <i>Note 4</i> )	240,944
	<hr/>
At 31 March 2014 & 1 April 2014 (audited)	2,964,706
Impairment loss ( <i>Note 4</i> )	26,134
	<hr/>
<b>At 30 September 2014 (unaudited)</b>	<b>2,990,840</b>
	<hr/>
<b>Net carrying value</b>	
<b>At 30 September 2014 (unaudited)</b>	<b>730,644</b>
	<hr/> <hr/>
At 31 March 2013 (audited)	758,283
	<hr/> <hr/>

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

- (i) Cash flow projection is determined for a period of 12 years up to 2025 (31 March 2014: a period of 12 years up to 2025) with the first year of production taken to be from year 2016 (31 March 2014: 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 20.47% (31 March 2014: 20.53%).
- (iii) Coal sales prices used in the DCF in the current and prior periods are determined with reference to current market information of the respective valuation dates, which show decreases of approximately 9% to 25% (depended on different type of coals) when compared to that of the year ended 31 March 2014.
- (iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (31 March 2014: 3% p.a.), which is in line with the comparable market information.
- (v) The exchange rate for US Dollars ("US\$") to Russian Rubles ("RUB") with reference to the approximate spot rate as of 30 September 2014 is taken to be 1.00 US\$ to 39.61 RUB (31 March 2014: 1.00 US\$ to 35.173 RUB).
- (vi) The inflation rate on operating costs is 3% p.a. (31 March 2014: 3% p.a.).

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (ii), (iii) and (v) mentioned above, other major assumptions used in the DCF analysis in current period, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that used for the year ended 31 March 2014.

The directors of the Company are of the opinion that based on the valuation, the exploration and evaluation asset was impaired by HK\$26,134,000 (31 March 2014: HK\$240,944,000) compared with its carrying value as at 30 September 2014. The impairment loss is mainly attributable to the decreases of approximately 9% to 25% (depended on different type of coals) in the market prices of coking coals and steam coals during the current period as compared to the year ended 31 March 2014. Changes in parameter for item (ii) above does 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:-

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. INTEREST-BEARING BORROWINGS

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Other Loan 1 ( <i>Note 1</i> )	14,500	14,500
Other Loan 2 ( <i>Note 2</i> )	1,000	1,000
Other Loan 3 ( <i>Note 3</i> )	37,050	23,400
Other Loan 4 ( <i>Note 4</i> )	—	289
	<u>52,550</u>	<u>39,189</u>
	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Carrying amount repayable:—		
Within one year or on demand	<u>52,550</u>	<u>39,189</u>

*Note:*

- Fixed rate loan with independent third party amounted to HK\$14,500,000 (31 March 2014: 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 agreed to extend the repayment to 19 August 2016.
- Other loan in aggregate amount of HK\$1,000,000 (31 March 2014: HK\$1,000,000) 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.
- Other loan in aggregate amount of US\$4,750,000 (equivalent to approximately HK\$37,050,000) (31 March 2014: US\$3,000,000, equivalent to approximately HK\$23,400,000) 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, whichever is earlier. As at 18 July 2014, the lender agreed to extend the repayment date of the loan principal of US\$3,750,000 (equivalent to HK\$29,250,000) to 15 August 2016.
- At 31 March 2014: KRW40,200,000 (equivalent to approximately HK\$289,000) 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. The loan was fully settled during the period.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14. COAL TRADING DEPOSIT RECEIVED

As at 30 September 2014, coal trading deposit received represented a deposit of US\$3,100,000 (equivalent to approximately HK\$24,180,000) (31 March 2014: 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 deposit is unsecured and non-interest bearing, except interest of 5% per annum will be applied and the full amount of the deposits are refundable if the Group cannot supply coal of Russian origin to the Coal Purchaser within one month from 1 November 2014.

On 3 March 2014, the Coal Purchaser has transferred the coal trading deposit to an independent third party (the “**New Coal Deposit Holder**”).

At 23 July 2014, 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.

At 30 September 2014, the Coal Purchaser holds approximately 10.42% of the total issued share capital of the Company.

