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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 2015

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 2015 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 2015

	Notes	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	4	1,536	231
Cost of sales		(1,526)	(227)
Gross profit		10	4
Other income	4	3	467
Other gains and losses	4	(15,490)	(31,418)
Selling and distribution costs		(43)	(46)
Administrative and other expenses		(26,472)	(30,988)
Finance costs	6	(168,194)	(158,325)
Loss before income tax	5	(210,186)	(220,306)
Income tax	7	(7)	(25)
Loss for the period		(210,193)	(220,331)
Other comprehensive income for the period, net of tax:			
Exchange differences on translation of financial statements of foreign operations		4,880	(8,518)
Total comprehensive expenses for the period, net of tax		(205,313)	(228,849)

* For identification purpose only

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

For the six months ended 30 September 2015

	<i>Notes</i>	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Loss for the period attributable to:			
Owners of the Company		(206,646)	(217,548)
Non-controlling interests		(3,547)	(2,783)
		<u>(210,193)</u>	<u>(220,331)</u>
Total comprehensive expenses attributable to:			
Owners of the Company		(202,268)	(225,283)
Non-controlling interests		(3,045)	(3,566)
		<u>(205,313)</u>	<u>(228,849)</u>
Loss per share			
Basic (Hong Kong cents)	9	<u>(40.36)</u>	<u>(42.79)</u>
Diluted (Hong Kong cents)	9	<u>(40.36)</u>	<u>(42.79)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2015*

		As at 30 September 2015 (Unaudited) <i>HK\$'000</i>	As at 31 March 2015 (Audited) <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	918	1,656
Prepayments for acquisition of property, plant and equipment		299	—
Other intangible assets	<i>11</i>	26,298	52,168
Exploration and evaluation assets	<i>12</i>	562,721	562,518
		<u>590,236</u>	<u>616,342</u>
Current assets			
Trade receivables	<i>13</i>	—	2,091
Other receivables, deposits and prepayments		1,846	3,667
Cash and cash equivalents		7,316	5,045
		<u>9,162</u>	<u>10,803</u>
Current liabilities			
Trade payables	<i>14</i>	—	2,104
Other payables, accrued expenses and trade deposit received		18,276	20,626
Interest-bearing borrowings	<i>15</i>	87,710	74,390
Amount due to an ex-director	<i>23(e)</i>	14,003	13,713
Amount due to a shareholder	<i>23(b)</i>	26,539	25,854
Amount due to a director	<i>23(d)</i>	4,111	—
Coal trading deposit received	<i>16</i>	24,180	24,180
Purchase consideration payable for additional acquisition	<i>17</i>	3,328	3,328
		<u>178,147</u>	<u>164,195</u>
Net current liabilities		<u>(168,985)</u>	<u>(153,392)</u>
Total assets less current liabilities		<u>421,251</u>	<u>462,950</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 30 September 2015*

		As at 30 September 2015 (Unaudited) <i>HK\$'000</i>	As at 31 March 2015 (Audited) <i>HK\$'000</i>
Non-current liabilities			
Amount due to a related party		—	32,116
Amount due to a shareholder	23(c)	32,395	—
Convertible note payables	18	2,743,232	2,777,144
Promissory notes payables	19	72,160	70,974
Provision for close down, restoration and environmental costs		1,181	1,291
Deferred tax liabilities		12	7
		<u>2,848,980</u>	<u>2,881,532</u>
NET LIABILITIES		<u>(2,427,729)</u>	<u>(2,418,582)</u>
CAPITAL AND RESERVES			
Share capital	20	102,690	101,689
Reserves		<u>(2,506,937)</u>	<u>(2,499,834)</u>
Equity attributable to owners of the Company		<u>(2,404,247)</u>	<u>(2,398,145)</u>
Non-controlling interests		<u>(23,482)</u>	<u>(20,437)</u>
CAPITAL DEFICIENCIES		<u>(2,427,729)</u>	<u>(2,418,582)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 September 2015

The Group	Share capital HK\$'000 (Note 20)	Share premium HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 (Note b)	Equity-settled option reserve HK\$'000 (Note c)	Capital reserve HK\$'000 (Note a(i) and(ii))	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1 April 2015 (audited)	101,689	1,722,403	(19,201)	322,379	47	23,507	(4,548,969)	(2,398,145)	(20,437)	(2,418,582)
Loss for the period	—	—	—	—	—	—	(206,646)	(206,646)	(3,547)	(210,193)
Other comprehensive expenses for the period	—	—	4,378	—	—	—	—	4,378	502	4,880
Total comprehensive expenses for the period	—	—	4,378	—	—	—	(206,646)	(202,268)	(3,045)	(205,313)
Waiver of interest on early settlement of amount due to shareholder (Note 23(f))	—	—	—	—	—	10	—	10	—	10
Issue of shares upon conversion of convertible note (Note 18)	1,001	195,155	—	—	—	—	—	196,156	—	196,156
As at 30 September 2015 (unaudited)	<u>102,690</u>	<u>1,917,558</u>	<u>(14,823)</u>	<u>322,379</u>	<u>47</u>	<u>23,517</u>	<u>(4,755,615)</u>	<u>(2,404,247)</u>	<u>(23,482)</u>	<u>(2,427,729)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (Continued)
For the six months ended 30 September 2014

The Group	Share capital HK\$'000 (Note 20)	Share premium HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000 (Note b)	Equity-settled option reserve HK\$'000 (Note c)	Capital reserve HK\$'000 (Note a(i) and(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)
Lapsed of share options	—	716	—	—	(716)	—	—	—	—	—
As at 30 September 2014 (unaudited)	<u>101,689</u>	<u>1,723,119</u>	<u>(5,047)</u>	<u>322,379</u>	<u>47</u>	<u>23,507</u>	<u>(4,123,930)</u>	<u>(1,958,236)</u>	<u>(9,833)</u>	<u>(1,968,069)</u>

Notes:

