

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## SIBERIAN MINING GROUP COMPANY LIMITED

西伯利亞礦業集團有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1142)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Siberian Mining Group Company Limited (the “**Company**”) announces the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016, as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Turnover	4	1,673	1,824
Cost of sales		<u>(1,658)</u>	<u>(1,811)</u>
Gross profit		15	13
Other income	4	11,004	76
Other gains and losses	4	2,426,960	(88,458)
Selling and distribution costs		(47)	(59)
Administrative and other expenses		(41,271)	(44,247)
Finance costs	5	<u>(369,369)</u>	<u>(332,898)</u>
Profit/(Loss) before income tax	6	2,027,292	(465,573)
Income tax	7	<u>3</u>	<u>(2)</u>
Profit/(Loss) for the year		<u><u>2,027,295</u></u>	<u><u>(465,575)</u></u>

\* For identification purpose only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *(Continued)**For the year ended 31 March 2017*

	<i>Notes</i>	<b>2017</b> <b><i>HK\$'000</i></b>	2016 <i>HK\$'000</i>
<b>Attributable to:</b>			
Owners of the Company	8	<b>1,978,002</b>	(459,930)
Non-controlling interests		<b>49,293</b>	(5,645)
		<b><u>2,027,295</u></b>	<b><u>(465,575)</u></b>
<b>Earnings/(Loss) per share</b>			
Basic (Hong Kong cents)	10	<b><u>313</u></b>	<b><u>(90)</u></b>
Diluted (Hong Kong cents)	10	<b><u>313</u></b>	<b><u>(90)</u></b>

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

For the year ended 31 March 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Profit/(Loss) for the year</b>	<b>2,027,295</b>	<b>(465,575)</b>
<b>Other comprehensive income for the year, net of tax:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Exchange differences on translation of financial statements of foreign operations	<u>47,767</u>	<u>5,308</u>
<b>Total comprehensive income/(expense) for the year, net of tax</b>	<b><u>2,075,062</u></b>	<b><u>(460,267)</u></b>
<b>Attributable to:</b>		
Owners of the Company	<u>2,021,682</u>	<u>(455,146)</u>
Non-controlling interests	<u>53,380</u>	<u>(5,121)</u>
	<b><u>2,075,062</u></b>	<b><u>(460,267)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Notes</i>	<b>31 March 2017 HK\$'000</b>	31 March 2016 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	13,898	385
Prepayments for acquisition of property, plant and equipment		—	289
Other intangible assets	13	529,088	9,745
Exploration and evaluation assets	14	2,392,398	465,492
		<u>2,935,384</u>	<u>475,911</u>
<b>Current assets</b>			
Trade receivables	15	1,282	—
Other receivables, deposits and prepayments		2,774	1,719
Cash and cash equivalents	16	10,846	337
		<u>14,902</u>	<u>2,056</u>
<b>Current liabilities</b>			
Trade payables	17	1,282	—
Other payables, accrued expenses and trade deposit received		17,689	26,042
Interest-bearing borrowings	18	39,072	87,710
Amount due to a director	19(a)	—	3,058
Amount due to an ex-director	19(b)	5,957	14,344
Amount due to a related party	19(c)	—	32,279
Coal trading deposit received	20	—	24,180
Purchase consideration payable for additional acquisition	21	3,315	3,328
Convertible note payables	22	3,187,111	—
		<u>3,254,426</u>	<u>190,941</u>
<b>Net current liabilities</b>		<u>(3,239,524)</u>	<u>(188,885)</u>
<b>Total assets less current liabilities</b>		<u>(304,140)</u>	<u>287,026</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***As at 31 March 2017*