### 15. PURCHASE CONSIDERATION PAYABLE FOR ADDITIONAL ACQUISITION

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

In prior years, 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.

As at the date of this report, 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).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. CONVERTIBLE NOTE PAYABLES

During the year ended 31 March 2013, 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.

Therefore the Third Convertible Note was issued to the Vendor on 3 April 2013. As the Company has undertaken share consolidation of two times (with 20 ordinary shares of the Company being consolidated into one share in each time), the Conversion Price of the Third Convertible Note is fixed to be HK\$48 per Conversion Share.

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.

#### (i) 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 end of the reporting period. No fair value change is charged to the profit or loss (2013: HK\$998,000) during the period. The effective interest rate of the liability component of the Third Convertible Note was 12.01%.

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

	<b>At 30 September 2014</b>	<b>At 31 March 2014</b>
Expected volatility	<b>39.94%</b>	45.92%
Expected life	<b>3.5 years</b>	4.0 years
Risk-free rate	<b>1.15%</b>	1.21%
Expected dividend yield	<b>Nil</b>	Nil
Bond yield	<b>Nil</b>	Nil

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. CONVERTIBLE NOTE PAYABLES (Continued)

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

	Convertible note		Total HK\$'000
	Liabilities component HK\$'000	Derivative component HK\$'000	
At 1 April 2013 (audited)	2,184,695	998	2,185,693
Imputed interest charge	279,696	—	279,696
Fair value gain on convertible note	—	(998)	(998)
	<hr/>	<hr/>	<hr/>
At 31 March 2014 and 1 April 2014 (audited)	2,464,391	—	2,464,391
Imputed interest charge (Note 6)	151,707	—	151,707
	<hr/>	<hr/>	<hr/>
<b>At 30 September 2014 (unaudited)</b>	<b><u>2,616,098</u></b>	<b><u>—</u></b>	<b><u>2,616,098</u></b>

### 17. PROMISSORY NOTES PAYABLES

	Note	HK\$'000
At 1 April 2013 (audited)		58,174
Imputed interest charged		6,082
		<hr/>
At 31 March 2014 and 1 April 2014 (audited)		64,256
Imputed interest charged	6	3,276
		<hr/>
<b>At 30 September 2014 and included in non-current liabilities (unaudited)</b>		<b><u>67,532</u></b>

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 as a result of a conditional modification deed entered into between the Company and Cordia. The Modified PN initially recognised at HK\$161,973,000 is non-interest-bearing and payable in one lump sum on maturity date of 25 May 2015.

The effective interest rate of the Modified PN is determined to be 10.5% per annum.

As at the end of the reporting period, the carrying amount of the Modified PN was HK\$67,532,000 (31 March 2014: HK\$64,256,000), and is classified as non-current liabilities and carried at amortised costs until extinguished on redemption.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18. SHARE CAPITAL

	Number of shares As at 30 September 2014 (unaudited)	Nominal value As at 30 September 2014 (unaudited) <i>HK\$'000</i>
<b>Ordinary shares of HK\$0.2 each:</b>		
<b>Authorised:</b>	<b><u>5,000,000,000</u></b>	<b><u>1,000,000</u></b>
<b>Issued and fully paid:</b>		
At beginning and at end of the period	<b><u>508,442,763</u></b>	<b><u>101,689</u></b>

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

### 19. CAPITAL COMMITMENTS

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

	As at 30 September 2014 (unaudited) <i>HK\$'000</i>	As at 31 March 2014 (audited) <i>HK\$'000</i>
Exploration related contracts	15,775	9,283
Property, plant and equipment	<b><u>393</u></b>	<b><u>431</u></b>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 20. RELATED PARTY TRANSACTIONS

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

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

Name of Company/ Related Party	Relationship	Nature of transaction	Six months ended 30 September	
			2014 HK\$'000	2013 HK\$'000
Cordia Global Limited	Related party	Interest expenses thereto	309	707
Lim Ho Sok	Ex-director	Interest expenses thereto	315	183
Choi Jun Ho	Ex-director	Interest expenses thereto	—	9
Goldwyn Management Limited	Shareholder	Interest expenses thereto	<u>684</u>	<u>251</u>