- At the end of reporting period, capital reserve of the Group represented: (i) the amount of interest charged on amount due to a shareholder of the Company that was waived as a result of early partial settlement on the principal loan due to the shareholder, which was accounted for as capital contributions from an equity participant of the Company for the prior periods; and (ii) the difference between the carrying amount of the Modified PN discharged and the fair value of the new ordinary shares of the Company issued as consideration for the early partial settlements of the Modified PN. This difference was accounted for as a contribution from an equity participant of the Company for the prior period.
- Other reserve represented the excess of the share of the carrying value of the subsidiary's net assets acquired from the non-controlling interests of a subsidiary over the fair value of the consideration paid on the completion date of the acquisition and the subsequent adjustment to the consideration recognised by the Group upon fulfillment of certain conditions as set out in Note 17.
- At the end of reporting period, the equity-settled share option reserve represented the fair value of the outstanding share options of the Company at the respective grant dates.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(26,845)	(24,547)
Net cash outflow from investing activities	(315)	(731)
Net cash inflow from financing activities	17,294	14,649
Effect on foreign exchange rate changes	12,137	8,342
Net increase/(decrease) in cash and cash equivalents	2,271	(2,287)
Cash and cash equivalents at beginning of the period	5,045	3,719
Cash and cash equivalents at end of the period	<u>7,316</u>	<u>1,432</u>
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	<u>7,316</u>	<u>1,432</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 27 November 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 2015 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

During the period, the Group incurred a loss of approximately HK\$210,193,000 and had net current liabilities of approximately HK\$168,985,000 as at 30 September 2015.

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 as set out 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 (Continued)

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 16, the New Coal Deposit Holder has agreed to extend the date of repayment of the coal trading deposit together with the related interest to 30 June 2017.
- (c) As set out in Note 15, with regard to interest-bearing borrowing, the lender of Other Loan 1 has agreed not to demand for repayment for the amount due before 30 June 2017.
- (d) As set out in Note 15, with regard to interest-bearing borrowing, the lender of Other Loan 2 has agreed not to demand for repayment for the amount due before 30 June 2017.
- (e) As set out in Note 15, with regard to interest-bearing borrowing, the lender of Other Loan 3 has agreed not to demand for repayment for the amount due before 30 June 2017.
- (f) As set out in Note 19, with regard to promissory notes, all the note holders have agreed not to demand for repayment of the amount due before 30 June 2017.
- (g) With regard to amounts due to an ex-director, a director, a shareholder and a creditor, they have agreed not to demand for repayment of the amount due before 31 August 2016 or 30 June 2017 (as the case may be).
- (h) Obtained a written undertaking from certain shareholders who had agreed to subscribe the new shares to be issued after the trading in the shares of the Company 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 2015 (the “**Annual Financial Statements**”).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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 scrapped iron trading and steel 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 2015 and 2014.

	Six months ended 30 September 2015		
	Mining	Mineral	Consolidated
	(unaudited)	resources and	total
	(unaudited)	commodities	(unaudited)
	HK\$'000	trading	(unaudited)
	HK\$'000	(unaudited)	HK\$'000
	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue			
Revenue from external customers	—	1,536	1,536
Reportable segment loss	(35,375)	(84)	(35,459)
Impairment loss on other intangible assets	(16,323)	—	(16,323)
Impairment loss on property, plant and equipment	(532)	—	(532)
Reversal of impairment loss on exploration and evaluation assets	1,365	—	1,365
Depreciation	(23)	(2)	(25)
Amortisation of other intangible assets	(3,648)	—	(3,648)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

	Six months ended 30 September 2014		
	Mining (unaudited) <i>HK\$'000</i>	Mineral resources and commodities trading (unaudited) <i>HK\$'000</i>	Consolidated total (unaudited) <i>HK\$'000</i>
Reportable segment revenue			
Revenue from external customers	—	231	231
Reportable segment loss	(57,602)	(531)	(58,133)
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	(11,139)	—	(11,139)

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

	Six months ended 30 September	
	2015 (unaudited) <i>HK\$'000</i>	2014 (unaudited) <i>HK\$'000</i>
Revenue		
Reportable segment revenue and consolidated revenue	1,536	231
Loss before income tax		
Reportable segment loss	(35,459)	(58,133)
Other gains and losses	—	—
Unallocated corporate expenses	(6,533)	(3,848)
Finance costs	(168,194)	(158,325)
Consolidated loss before income tax	(210,186)	(220,306)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (audited) HK\$'000
Assets		
Reportable segment assets	598,379	625,298
Unallocated corporate assets	1,019	1,847
	<u>599,398</u>	<u>627,145</u>
Liabilities		
Reportable segment liabilities	(57,645)	(63,998)
Unallocated corporate liabilities	(2,969,481)	(2,981,729)
	<u>(3,027,126)</u>	<u>(3,045,727)</u>

(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 (the "Specific non-current assets"):

	Revenue from external customers		Specific non-current assets	
	Six months ended 30 September 2015 (unaudited) HK\$'000	Six months ended 30 September 2014 (unaudited) HK\$'000	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (audited) HK\$'000
Continuing operations				
Russia	—	—	590,231	616,334
Korea	1,536	231	5	8
Others	—	—	—	—
	<u>1,536</u>	<u>231</u>	<u>590,236</u>	<u>616,342</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3. SEGMENT INFORMATION (Continued)

(c) Information about major customers

For the six months ended 30 September 2015, two customers of the mineral resources and commodities trading segment with revenue of HK\$958,000 and HK\$578,000 respectively, each contributed to more than 10% of the Group's revenue.

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.