		<b>31 March 2017 HK\$'000</b>	31 March 2016 HK\$'000
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Amount due to an ex-director	19(b)	<b>5,910</b>	—
Amount due to a related party	19(c)	<b>33,897</b>	—
Amount due to a shareholder	19(d)	<b>33,039</b>	32,677
Convertible note payables	22	—	2,828,189
Promissory notes payables	23	<b>15,600</b>	72,160
Provision for close down, restoration and environmental costs	24	<b>1,474</b>	1,166
Deferred tax liabilities	25	<b>6</b>	8
		<hr/>	<hr/>
		<b>89,926</b>	2,934,200
		<hr/>	<hr/>
<b>NET LIABILITIES</b>		<b>(394,066)</b>	(2,647,174)
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
<b>Share capital</b>	26	<b>241,695</b>	102,690
<b>Reserves</b>		<b>(663,269)</b>	(2,723,992)
		<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>		<b>(421,574)</b>	(2,621,302)
<b>Non-controlling interests</b>		<b>27,508</b>	(25,872)
		<hr/>	<hr/>
<b>CAPITAL DEFICIENCIES</b>		<b>(394,066)</b>	(2,647,174)
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

### 1. ORGANISATION AND OPERATIONS

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

The Company engages in investment holding. The principal activities of its principal subsidiaries are engaged in holding mining and exploration rights of coal mine in Russia and business of scrapped iron and other trading in the Republic of Korea.

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

The consolidated financial statements for the year ended 31 March 2017 were approved for issue by the board of directors on 30 June 2017.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

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

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

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

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

During the year, the Group’s current liabilities exceeded its current assets by approximately HK\$3,239,524,000 (2016: HK\$188,885,000) and a capital deficiency of HK\$394,066,000 (2016: HK\$2,647,174,000) as at 31 March 2017. 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.

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

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

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

- Continue to exercise cost control in administrative and other expenses by further streamlining the Group operation.

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

- (i) Obtained a loan facilities agreement from the independent third party to provide continuous financial support to the Group. The loan facility provides up to HK\$100,000,000 to the Group for the 18 months period commencing from 13 June 2017.
- (ii) As set out in Note 18, with regard to Other Loan 1, the lender has agreed not to demand for repayment for the amount due before 31 December 2018.
- (iii) As set out in Note 18, with regard to Other Loan 3, the lender has agreed not to demand for repayment for the amount due before 31 December 2018.
- (iv) As set out in Note 18, with regard to Other Loan 4, the lender has agreed not to demand for repayment for the amount due before 31 December 2017.
- (v) As set out in Note 23, with regard to promissory notes, the promissory notes holder has agreed not to demand for repayment of the amount due before 31 December 2018.
- (vi) With regard to amounts due to an ex-director, the ex-director agreed not to demand for repayment of the US dollar amount due before 31 August 2017 and the Hong Kong amount due before 31 December 2018.
- (vii) With regard to amounts due to a related party and a shareholder, they agreed not to demand for repayment of the amounts due before 31 December 2018.
- (viii) Obtained an agreement from certain shareholders that they agreed to subscribe the issued new shares of the Company.
- (ix) The Company has obtained additional loan facilities sufficient to support the continual normal operation of the Group for at least 12 months after year end.

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

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

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

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

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

(a) The accounting policies and basis of preparation adopted in the preparation of the consolidated financial statements are the same as those used in the consolidated financial statements for the year ended 31 March 2016, except in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current year’s financial statements as explained in (b).

(b) New and revised HKFRSs effective in current year

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

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual improvements 2012–2014 Cycle

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



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

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

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

HKAS 7 (Amendment)	Disclosure Initiative <sup>1</sup>
HKAS 12 (Amendment)	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 Cycle <sup>5</sup>
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>4</sup>
HKAS 40 (Amendment)	Transfers of Investment Property <sup>2</sup>
HK(IFRIC) — Int 22 (New)	Foreign Currency Transactions and Advance Consideration <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective date not yet been determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

#### **HKFRS 9 — ‘Financial Instruments’**

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 ‘Financial instruments: recognition and measurement’ and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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

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

#### **HKFRS 9 — ‘Financial Instruments’** *(Continued)*

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

#### **HKFRS 15 — ‘Revenue from contracts with customers’**

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group’s financial statements. At this stage, the Group is not able to estimate the impact of the new rules on the Group’s financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

#### **HKFRS 16 — ‘Leases’**

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$3,036,000. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated profit or loss and other comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