- (b) The amount due to an ex-director is unsecured, interest at 5% per annum and has no fixed term of repayment.
- (c) 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.
- (d) The amounts due to a related party are unsecured and bears interest at the rate of 0-8% per annum.
- (e) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2014 (unaudited) HK\$'000	2013 (unaudited) HK\$'000
<b>Directors' remuneration</b>		
— Executive directors	660	2,020
— Non-executive director	—	60
— Independent non-executive directors	<u>180</u>	<u>243</u>
	<u>840</u>	<u>2,323</u>

### 21. LITIGATIONS

During the period 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.

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.

### 21. LITIGATIONS *(Continued)*

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

##### **HCA 672 of 2013** *(Continued)*

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.

##### **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.

21. LITIGATIONS (Continued)

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

**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.

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).

### 21. LITIGATIONS *(Continued)*

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

##### **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.

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.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 21. 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.

21. LITIGATIONS *(Continued)*

(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.

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 mismanagement 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.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 21. LITIGATIONS *(Continued)*

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

##### **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.

### 22. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (a) On 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\$1,300,000 and US\$1,500,000 respectively. 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.
- (b) 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.
- (c) 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.
- (d) 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 21.



## **EXTRACT FROM REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

The following is an extract of the independent auditor's review report on the Group's interim financial information for the six months ended 30 September 2014:

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **Emphasis of matter**

Without qualifying our conclusion, we draw attention to Note 2.1 to the condensed consolidated financial statements which indicates that the Group incurred a net loss of HK\$220,331,000 for the six months ended 30 September 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$135,571,000. These conditions, along with other matters as set forth in Note 2.1 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 21 to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuit filed against to the Group. Our opinion is not qualified in respect of this matter.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Turnover**

For the period ended 30 September 2014, the Group recorded a total turnover of HK\$0.2 million (2013: HK\$2.8 million), representing a decrease of approximately 92.9% as compared to last corresponding period. The reduction is mainly due to keen competition in price of scrapped iron trading in the Korean market, and the Group would need to respond with a prudent approach.

During the period under review, the Group recorded a turnover of HK\$0.2 million (2013: HK\$2.8 million) from scrapped iron trading and no turnover was recorded from coal trading (2013: nil) and aluminium trading (2013: nil).

#### **Other gains and losses**

During the period under review, (i) the impairment loss on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) decreased from HK\$73.1 million to HK\$5.1 million mainly due to decrease in international coal prices was much less severe; and (ii) the impairment loss on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) decreased from HK\$156.4 million to HK\$26.1 million also mainly due to decrease in international coal prices was much less severe.

#### **Administrative and Other Expenses**

During the period under review, amortisation of mining rights dropped from HK\$17.8 million to HK\$11.1 million. Staff costs (excluding directors' remuneration) decreased to HK\$3.3 million (2013: HK\$4.7 million) as further cost tightening measures took place, legal and professional fees remained more or less at the same level of HK\$4.1 million (2013: HK\$3.9 million), and exchange loss increased from HK\$2.2 million to HK\$7.8 million due to downtrends of Russian Rubles.

## **Finance costs**

During the period under review, the increase in total finance costs from HK\$141.7 million to HK\$158.3 million is mainly resulted from the increase in imputed interest on the Third Convertible Note to HK\$151.7 million (2013: HK\$136.8 million).

## **Loss Before Income Tax**

For the period ended 30 September 2014, the loss before income tax of the Group was HK\$220.3 million (2013: HK\$405.0 million), representing an increase of 45.6% as compared to the last corresponding period. The increase 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\$5.1 million (2013: HK\$73.1 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\$26.1 million (2013: HK\$156.4 million) were just non-cash items arising from period end valuation exercises for accounting purposes, which would not affect the cashflow position of the Group.