4. TURNOVER, OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover		
Trading of mineral resources and commodities	<u>1,536</u>	<u>231</u>
Other income		
Sundry income	<u>3</u>	<u>467</u>
Other gains and losses		
Impairment loss on other intangible assets (Note 11)	(16,323)	(5,137)
Reversal of impairment loss/(impairment loss) on exploration and evaluation assets (Note 12)	1,365	(26,134)
Impairment loss on property, plant and equipment	<u>(532)</u>	<u>(147)</u>
	<u>(15,490)</u>	<u>(31,418)</u>

5. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Loss before income tax is arrived at after charging:—		
Amortisation of other intangible assets		
— Mining right	3,648	11,139
Depreciation	<u>25</u>	<u>32</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

6. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	(unaudited) HK\$'000	(unaudited) HK\$'000
Interest expenses on		
Loan from third parties	3,346	1,993
Loan from a related party	—	309
Loan from ex-director	317	315
Loan from a director	111	—
Loan from a shareholder	972	684
Imputed interest on convertible note (Note 18)	162,243	151,707
Imputed interest on promissory notes (Note 19)	1,186	3,276
	<u>168,175</u>	<u>158,284</u>
Bank charges	<u>19</u>	<u>41</u>
	<u>168,194</u>	<u>158,325</u>

7. INCOME TAX

	Six months ended 30 September	
	2015	2014
	(unaudited) HK\$'000	(unaudited) HK\$'000
Deferred tax	<u>7</u>	<u>25</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 2015 (2014: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

As the Company's outstanding share options and convertible note had an anti-dilutive effect to the basic loss per share calculation for the current and prior periods, the conversion of the above potential dilutive shares was therefore not assumed in the computation of dilutive loss per share for the current and prior periods.

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

	Six months ended 30 September	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Loss		
Loss attributable to the owners of the Company, used in the basic and diluted loss per share	<u>(206,646)</u>	<u>(217,548)</u>
Shares	30 September 2015	2014
Weighted average number of ordinary shares for basic and diluted loss per share calculation	<u>511,943,528</u>	<u>508,442,763</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2015, the Group acquired items of property, plant and equipment with total cost of HK\$11,000 (30 September 2014: HK\$4,000) and did not have any significant disposal of property, plant and equipment. An impairment loss for property, plant and equipment was recognised during the period. Details are set out in Note 11.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

11. OTHER INTANGIBLE ASSETS

	Mining rights HK\$'000
Cost	
At 1 April 2014	2,722,826
Exchange realignments	(1,033,362)
	<hr/>
At 31 March 2015 and 1 April 2015 (audited)	1,689,464
Exchange realignments	(205,663)
	<hr/>
At 30 September 2015 (unaudited)	1,483,801
	<hr/>
Accumulated amortisation and impairment losses	
At 1 April 2014	2,542,478
Charge for the year	18,301
Impairment loss	47,900
Exchange realignments	(971,383)
	<hr/>
At 31 March 2015 and 1 April 2015 (audited)	1,637,296
Charge for the period	3,648
Impairment loss (<i>Note 4</i>)	16,323
Exchange realignments	(199,764)
	<hr/>
At 30 September 2015 (unaudited)	1,457,503
	<hr/>
Net carrying value	
At 30 September 2015 (unaudited)	26,298
	<hr/> <hr/>
At 31 March 2015 (audited)	52,168
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. OTHER INTANGIBLE ASSETS (Continued)

Mining rights

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

In performing the impairment test for current year, the Directors of the Company have engaged Access Partner Consultancy and 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 period include:

- (i) Cash flow projection is determined for a period of 15 years up to 2030 (31 March 2015: a period of 15 years up to 2029) with the first year of production taken to be from year 2020 (31 March 2015: 2019) based on the senior management’s current best estimated production plan.
- (ii) The post-tax discount rate applied to the cash flow projection is 24.09% (31 March 2015: 25.38%).
- (iii) Coal sales prices used in the DCF in the current period end and prior year end are determined with reference to current market information of the respective valuation dates, which show more or less the same (depends on different type of coals) when compared to that of the year ended 31 March 2015.
- (iv) The directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2015: 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 2015 is taken to be 1.00 US\$ to 66.385 RUB (31 March 2015: 1.00 US\$ to 58.186 RUB).
- (vi) The inflation rate on operating costs is 3% p.a. (31 March 2015: 3% p.a.).
- (vii) The Group is able to renew the relevant licence for the mining rights upon its existing expiry date.

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (i), (ii), (iii) and (v) mentioned above, other major assumptions used in the DCF analysis in current period, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that of 31 March 2015.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

11. OTHER INTANGIBLE ASSETS (Continued)

Mining rights (Continued)

The Directors of the Company are of the opinion that based on the valuation, the mining rights and the property, plant and equipment attributable to the mining rights were impaired by HK\$16,323,000 (31 March 2015: HK\$47,900,000) and HK\$532,000 (31 March 2015: HK\$1,451,000), respectively, as compared with its respective carrying values as at 30 September 2015. The impairment loss in mining rights is mainly attributable to net effects of the decrease of Russian Rubbles to US Dollars and the decrease in post-tax discount rate during the current period as compared with that of 31 March 2015, and the changes in parameters for the other assumption in the DCF analysis for item (i) mentioned above do not have material impacts on the resultant impairment loss when compared with that of Russian Rubles to US Dollars decrease and post-tax discount rate decrease.

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

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

12. EXPLORATION AND EVALUATION ASSETS

	Total HK\$'000
Cost	
At 1 April 2014	3,722,989
Additions	6,211
Exchange realignments	(7,100)
At 31 March 2015 and 1 April 2015 (audited)	3,722,100
Additions	5
Exchange realignments	(2,016)
At 30 September 2015 (unaudited)	3,720,089
Accumulated amortisation and impairment losses	
At 1 April 2014	2,964,706
Impairment loss	198,057
Exchange realignments	(3,181)
At 31 March 2015 and 1 April 2015 (audited)	3,159,582
Reversal of impairment loss (Note 4)	(1,365)
Exchange realignments	(849)
At 30 September 2015 (unaudited)	3,157,368
Net carrying value	
At 30 September 2015 (unaudited)	562,721
At 31 March 2015 (audited)	562,518