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

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

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Turnover</b>		
Trading of mineral resources and commodities	<u>1,673</u>	<u>1,824</u>
<b>Other income</b>		
Exchange gain	10,966	—
Sundry income	<u>38</u>	<u>76</u>
	<u>11,004</u>	<u>76</u>
<b>Other gains and losses</b>		
Fair value gain on capitalisation of loans	25,808	—
Reversal of impairment loss/(Impairment loss) on other intangible assets ( <i>Note 13</i> )	470,567	(30,118)
Reversal of impairment loss/(Impairment loss) on property, plant and equipment ( <i>Note 12 &amp; 13</i> )	12,110	(990)
Reversal of impairment loss/(Impairment loss) on exploration and evaluation assets ( <i>Note 14</i> )	<u>1,918,475</u>	<u>(57,350)</u>
	<u>2,426,960</u>	<u>(88,458)</u>

#### 5. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Interest expenses on</b>		
Loan from a related party	1,618	1,475
Loan from a director	94	221
Loan from an ex-director	620	632
Loan from third parties	7,509	7,113
Loan from a shareholder	550	571
Imputed interest on promissory notes ( <i>Note 23</i> )	—	1,186
Imputed interest on convertible note ( <i>Note 22</i> )	<u>358,922</u>	<u>321,664</u>
	<u>369,313</u>	<u>332,862</u>
Bank charges	<u>56</u>	<u>36</u>
	<u>369,369</u>	<u>332,898</u>

## 6. PROFIT/(LOSS) BEFORE INCOME TAX

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Profit/(Loss) before income tax is arrived at after charging/(crediting): —</b>		
Employees benefit expenses (excluding directors' remuneration): —		
Wages and salaries	4,584	4,475
Pension fund contributions	321	296
	<u>4,905</u>	<u>4,771</u>
Amortisation of other intangible assets-mining right ( <i>Note 13</i> )	6,037	5,498
Provision of doubtful debt/(bad debt recovered)	13	(20)
Depreciation ( <i>Note 12</i> )	43	46
Auditor's remuneration		
— Group	1,580	1,500
— Overseas subsidiaries	96	188
Provision for close down, restoration and environmental costs ( <i>Note 24</i> )	59	74
Minimum lease payments in respect of premises under operating leases	1,824	1,817
Net exchange (gain)/losses	(10,966)	12,773
Cost of inventories sold	1,658	1,811
	<u><u>1,658</u></u>	<u><u>1,811</u></u>

## 7. INCOME TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Group:</b>		
Current – Hong Kong Charge for the year	—	—
Current – Russia and other overseas Deferred tax ( <i>Note 25</i> )	(3)	2
	<u>(3)</u>	<u>2</u>

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

**7. INCOME TAX (Continued)**

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

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit/(Loss) before income tax expenses	<u><b>2,027,292</b></u>	<u>(465,573)</u>
Tax credit calculated at the weighted average statutory tax rate	<b>334,740</b>	(77,428)
Tax effect of expenses not deductible for taxation purposes	<b>78,929</b>	77,866
Tax effect of income not taxable for taxation purposes	<b>(414,351)</b>	(438)
Tax effect of tax losses not recognised	<u><b>679</b></u>	<u>2</u>
Income tax (credit)/expenses for the year	<u><b>(3)</b></u>	<u>2</u>

**8. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY**

Profit from ordinary activities attributable to owners of the Company for the year ended 31 March 2017 includes a profit of HK\$1,978,002,000 (2016: loss of HK\$459,930,000) which has been dealt with in the financial statements of the Company.

**9. DIVIDEND**

The Board did not recommend the payment of any dividend for the year ended 31 March 2017 (2016: Nil).

**10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**

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

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

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

**10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**  
(Continued)

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Profit/(Loss)</b>		
Profit/(loss) attributable to the owners of the Company, used in the basic and diluted earnings/(loss) per share	<u><b>1,978,002</b></u>	<u>(459,930)</u>
	<b>Number of shares</b>	
	<b>2017</b>	2016
<b>Shares</b>		
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share	<u><b>632,179,024</b></u>	<u>512,695,646</u>

**11. SEGMENT INFORMATION**

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

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

- (i) Mining segment comprises holding mining and exploration rights of coal mines in the Russia and will be engaged in the exploration and mining of coal.
- (ii) Mineral resources, commodities and other trading segment comprises the business of scrapped iron, steel and paper for newspaper printing trading to the Republic of Korea ("Korea").