## **OPERATION REVIEW**

### **Mineral Resources 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 period under review.

### **Coal Mining**

The third phase of exploration drilling in Lot 2 of the Group's Russian coal mines had commenced in the first quarter of 2014. As of 30 September 2014, a total length of approximately 410 metres for one borehole was drilled. The mining license of Lot 1 of the Group's Russian coal mines was successfully extended in August 2014 from 31 December 2014 (the original expiry date) to 1 November 2017. The approval of TEO Conditions by GKZ (which is the State Committee of Reserves under the Russian Federation Ministry of National Resources) for open pit mining in Lot 2 of the Group's Russian coal mines was granted in September 2014.

### **Geographical**

In the period 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 period 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. As the price fluctuation patterns of scrapped iron would seem to be more manageable than that of coal and aluminium, 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**

As of January 2015, a total length of approximately 6,480 metres for a total of twelve boreholes in Lot 2 was drilled in the third phase of exploration drilling. Hence, the Group has completed the third phase of drilling during first quarter of 2015. The Group also plans to make contracts for acquisition and/or lease of open pit mining equipment and submit mine design and environmental review for approval during first half of 2016.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2014, the Group had net current liabilities of HK\$135,571,000 (31 March 2014: HK\$120,644,000). The Group's current ratio, being a ratio of current assets to current liabilities, was 1.9% (31 March 2014: 5.0%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 11.18% (31 March 2014: 8.89%).

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 period under review, the Group recorded a net cash outflow of HK\$2,287,000 (2013: HK\$673,000), while its total cash and cash equivalents decreased to HK\$1,432,000 (2013: HK\$160,000) as at 30 September 2014.

The management will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities of the Group as at 30 September 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.

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES**

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

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

## **LITIGATIONS**

During the period and up to the date of this announcement, the Group has been involved in a number of legal proceedings. Details of the litigations are set out in Note 21 to the financial statements.

## **CAPITAL COMMITMENTS**

Details of capital commitments of the Group as at 30 September 2014 as disclosed in Note 19 to the financial statements.

## **PLEDGE OF ASSETS**

The Group had not pledged any of its assets for bank facilities as at 30 September 2014 or 31 March 2014.

## **EMPLOYEES AND REMUNERATION POLICIES**

As of 30 September 2014, the Group had approximately 27 (31 March 2014: 29) 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**

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

## **INTERIM DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2014 (for the six months ended 30 September 2013: nil).

## **CORPORATE GOVERNANCE**

### **Corporate Governance Code**

During the period under review, the Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), except for the deviation as described below:

- (i) Under code provision A.6.7 of the CG Code, independent non-executive directors (“**INEDs**”) should attend the general meetings and develop a balanced understanding of the views of shareholders. Mr. Lai Han Zhen and Mr. Park Kun Ju, INEDs of the Company, were unable to attend the extraordinary general meeting of the Company held on 8 May 2014 due to other overseas commitments or other prior business engagements.

### **Model Code for Securities Transactions by Directors**

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

## **Non-Compliance with the Listing Rules**

Pursuant to Rules 13.48(1) and 13.49(6) of the Listing Rules, the Company is required to despatch to every shareholder of the Company and other holders of its listed securities its interim report not more than three months and to make announcement for its interim results within two months after the six months ended 30 September 2014. However, the Company was unable to despatch its interim report and to make interim results announcement for the six months ended 30 September 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 interim report and announcement of its interim results for the six months ended 30 September 2014 constitute non-compliance with Rule 13.48(1) and Rule 13.49(6), respectively.

## **Audit Committee**

The existing audit committee of the Company (the “**Audit Committee**”) consists of three INEDs 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 unaudited condensed interim financial statements for the six months ended 30 September 2014 have been reviewed by the Audit Committee.

## **REVIEW ON INTERIM RESULTS**

The unaudited condensed consolidated interim results of the Group have been reviewed by the Company’s auditor, JH CPA Alliance Limited, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of Entity” issued by the Hong Kong Institute of Certified Public Accountants. An extract from the report on review with modified opinion is shown hereinabove under the heading “Extract from Report on Review of Interim Financial Information” on page 33. The report on review will be included in the interim report for distribution to shareholders.

## **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 INTERIM RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The interim 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 interim report of the Company for the six months ended 30 September 2014 will be despatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

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.*