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

12. 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 2026 (31 March 2015: a period of 12 years up to 2026) with the first year of production taken to be from year 2017 (31 March 2015: 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 24.09% (31 March 2015: 25.38%).
- (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 more or less the same (depends on different type of coals) when compared to that of the year ended 31 March 2015.
- (iv) The directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2015: 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 30 September 2015 is taken to be 1.00 US Dollar to 66.385 Rubles (31 March 2015: 1.00 US Dollar to 58.186 Rubles).
- (vi) The inflation rate on operating costs is 3% p.a. (31 March 2015: 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 evaluated upward by HK\$1,365,000 (31 March 2015: Impaired by HK\$198,057,000) compared with its carrying value as at 30 September 2015. The reversal of impairment loss is mainly attributable to the net effects of the decrease of Russian Rubles to US Dollars, the decrease in post-tax discount rate during the current period as compared to previous year and positive impacts on the DCF valuation modelling as the duration to projected commencement of production became shorted as time passed, and the changes in parameters for the other major assumptions in the DCF analysis for item (iii) mentioned above do not have material impacts on the resultant reversal of impairment loss when compared with that of Russian Rubles to US Dollars decrease, post-tax discount rate decrease and positive impacts on the DCF valuation modelling due to shorter duration to projected commencement of production.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

12. EXPLORATION AND EVALUATION ASSETS (Continued)

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

13. TRADE RECEIVABLES

Trade receivables at the end of each reporting period comprise mainly amounts receivable from third parties. The amounts are repayable on demand.

For trade receivables, the Group does not have specific credit term to trade customers and no interest is charged.

	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (audited) HK\$'000
Trade receivables	—	2,113
Less : Allowance for doubtful debts	—	(22)
	<u>—</u>	<u>2,091</u>

Included in the Group's accounts receivables are debtors (see below for aged analysis) which are past due as at the end of each reporting period for which the Group have not provided for allowance of doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right to offset against any amounts owed by the Group to the counterparty. The average age of these receivables is nil (31 March 2015: 30 days).

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

	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (audited) HK\$'000
Neither past due nor impaired	—	2,091
0 to 30 days	—	—
31 to 60 days	—	—
61 to 90 days	—	—
Over 90 days	—	—
	<u>—</u>	<u>2,091</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

13. TRADE RECEIVABLES (Continued)

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

	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (audited) HK\$'000
At beginning of period/year	—	—
Impairment loss recognised during the period/year	—	22
Written-off of uncollectible amounts	—	—
	<hr/>	<hr/>
At end of period/year	<u>—</u>	<u>22</u>

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

14. TRADE PAYABLES

	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (audited) HK\$'000
Trade payables	<u>—</u>	<u>2,104</u>

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

	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (audited) HK\$'000
0 to 30 days	—	853
31 to 60 days	—	1,251
61 to 90 days	—	—
Over 90 days	—	—
	<hr/>	<hr/>
	<u>—</u>	<u>2,104</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

15. INTEREST-BEARING BORROWINGS

	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (audited) HK\$'000
Other loan 1 (Note 1)	14,500	14,500
Other loan 2 (Note 2)	3,400	1,000
Other loan 3 (Note 3)	69,810	58,890
	<u>87,710</u>	<u>74,390</u>
	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (audited) HK\$'000
Carrying amount repayable:—		
Within one year or on demand	<u>87,710</u>	<u>74,390</u>

Note:

- Fixed rate loan from independent third party amounted to HK\$14,500,000 (31 March 2015: 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 30 June 2017.
- During the period ended 30 September 2015, a new loan in amount of HK\$2,400,000 was obtained from the same independent third party of other loan 2.

The original loan of HK\$1,000,000 is interest-bearing at 24% per annum and repayable after 3 months from the date of drawdown, and the new addition loan (together with the original loan, collectively “**Other Loan 2**”) is interest-bearing at 18% per annum and repayable after 6 months from the date of drawdown. The lender had agreed to extend the repayment date of original loan to 30 June 2017, and the repayment date of new addition loan was also extended to 30 June 2017.

- During the period ended 30 September 2015, a new loan amount of US\$1,400,000 (equivalent to approximately HK\$10,920,000) was obtained from the same independent third party of other loan 3 (together with the original loan, collectively “**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. The lender had agreed to extend the repayment date of all loans under Other Loan 3 to 30 June 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

16. COAL TRADING DEPOSITS RECEIVED

As at 30 September 2015, coal trading deposit received represented a deposit of US\$3,100,000 (equivalent to approximately HK\$24,180,000) (31 March 2015: 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.

In prior year, the title of the coal trading deposit received was transferred to a new independent third party (the “**New Coal Deposit Holder**”) on 3 March 2014.

At 20 November 2015, 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 June 2017.

17. PURCHASE CONSIDERATION PAYABLE FOR ADDITIONAL ACQUISITION

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

In prior year, the Group has recognised US\$1,300,000 (equivalent to approximately HK\$10,140,000) of the 4th Adjusted Consideration as purchase consideration payable for the acquisition of additional 30% equity interest in Lapi. The Group’s share of the 4th Adjusted Consideration in the amount of HK\$9,126,000 was debited directly to other reserve in equity. The Group settled an aggregate amount of US\$873,400 (equivalent to approximately HK\$6,813,000) of the 4th Adjusted Consideration, the remaining balance of the 4th Adjusted Consideration is US\$426,600 (equivalent to approximately HK\$3,328,000).

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

18. 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 and the liability component of the Third Convertible Note was US\$280,089,133 (equivalent to approximately HK\$2,184,695,000).

On 22 May 2015, the holder of the Third Convertible Note partially converted the Third Convertible Note amounted to US\$30,800,000 (equivalent to approximately HK\$240,240,000). A total of 5,005,000 Conversion Shares were issued and allotted to the holder on 26 May 2015.

On 17 June 2015, the outstanding Third Convertible Note with principal amount US\$412,270,000 (equivalent to approximately HK\$3,215,706,000) was transferred to a new independent third party at the request of the original Third Convertible Note Holder.

(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 there was no change in the fair value of convertible note (31 March 2015: no change in the fair value of convertible note). The effective interest rate of the liability component of the Third Convertible Note was 12.01%.