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

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

## 11. SEGMENT INFORMATION (Continued)

### (a) Reportable segments

The following table presents revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the years ended 31 March 2017 and 2016.

*For the year ended 31 March 2017*

	Mining <i>HK\$'000</i>	Mineral resources, commodities and other trading <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
<b>Reportable segment revenue</b>			
Revenue from external customers	—	1,673	1,673
<b>Reportable segment profit/(loss)</b>	<b>2,399,684</b>	<b>(22)</b>	<b>2,399,662</b>
Reversal of impairment loss on other intangible assets	470,567	—	470,567
Reversal of impairment loss on property, plant and equipment	12,110	—	12,110
Reversal of impairment loss on exploration and evaluation assets	1,918,475	—	1,918,475
Depreciation	(41)	(2)	(43)
Allowance for doubtful trade receivables	—	(13)	(13)
Amortisation of other intangible assets	(6,037)	—	(6,037)
<b>Reportable segment assets</b>	<b>2,947,833</b>	<b>1,335</b>	<b>2,949,168</b>
Additions to non-current assets	5,582	—	5,582
<b>Reportable segment liabilities</b>	<b>(34,918)</b>	<b>(1,242)</b>	<b>(36,160)</b>

11. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the year ended 31 March 2016

	Mining HK\$'000	Mineral resources and commodities trading HK\$'000	Consolidated total HK\$'000
<b>Reportable segment revenue</b>			
Revenue from external customers	—	1,824	1,824
<b>Reportable segment loss</b>	(112,797)	(166)	(112,963)
Impairment loss on other intangible assets	(30,118)	—	(30,118)
Impairment loss on property, plant and equipment	(990)	—	(990)
Impairment loss on exploration and evaluation assets	(57,350)	—	(57,350)
Depreciation	(42)	(4)	(46)
Allowance for doubtful trade receivables	—	20	20
Amortisation of other intangible assets	(5,498)	—	(5,498)
Loss on written-off of property, plant and equipment	(40)	—	(40)
<b>Reportable segment assets</b>	476,798	290	477,088
Additions to non-current assets	131	—	131
<b>Reportable segment liabilities</b>	<u>(58,958)</u>	<u>(109)</u>	<u>(59,067)</u>



## 11. SEGMENT INFORMATION *(Continued)*

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

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	<u>1,673</u>	<u>1,824</u>
<b>Profit/(Loss) before income tax</b>		
Reportable segment profit/(loss)	2,399,662	(112,963)
Other gains and losses	25,808	—
Unallocated corporate expenses	(28,809)	(19,712)
Finance costs	<u>(369,369)</u>	<u>(332,898)</u>
Consolidated profit/(loss) before income tax	<u>2,027,292</u>	<u>(465,573)</u>
<b>Assets</b>		
Reportable segment assets	2,949,168	477,088
Unallocated corporate assets	<u>1,118</u>	<u>879</u>
Consolidated total assets	<u>2,950,286</u>	<u>477,967</u>
<b>Liabilities</b>		
Reportable segment liabilities	(36,160)	(59,067)
Unallocated corporate liabilities	<u>(3,308,192)</u>	<u>(3,066,074)</u>
Consolidated total liabilities	<u>(3,344,352)</u>	<u>(3,125,141)</u>

## 11. SEGMENT INFORMATION (Continued)

### (b) Geographical information

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

	Revenue from external customers		Specific non-current assets	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Russia	—	—	2,935,382	475,907
Korea	1,673	1,824	2	4
	<u>1,673</u>	<u>1,824</u>	<u>2,935,384</u>	<u>475,911</u>

### (c) Information about major customers

For the year ended 31 March 2017, two customers of the mineral resources and commodities trading segment with revenue of HK\$ 529,000 and HK\$ 1,144,000 respectively, each contributed to more than 10% of the Group's revenue.

For the year ended 31 March 2016, two customers of the mineral resources and commodities trading segment with revenue of HK\$944,000 and HK\$880,000 respectively, each contributed to more than 10% of the Group's revenue.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress <i>HK\$'000</i>	Freehold land <i>HK\$'000</i>	Furniture and fixture <i>HK\$'000</i>	Equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>						
At 1 April 2015	11,713	1,742	122	153	202	13,932
Additions	—	—	11	11	—	22
Disposals	(40)	—	—	(31)	—	(71)
Exchange realignments	(1,755)	(261)	(15)	(1)	(30)	(2,062)
At 31 March 2016	9,918	1,481	118	132	172	11,821
Additions	—	—	3	29	—	32
Exchange realignments	2,082	310	17	1	36	2,446
<b>At 31 March 2017</b>	<b>12,000</b>	<b>1,791</b>	<b>138</b>	<b>162</b>	<b>208</b>	<b>14,299</b>
<b>Accumulated depreciation and impairment</b>						
At 1 April 2015	10,396	1,548	105	103	124	12,276
Charge for the year ( <i>Note 6</i> )	—	—	6	21	19	46
Impairment loss ( <i>Note 4</i> )	860	130	—	—	—	990
Written back on disposal	—	—	—	(31)	—	(31)
Exchange realignments	(1,575)	(234)	(15)	(1)	(20)	(1,845)
At 31 March 2016	9,681	1,444	96	92	123	11,436
Charge for the year ( <i>Note 6</i> )	—	—	7	17	19	43
Reversal of impairment loss ( <i>Note 4</i> )	(10,539)	(1,571)	—	—	—	(12,110)
Exchange realignments	858	127	18	1	28	1,032
<b>At 31 March 2017</b>	<b>—</b>	<b>—</b>	<b>121</b>	<b>110</b>	<b>170</b>	<b>401</b>
<b>Net carrying value</b>						
<b>At 31 March 2017</b>	<b>12,000</b>	<b>1,791</b>	<b>17</b>	<b>52</b>	<b>38</b>	<b>13,898</b>
At 31 March 2016	237	37	22	40	49	385

As explained in Note 13, property, plant and equipment associated with the mining right had been partially impaired during the current year.

### 13. OTHER INTANGIBLE ASSETS

	<b>Mining right</b> <i>HK\$ '000</i>
<b>Cost</b>	
At 1 April 2015	1,689,464
Exchange realignments	(253,608)
	<hr/>
At 31 March 2016 and 1 April 2016	1,435,856
Exchange realignments	301,555
	<hr/>
<b>At 31 March 2017</b>	<b>1,737,411</b>
	<hr/>
<b>Accumulated amortisation and impairment losses</b>	
At 1 April 2015	1,637,296
Charge for the year ( <i>Note 6</i> )	5,498
Impairment loss ( <i>Note 4</i> )	30,118
Exchange realignments	(246,801)
	<hr/>
At 31 March 2016 and 1 April 2016	1,426,111
Charge for the year ( <i>Note 6</i> )	6,037
Reversal of impairment loss ( <i>Note 4</i> )	(470,567)
Exchange realignments	246,742
	<hr/>
<b>At 31 March 2017</b>	<b>1,208,323</b>
	<hr/>
<b>Net carrying value</b>	
<b>At 31 March 2017</b>	<b>529,088</b>
	<hr/> <hr/>
At 31 March 2016	9,745
	<hr/> <hr/>

#### **Mining right**

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

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

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

#### **Mining right** *(Continued)*

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

- (i) Cash flow projection is determined for a period of 15 years up to 2031 (2016: a period of 15 years up to 2030) with the first year of production taken to be from year 2021 (2016: first year of production from year 2020) based on the senior management's current best estimated production plan.
- (ii) Cost of production (including royalties) on average is taken as 49.44% (2016:76.68%) of revenue.
- (iii) The post-tax discount rate applied to the cash flow projection is 19.71% (2016: post-tax discount rate of 22.03%).
- (iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (2016: increment of 3% p.a.), which is in line with the comparable market information.
- (v) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show a decrease of approximately 9% and increase of approximately 85% (depends on different type of coals) when compared to that of last year.
- (vi) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 31 March 2017 is taken to be 1.00 US Dollar to 56.24 Rubles (2016: 1.00 US Dollar to 66.90 Rubles).
- (vii) The inflation rate on operating costs is 3% p.a. (2016: 3% p.a.)
- (viii) The Group is able to renew the relevant licence for the mining right upon its existing expiry date.