	At 30 September 2015	At 31 March 2015
Expected volatility	47.6%	47.97%
Expected life	2.5 years	3.0 years
Risk-free rate	0.51%	0.75%
Expected dividend yield	Nil	Nil
Bond yield	Nil	Nil

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

18. CONVERTIBLE NOTE PAYABLES (Continued)

The Group and the Company (Continued)

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

	Liabilities component HK\$'000	Convertible note Derivative component HK\$'000	Total HK\$'000
At 1 April 2014 (audited)	2,464,391	—	2,464,391
Imputed interest charged during the year	312,753	—	312,753
At 31 March 2015 and 1 April 2015 (audited)	2,777,144	—	2,777,144
Conversion of convertible note (Note 20)	(196,155)	—	(196,155)
Imputed interest charged during the period (Note 6)	162,243	—	162,243
30 September 2015 (unaudited)	2,743,232	—	2,743,232

19. PROMISSORY NOTES PAYABLES

HK\$'000

At 1 April 2014 (audited)	64,256
Imputed interest charged	6,718
At 31 March 2015 and 1 April 2015 (audited)	70,974
Imputed interest charged (Note 6)	1,186
At 30 September 2015 and included in non-current liabilities (unaudited)	72,160

In prior years, three unsecured promissory notes in the aggregate principal amount of US\$35,000,000 (equivalent to approximately HK\$273,000,000) (“**Modified PN**”) were issued by the Company to Cordia, a shareholder of the Company, 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 was US\$35,000,000 (equivalent to approximately HK\$273,000,000) and its fair value was US\$20,766,000 (equivalent to approximately HK\$161,973,000) as at the issue date. The fair value was determined by reference to a valuation carried out on the issue date by Vigers Appraisal and Consulting Limited. The effective interest rate of the Modified PN was determined to be 10.5% per annum.

Modified PN with an aggregate principal amounts of US\$9,000,000 (equivalent to approximately HK\$70,200,000) was converted during the year ended 31 March 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

19. PROMISSORY NOTES PAYABLES (Continued)

During the period, an imputed interest of HK\$1,186,000 (31 March 2015: HK\$6,718,000) 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\$72,160,000 (31 March 2015: HK\$70,974,000).

20. SHARE CAPITAL

	Number of shares As at 30 September 2015 (unaudited)	Nominal value As at 30 September 2015 (unaudited) HK\$'000
Ordinary shares of HK\$0.2 each:		
Authorised:	5,000,000,000	1,000,000
Issued and fully paid:		
At beginning of the period	508,442,763	101,688
Issue of shares on conversion of the Convertible Note (Note (i))	5,005,000	1,001
At end of the period	513,447,763	102,689

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

Note:

- (i) As set out in Note 18, the holder of the Third Convertible Note partially converted the Third Convertible Note amounted to US\$30,800,000 (equivalent to approximately HK\$240,240,000). A total of 5,005,000 Conversion Shares with nominal value of HK\$0.2 each were issued and allotted at the conversion price of HK\$48 per share, of which HK\$1,001,000 was credited to share capital and the remaining balance of HK\$195,154,000 was credited to the share premium account.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

21. CAPITAL COMMITMENTS

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

	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (audited) HK\$'000
Exploration related contracts	<u>235</u>	<u>134</u>

22. 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:

	As at 30 September 2015 (unaudited) HK\$'000	As at 31 March 2015 (audited) HK\$'000
Within one year	2,688	2,844
In the second to fifth years, inclusive	1,478	1,427
Over five years	—	—
	<u>4,166</u>	<u>4,271</u>

23. RELATED PARTY TRANSACTIONS

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

23. RELATED PARTY TRANSACTIONS (Continued)

- (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 party	Relationship	Nature of transaction	Six months ended 30 September	
			2015	2014
			(unaudited) HK\$'000	(Unaudited) HK\$'000
Cordia Global Limited	Related party	Interest expenses thereto	—	309
Cordia Global Limited	Shareholder	Interest expenses thereto	287	—
Lim Ho Sok	Ex-director	Interest expenses thereto	317	315
Hong Sang Joon	Director	Interest expenses thereto	111	—
Goldwyn Management Limited	Shareholder	Interest expenses thereto	685	684

- (b) The amount due to a shareholder under current liabilities is unsecured, 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.
- (c) The amount due to a shareholder under non-current liabilities is unsecured and bears interest at the rate of 0-8% per annum.
- (d) The amount due to a director is unsecured, bear interest at the rate of 7.5% per annum and repayable within one year after the drawdown date.
- (e) The amount due to an ex-director is unsecured, bears interest at 5% per annum and has no fixed term of repayment.
- (f) During the current period, Cordia agreed to waive a portion of the interest charged in the total of US\$1,200 (2014: Nil) (equivalent to approximately HK\$10,000 (2014: Nil)) on the amount due in view of the early settlement on the principal loan due to Cordia. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company in the current period.
- (g) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2015	2014
	(unaudited) HK\$'000	(unaudited) HK\$'000
Directors' remuneration		
— Executive directors	669	660
— Independent non-executive directors	180	180
	<u>849</u>	<u>840</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

24. 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 30 September 2015, 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 30 September 2015, 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

24. 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 (the “**Injunction Order**”).

As further announced by the Company on 16 August 2013, some of the defendants therein subsequently applied to vary the Injunction Order but the same was dismissed by the Court on 23 September 2013 (as announced by the Company on 16 October 2013).

As further announced by the Company on 14 May 2015, the parties therein applied to the Court to discharge the Injunction Order and it was approved by the Court on 11 May 2015. In other words, the 3rd defendant (Keystone Global Co., Ltd.), the 4th defendant (Master Impact Inc.), the 6th defendant (Skyline Merit Limited), the 7th defendant (Park Seung Ho), the 8th defendant (Kim Chul) and the 9th defendant (Wonang Industries Co., Ltd.) therein are no longer restrained from (a) disposing of or in any way dealing with; and (b) exercising voting rights of their respective number of shares in the Company. The proceedings has been dormant since May 2015.

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

HCA 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 all existing directors of the Company and the Company. It was alleged to be a derivative action. The claim 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 rescission of it. The plaintiff also alleged misrepresentation, fraud and made other serious accusations (including the technical report signed by Dr. Herman Tso, false drillings, etc.) against various defendants therein.

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, the plaintiff also amended his statement of claims.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

24. LITIGATIONS *(Continued)*

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

HCA 1151 of 2014 *(Continued)*

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 action. As announced by the Company on 8 October 2015, as per the sealed Court Order obtained by the Company on 5 October 2015, the action against the 1st to 7th defendants was struck out and dismissed by the Court with costs on 26 August 2015.

As announced by the Company on 25 November 2015, the plaintiff on 16 November 2015 discontinued the action against the Company.

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 ex-directors of the Company and the Company. It was alleged as a derivative action. The claim 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 have been issued and thus demanded the rescission of them. He also 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 action. As announced by the Company on 8 October 2015, as per the sealed Court Order obtained by the Company on 2 October 2015, the action against Mr. Lim (the 4th defendant) was struck out by Court on 25 August 2015 with costs.

As announced by the Company on 25 November 2015, the Plaintiff on 16 November 2015 discontinued the proceedings against the Company.

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 an existing director and an ex-director of the Company and the Company. The plaintiff made similar allegations as in HCA 1151 of 2014 and HCA 2247 of 2014, mainly relating to, 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 and the Third Convertible Note.

In May 2015, an executive director of the Company (Mr. Hong Sang Joon, being the 3rd defendant) and the Company (being the 4th defendant) jointly took out an application to strike out the 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 action.

As announced by the Company on 25 November 2015, the plaintiff on 16 November 2015 discontinued the proceedings against Mr. Lim Ho Sok (the 1st defendant, ex-director of the Company), Mr. Hong Sang Joon (the 3rd defendant, current director of the Company) and the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

24. LITIGATIONS *(Continued)*

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

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 an ex-director of the Company and the Company. The plaintiff made similar allegations in HCA 1151 of 2014, HCA 2247 of 2014 and HCA 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 and the technical report signed by Dr. Herman Tso.

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 Company and the ex-director of the Company have filed the defence and the proceedings will proceed with the discovery stage.

HCA 168 of 2015

As announced by the Company on 30 January 2015, Hyon Hi Hun (being the father-in-law of Charles Zhi and the same person making the petition in HCCW 282 of 2014 (which was successful struck out by the Company)) 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 an ex-director of the Company and the Company. The plaintiff made similar allegations as in his petition in HCCW 282 of 2014 and his claim mainly concerns, inter alia, an US\$2,000,000 (approximately HK\$15,600,000) promissory note issued by the Company.

The defence of the ex-director and the Company has been filed and parties to the action will proceed with the discovery stage.

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 current directors and an ex-director of the Company and the Company. The claim concerns, inter alia, the plaintiff's disputes with certain ex-shareholders, existing shareholders and certain alleged beneficial owners of the Company under certain alleged oral/written agreement, and an US\$2,000,000 (approximately HK\$15,600,000) promissory note issued by the Company.

As announced by the Company on 25 November 2015, the plaintiff on 16 November 2015 discontinued the proceedings against the ex-director and current directors of the Company, and the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

24. LITIGATIONS *(Continued)*

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

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 to be a derivative action, and the claim concerns mainly, inter alia, the conducts and alleged conflict of interest of the Company's legal adviser.

In June 2015, executive directors of the Company (Mr. Jang Sam Ki and Mr. Hong Sang Joon, being the 3rd and 4th defendants) and an ex-director of the Company (Mr. Lim Ho Sok, being the 2nd defendant) jointly took out an application to strike out the 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.

As announced by the Company on 16 October 2015, the plaintiff discontinued the proceedings against the ex-director and current directors of the Company by serving a notice of discontinuance on 6 October 2015, and on 15 October 2015, the Court struck out the action against the Company.

HCCW 180 of 2015

As announced by the Company on 2 June 2015, the Company was served on a petition filed by Charles Zhi (also known as Chi Chang Hyun or Charles Chi) with the Court of First Instance of the High Court of Hong Kong on 2 June 2015 to, amongst others, wind up the Company on just and equitable ground (HCCW 180 of 2015).

The Company filed evidence in opposition to the petition. The call over hearing has been adjourned to 25 November 2015 pending the petitioner obtaining the Registrar certificate.

HCA 1754 of 2015

As announced by the Company on 14 August 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 4 August 2015 issued a writ of summons in the High Court of Hong Kong (HCA 1754 of 2015) against certain persons including certain shareholders of the Company, certain current directors and an ex-director of the Company and the Company. The claim concerns, inter alia, the plaintiff's disputes with certain ex-shareholders, existing shareholders and certain alleged beneficial owners of the Company on the Third Convertible Note, the settlement agreement entered into between him and certain alleged beneficial owner of the Company.

As announced by the Company on 25 November 2015, the plaintiff on 16 November 2015 discontinued the proceedings against the ex-director and current directors, and the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

24. LITIGATIONS *(Continued)*

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

HCA 1821 of 2015

As announced by the Company on 19 August 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 11 August 2015 issued a writ of summons in the High Court of Hong Kong (HCA 1821 of 2015) against certain persons including certain current directors of the Company, the auditor of the Company and the Company. The claim concerns, inter alia, the alleged settlement agreement entered into between him and certain alleged beneficial owner of the Company.

On 17 August 2015, the Court refused an application by the plaintiff for an interlocutory injunction to restrain the Company from holding its 2015 Annual General Meeting, with costs to the Company.

On 21 August 2015, the plaintiff applied for summary judgment against the Company to withdraw the resumption announcement made on 22 April 2015 as to its resumption of trading of its shares. This was subsequently withdrawn by consent on 8 September 2015. On the same day, the plaintiff issued a fresh summons for summary judgment against the Company for the withdrawal of the resumption announcement made on 22 April 2015 and withdrawal of its approval on the audit reports for the years ended 31 March 2013, 31 March 2014 and 31 March 2015. The summons was adjourned for substantive argument and a date has not been fixed as yet.

As announced by the Company on 25 November 2015, the plaintiff on 16 November 2015 and 18 November 2015 discontinued the proceedings against the current directors of the Company.

HCA 1880 of 2015

As announced by the Company on 24 August 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff and Chi Dong Eun (the son of Charles Zhi) on 18 August 2015 issued a writ of summons in the High Court of Hong Kong (HCA 1880 of 2015) against certain persons including certain shareholders of the Company, certain current directors and ex-directors of the Company and the Company. The claim is similar to HCA 1754 of 2015 and it concerns, amongst others, the alleged breach of agreement entered into between Charles Zhi and certain shareholders of the Company.