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

The directors of the Company are of the opinion that based on the valuation, the mining right was evaluated upward and thus would result in reversal of impairment loss of HK\$470,567,000 (2016: impaired by HK\$30,118,000) compared with its carrying value as at 31 March 2017. The reversal of impairment loss is mainly attributable to the net effects of the increase of the relevant coal prices, the appreciation of Russian Rubles to US Dollars and the decrease in post-tax discount rate during the current year as compared to previous year, and the changes in parameters for the other major assumption in the DCF analysis for items (i) mentioned above do not have material impacts on the resultant reversal of impairment loss when compared with that of coal prices increase, Russian Rubles to US Dollars appreciation and post-tax discount rate decrease.

### 13. OTHER INTANGIBLE ASSETS (Continued)

#### Mining right (Continued)

The directors of the Company are also of the opinion that based on the valuation above, property, plant and equipment associated with the mining right were evaluated upward compared with their recoverable amounts as at 31 March 2017. The resultant reversal of impairment loss of HK\$12,110,000 (2016: impaired by HK\$990,000) (Note 12) was recognised for property, plant and equipment associated with the mining right during the current year.

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

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

### 14. EXPLORATION AND EVALUATION ASSETS

	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>	
At 1 April 2015	3,629,436
Additions	109
Exchange realignments	(2,493)
	<hr/>
At 31 March 2016 and 1 April 2016	3,627,052
Additions	5,550
Exchange realignments	3,604
	<hr/>
At 31 March 2017	3,636,206
	<hr/>
Accumulated impairment losses	
At 1 April 2015	3,105,873
Impairment loss (Note 4)	57,350
Exchange realignments	(1,663)
	<hr/>
At 31 March 2016 and 1 April 2016	3,161,560
Reversal of impairment loss (Note 4)	(1,918,475)
Exchange realignments	723
	<hr/>
<b>At 31 March 2017</b>	<b>1,243,808</b>
	<hr/>
<b>Net carrying value</b>	
<b>At 31 March 2017</b>	<b>2,392,398</b>
	<hr/> <hr/>
At 31 March 2016	465,492
	<hr/> <hr/>

#### 14. 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 of disposal and its value in use. Given the current development status of the exploration and evaluation asset, the directors have determined the fair value less costs of disposal to be its recoverable amount. The recoverable amount is derived by using a DCF analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating the exploration and evaluation asset’s fair value.

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

- (i) Cash flow projection is determined for a period of 12 years up to 2028 (2016: a period of 12 years up to 2027) with the first year of production taken to be from year 2018 (2016: first year of production from year 2018) based on the senior management’s current best estimated production plan.
- (ii) The post-tax discount rate applied to the cash flow projection is 19.71% (2016: 22.03%).
- (iii) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show an increase of approximately 6% to 85% (depends on different type of coals) when compared to that of last year.
- (iv) The directors have assumed the average increment in coal sales prices is 3% p.a. (2016: 3% p.a.), which is in line with the comparable market information.
- (v) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 31 March 2017 is taken to be 1.00 US Dollar to 56.24 Rubles (2016: 1.00 US Dollar to 66.90 Rubles).
- (vi) The inflation rate on operating costs is 3% p.a. (2016: 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.

#### 14. EXPLORATION AND EVALUATION ASSETS (Continued)

The directors of the Company are of the opinion that based on the valuation, the exploration and evaluation asset was evaluated upward and thus would result in reversal impairment loss of HK\$1,918,475,000 (2016: impaired by HK\$57,350,000) compared with its carrying value as at 31 March 2017. The reversal of impairment loss is mainly attributable to the net effects of the increase of the relevant coal prices, the appreciation of Russian Rubles to US Dollars and the decrease in post-tax discount rate during the current year as compared to previous year, and the changes in parameters for the other major assumptions in the DCF analysis for items (i) mentioned above do not have material impacts on the resultant reversal of impairment loss when compared with that of coal prices increase, Russian Rubles to US Dollars appreciate and post-tax discount rate decrease.

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

#### 15. 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.

	2017 HK\$'000	2016 HK\$'000
Trade receivables	1,295	—
Less: Allowance for doubtful debts	(13)	—
	<u>1,282</u>	<u>—</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 Company 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 Company 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 Company to the counterparty. The average age of these receivables is 30 days (2016: Nil).



## 15. TRADE RECEIVABLES (Continued)

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

	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Neither past due nor impaired	<u><b>1,282</b></u>	<u>—</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.

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

	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
At beginning of year	—	22
Impairment loss recognised during the year	<b>13</b>	(20)
Written-off of uncollectible amounts	—	—
Exchange realignments	<u>—</u>	<u>(2)</u>
At end of year	<u><b>13</b></u>	<u>—</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.

## 16. CASH AND CASH EQUIVALENTS

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

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cash and cash equivalents were denominated in:		
Russian Ruble (“ <b>RUB</b> ”)	<b>31</b>	1
Korean Won (“ <b>KRW</b> ”)	<b>46</b>	87
United States Dollars (“ <b>US\$</b> ”)	<b>19</b>	8
Euro (“ <b>EUR</b> ”)	<b>8</b>	17
Hong Kong Dollars (“ <b>HK\$</b> ”)	<b>10,742</b>	224
	<hr/>	<hr/>
Total	<b>10,846</b>	337
	<hr/> <hr/>	<hr/> <hr/>

## 17. TRADE PAYABLES

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	<b>1,282</b>	—
	<hr/>	<hr/>

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

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 to 30 days	<b>1,282</b>	—
	<hr/>	<hr/>

## 18. INTEREST-BEARING BORROWINGS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other loan 1 ( <i>Note a</i> )	14,500	14,500
Less: Repayment by way of loan capitalisation	<u>(12,728)</u>	<u>—</u>
	<u>1,772</u>	<u>14,500</u>
Other loan 2 ( <i>Note b</i> )	<u>—</u>	<u>3,400</u>
Other loan 3 ( <i>Note c</i> )	53,710	69,810
Less: Repayment by way of loan capitalisation	<u>(46,410)</u>	<u>—</u>
	<u>7,300</u>	<u>69,810</u>
Other loan 4 ( <i>Note d</i> )	<u>30,000</u>	<u>—</u>
	<u><b>39,072</b></u>	<u><b>87,710</b></u>
Carrying amount repayable: —		
Within one year or on demand	<u><b>39,072</b></u>	<u><b>87,710</b></u>

*Note:*

- a. Fixed rate loan with independent third party amounted to HK\$1,772,000 (2016: 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 31 December 2018.

On 20 February 2017, part of Other Loan 1 (including its interest payable) have been capitalised which amounting to HK\$18,945,000. Pursuant to the loan capitalisation agreement, the lender of Other Loan 1 agreed to, among other things, subscribe new shares by applying the entire outstanding principals and interests amount in respect of the loan on maturity as subscription monies at a price of HK\$0.325 per capitalisation share.

- b. During the year ended 31 March 2017, other loan 2 in aggregate amount of HK\$3,400,000 (including its interest payable) have been fully settled during the year.

## 18. INTEREST-BEARING BORROWINGS (Continued)

Note: (Continued)

- c. As of previous year of 31 March 2016, fixed rate loans from an independent third party amounted to HK\$69,810,000 (“**Previous Other Loan 3**”). During the year 2017, new loan agreements were entered with the same independent third party in the amount of HK\$17,800,000 bearing interest at 10% per annum and repayable after 1 year from the date or on demand.

On 20 February 2017, part of Previous Other Loan 3 (including its interest payable) have been capitalised which amounting to US\$6,771,000 (equivalent to HK\$52,814,000). Pursuant to the loan capitalisation agreement, the lender of Previous Other Loan 3 agreed to, among other things, subscribe new shares by applying the entire outstanding principals and interests amount in respect of the loan on maturity as subscription monies at a price of HK\$0.325 per capitalisation share.

Therefore, the remaining other loan in aggregate amount of HK\$7,300,000 (2016: US\$8,950,000 (equivalent to approximately HK\$69,810,000)) was due to the independent third party (“**Other Loan 3**”). Other Loan 3 is interest-bearing at 10% per annum and repayable after 1 year from the date of drawdown or on demand and the lender agreed to extend the repayment date of all loans (including the new addition loan) to 31 December 2018.

- d. During the year 2017, a new loan amount of HK\$30,000,000 was obtained from the independent third party (“**Other Loan 4**”). Other Loan 4 is interest-bearing at 6% per annum and repayable after 6 months from the date of drawdown or on demand and the lender had agreed to extend the repayment date to 31 December 2017.