As announced by the Company on 25 November 2015, the 2nd plaintiff Charles Zhi on 16 November 2015 discontinued proceedings against the ex-directors and current directors of the Company, and the Company.

HCA 1990 of 2015

As announced by the Company on 7 September 2015, Tam Wing Yuen as the plaintiff on 31 August 2015 issued a writ of summons in the High Court of Hong Kong (HCA 1990 of 2015) against certain persons including the ex-directors of the Company and the Company. It was alleged to be a derivative action.

As announced by the Company on 16 September 2015, the action was discontinued by the plaintiff against all the defendants on 11 September 2015.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

24. LITIGATIONS *(Continued)*

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

HCMP 2439 of 2015

As announced by the Company on 8 October 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff on 30 September 2015 issued an originating summons in the High Court of Hong Kong (HCMP 2439 of 2015) against certain persons including certain current directors of the Company and the Company. The plaintiff questions the qualification and expertise of Dr. Herman Tso (as the 1st defendant therein) and thus, the validity of the HASS Technical Report. The plaintiff also alleges certain impropriety of Mr. Jang Sam Ki (the 2nd defendant therein, and being current director of the Company) in providing loan facility to the Company.

As announced by the Company on 25 November 2015, the plaintiff on 16 and 18 November 2015 discontinued the proceedings against the current directors of the Company.

HCA 2494 of 2015

As announced by the Company on 3 November 2015, Charles Zhi (also known as Chi Chang Hyun or Charles Chi) as the plaintiff issued a general endorsed writ of summons in the High Court of Hong Kong (HCA 2494 of 2015) on 27 October 2015 against certain persons including certain current directors of the Company and the Company. The plaintiff, inter alia, seeks various declarations from the Court in relation to the controlling shareholder of the company, loan facility and the Third Convertible Note.

As announced by the Company on 25 November 2015,, the plaintiff on 16 November 2015 and 18 November 2015 discontinued the proceedings against the current directors of the Company.

HCA 2694 of 2015

As announced by the Company on 25 November 2015, Tam Wing Yuen (the same plaintiff in HCA 1990 of 2015) and Chow Doi Yik Caniel as the plaintiffs on 19 November 2015 issued a writ of summons in the High Court of Hong Kong (HCA 2694 of 2015) against certain persons, including the ex-directors of the Company, and the Company. In such action, the plaintiffs are seeking various orders on the Company and other defendants in respect of, inter alia, the Third Convertible Note, the issue of new shares by the Company pursuant to the partial conversion of the Third Convertible Note (as announced by the Company on 26 May 2015), future conversion of the Third Convertible Note and the HASS Technical Report.

The Company is taking legal advice in respect of the above action.

(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.

24. 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 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. Mediation was conducted with a view to settling the matter as required under the Civil Justice Reform. Although it was the opinion from the Senior Counsel that an amicable settlement would be preferred for the purposing of saving time and costs, no settlement arrangement has been reached. The Company proceeded further with the action against these three former directors. All the pleadings were filed, and discovery was completed with the witness statements of the parties duly exchanged. A trial judge was assigned for the case on 25 March 2014. As a result of the solicitors ceasing to act for the Company from 9 February 2015, the hearing on the case management conference originally fixed on 11 February 2015 was adjourned pending an application by the Company to act in person or the Company's engagement of new solicitors.

On 27 April 2015, the Company finalized the engagement of new solicitors to act for the Company so as to further proceed with the case. Upon the hearing on 30 July 2015, the Company would file a summons for application to amend the Indorsement of Claim and Statement of Claim. The hearing for such application of the Company has been fixed for 21 March 2016.

HCMP 443 of 2015

The originating summons of this 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.

The substantive hearing of the originating summons was heard on 30 September 2015 and judgment was reserved.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

24. LITIGATIONS *(Continued)*

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

HCB 4211 of 2015

The Company on 1 June 2015 filed with the Court of First Instance of the High Court of Hong Kong a creditor's bankruptcy petition against Charles Zhi (also known as Chi Chang Hyun or Charles Chi) for his failure of paying to the Company legal costs ordered by the Court. The hearing was adjourned sine die upon the final determination of another Charles Zhi's own legal case in the Court of Final Appeal.

25. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, a few writ of summons were raised by certain shareholders. Please refer to Note 24 for details.
- (b) As announced by the Company on 8 October 2015, the High Court of Hong Kong has struck out all claims against one of defendants in respect of HCA 2247 of 2014 as per the sealed court order received on 2 October 2015. Please refer to Note 24 for details.
- (c) As announced by the Company on 8 October 2015, the High Court of Hong Kong has struck out all claims against certain defendants in respect of HCA 1151 of 2014 as per the sealed court order received 5 October 2015. Please refer to Note 24 for details.
- (d) As announced by the Company on 16 October 2015, the Company has received a notice of discontinuance on 6 October 2015 from the plaintiff discontinuing the legal action against all defendants (except the Company) in relation to HCA 347 of 2015. The claims against the Company have been dismissed by the Court. Please refer to Note 24 for details.
- (e) As announced by the Company on 25 November 2015, various notices of discontinuance from the respective plaintiffs were received on 16 November 2015, 18 November 2015 and 23 November 2015, respectively, whereby various legal proceedings against the Company and/or certain defendants, being ex-director and current directors of the Company (as the case may be) were discontinued by the plaintiffs. Please refer to Note 24 for details.

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 2015:

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\$210,193,000 for the six months ended 30 September 2015 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$168,985,000. 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 24 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 six months period ended 30 September 2015, the Group recorded a total turnover of HK\$1.54 million (2014: HK\$0.23 million), representing an increase of approximately 570.0% as compared to last corresponding period. The increase was mainly due to increase in steel trading in the Korean market as the Group commenced the trading of steel since February 2015, and increase in scrapped iron trading also in the Korean market.

During the period under review, the Group recorded a turnover of HK\$0.96 million (2014: nil) from steel trading and a turnover of HK\$0.58 million (2014: HK\$0.23 million) from scrapped iron trading.

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) increased from HK\$5.1 million to HK\$16.3 million mainly due to the net effects of the increase in coal prices, the decrease of Russian Rubles to US Dollars, increase in projected capital expenditure, and the increase in post-tax discount rate; and (ii) the reversal of impairment loss on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) amounted to HK\$1.4 million (2014: impairment loss of HK\$26.1 million) mainly due to the net effects of the decrease of Russian Rubles to US Dollars, positive impacts on the discounted cash flow valuation modelling as the duration to projected commencement of production became shorter as time passed and the decrease in post-tax discount rate.

Administrative and Other Expenses

During the period under review, amortization of mining rights dropped from HK\$11.1 million to HK\$3.6 million. Staff costs (excluding directors' remuneration) decreased from HK\$3.3 million to HK\$2.2 million as further cost tightening measures took place, legal and professional fees increased very slight from HK\$4.1 million to HK\$4.3 million, and exchange losses increased from HK\$7.8 million to HK\$11.9 million mainly due to the decrease of Russian Rubles to US Dollars.

Finance costs

During the period under review, the increase in total finance costs from HK\$158.3 million to HK\$168.2 million is mainly resulted from the net effect of (i) the increase in imputed interest of the Third Convertible Note to HK\$162.2 million (2014: HK\$151.7 million); (ii) the decrease in imputed interest of the promissory notes to HK\$1.2 million (2014: HK\$3.3 million); and (iii) the increase in interest on loans from third parties to HK\$3.3 million (2014: HK\$2.0 million) due to increase in borrowings.

Loss Before Income Tax

For the six months period ended 30 September 2015, the loss before income tax of the Group was HK\$210.2 million (2014: HK\$220.3 million), representing a decrease of 4.6% as compared to the last corresponding period. The slight decrease in loss is mainly attributable to the combined effects of the above-mentioned factors.

The Company would like to highlight that both the impairment loss of HK\$16.3 million (2014: HK\$5.1 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 reversal of impairment loss on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) amounted to HK\$1.4 million (2014: impairment loss of HK\$26.1 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

For the period under review, steel trading and scrapped iron trading were the two contributors to the Group's turnover.

Coal Mining

In April 2015, the final stage of drilling design with the sub-contractor in respect of underground mining in Lot 2 of the Group's Russian coal mines was fine-tuned so as to further enhance the drilling data both quantitatively and qualitatively.

Submissions relating the geological report on estimation of coal reserves in Lot 2 of the Group's Russian coal mines were made to GKZ (which is the State Committee of Reserves under the Russian Federation Ministry of National Resources) for open pit mining, and in August 2015 GKZ approved the coal reserves of Lot 2 (in respect of open pit mining) to be approximately 14.3 million tonnes.

Geographical

In the period under review, the Republic of Korea remained the Group's sole market segment which accounted for 100% (2014: 100%) of the total revenue.

PROSPECTS

Looking forward, the period ahead will remain extremely challenging for the Group. Since resumption of trading of the shares of the Company on 24 April 2015, the Company has been working on improving the net liabilities position of 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 not stop looking for long-term strategic business partners. The Group will continue to concentrate its efforts in steel trading and scrapped iron trading which would be expected to be the prime contributors to the Group's turnover in the foreseeable future.

Coal Mining

Although the Group has already fulfilled all the required depths of exploration drillings under the mining license for Lot 2 during the past 3 fiscal years from 2012/13 to 2014/15, the Group has decided to engage a subcontractor to conduct voluntary additional exploration drillings in Lot 2 to facilitate the preparation of detailed and well-supported TEO Conditions for underground mining in Lot 2 (TEO Conditions stands for Technical and Economic Justification of Conditions and is broadly equivalent to the Western pre-feasibility study). A detailed and well-supported TEO Conditions may enable to Group to obtain additional coal reserves approved by GKZ (in respect of underground mining in Lot 2). The Group is in the process of making tender for drilling subcontractor.

In respect of open pit mining in Lot 2, the Group has contracted with LLC "SibGeoProject", a consulting firm that provides geological exploration through to mine construction and commissioning services, and LLC "SibGeoProject" will be responsible for the initial mine design works for mine construction by open pit mining through various kinds of simulations to optimize the open pit mining boundaries. 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 2015, the Group had net current liabilities of HK\$168,985,000 (31 March 2015: HK\$153,392,000). The Group's current ratio, being a ratio of current assets to current liabilities, was 5.1% (31 March 2015: 6.6%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 22.63% (31 March 2015: 18.89%).

The Group generally finances its operations with internally generated cash flows, loans from related parties, independent third parties, and through the capital market available to listed companies in Hong Kong. During the period under review, the Group recorded a net cash inflow of HK\$2,271,000 (2014: outflow of HK\$2,287,000), with its total cash and cash equivalents increased to HK\$7,316,000 (2014: decreased to HK\$1,432,000) as at 30 September 2015.

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 2015. 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 24 to the financial statements.

CAPITAL COMMITMENTS

Details of capital commitments of the Group as at 30 September 2015 as disclosed in Note 21 to the financial statements.

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 30 September 2015 or 31 March 2015.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2015, the Group had approximately 23 (31 March 2015: 27) staff in Hong Kong, Korea and Russia. 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 2015 (for the six months ended 30 September 2014: 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 deviations as described below:

- (i) Under code provision A.6.7 of the CG Code, independent non-executive directors ("**INEDs**") should attend the general meetings and develop a balanced understanding of the views of shareholders. However, two INEDs, Mr. Lai Han Zhen and Mr. Park Kun Ju were unable to attend the 2015 annual general meeting of the Company held on 4 September 2015 due to other overseas commitments or other prior business engagements.
- (ii) Under code provision E1.2 of the CG Code, the Chairman of the Board should attend the annual general meetings. However, Mr. Jang Sam Ki, the Chairman of the Board, was unable to attend the 2015 annual general meeting of the Company held on 4 September 2015 due to other prior overseas 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.

Audit Committee

The 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 2015 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 38. The report on review will be included in the interim report for distribution to shareholders.

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 2015 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, 27 November 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.