## 19. AMOUNT DUE TO A DIRECTOR/AN EX-DIRECTOR/SHAREHOLDERS

- (a) During the year ended 31 March 2017, the amount due to a director has been fully settled.
- (b) The amount due to an ex-director is unsecured, bears interest at 5% per annum and has no fixed term of repayment. The ex-director had agreed not to demand for repayment of the US dollar amount due before 31 August 2017 and the Hong Kong dollar amount due before 31 December 2018.
- (c) The amount due to a related party is unsecured and bears interest at the rate of 5%-6% per annum and has no fixed term of repayment. The related party had agreed not to demand for repayment of the amounts due before 31 December 2018.
- (d) The amount due to a shareholder is unsecured and bears interest at the rate of 0%-8% per annum and is repayable within three years after the drawdown date. The shareholder had agreed not to demand for repayment of the amounts due before 31 December 2018.

## 20. COAL TRADING DEPOSIT RECEIVED

On 29 November 2016, the Coal Deposit Holder has agreed to extend the date of repayment of the coal trading deposit together with the related interests to 31 December 2018.

On 20 February 2017, a loan capitalisation agreement was executed with the Coal Deposit Holder. Pursuant to the agreement, the Coal Deposit Holder has agreed to, among other things, subscribe new shares by apply the entire outstanding principals and interests amount in respect of the coal trade deposit as subscription monies at a price of HK\$0.325 per capitalisation share.

## 21. 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\$3,315,000 (2016: HK\$3,328,000)).

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

## 22. CONVERTIBLE NOTE PAYABLES

### (i) Convertible note

In prior year, the Third Convertible Note with a principal amount of US\$443,070,000 (equivalents to approximately HK\$3,455,946,000) was issued to Cordia in accordance with the terms of the Acquisition Agreement.

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

On 17 June 2015, the outstanding Third Convertible Note was transferred to a new independent third party, Daily Loyal Limited, at the request of Cordia.

In April 2016, HASS Natural Resources Limited (“**HASS**”) and Herman Tso withdrew the First HASS Report and the Supplemental HASS Report (collectively the “**HASS Reports**”).

The Company then engaged the New Technical Expert to perform the New Technical Report on the basis of the JORC Code prevailing at the time when the Third Convertible Note was issued on 3 April 2013.

## 22. CONVERTIBLE NOTE PAYABLES (Continued)

### (i) Convertible note (Continued)

The New Technical Expert reported a different estimate of the probable coal reserves in the open pit mining area in Lot 2 of the Mine and as a results prior year adjustments were made to restate the balance in respective years concerned. The Company had also re-performed the yearly valuation to determine the recoverable amounts of the exploration and evaluation assets for the years ended 31 March 2013, 2014, 2015 and 2016. Based on the re-performed results, impairment tests for the years ended 31 March 2013, 2014 and 2015 were re-assessed and, adjustments were made to reflect the effect/cumulative effect of the re-performed impairment amounts for each of the said years.

On 22 August 2016, in response to the New Technical Report dated 11 August 2016, Cordia, Choi Sungmin, Grandvest, Daily Loyal Limited and the Company entered into the additional agreement in relation to the Third Convertible Note, pursuant to which the principal amount of the whole Third Convertible Note (before any conversion or transfer thereof) would be adjusted from US\$443,070,000 to US\$431,190,000 and accordingly, the principal amount of US\$412,270,000 of the Third Convertible Note held by Daily Loyal Limited would also be reduced by US\$11,880,000 to US\$400,390,000. Daily Loyal Limited agrees not to request any compensation from any of the other parties for such reduction.

On 13 April 2017, Daily Loyal and the Company entered into the undated Amendment Agreement, among other things, to (i) extend the maturity dates of the Outstanding Third Convertible Note for at least another two years before the Outstanding Third Convertible Note becomes current liability of the Company; (ii) convert the Outstanding Third Convertible Note except for the principal amount of US\$60,000,000 (equivalent to approximately HK\$468,000,000) at the conversion price of HK\$48 per Share within three business days upon signing of the Amendment Agreement; and (iii) agree on no demand of the remaining outstanding principal amount of the Outstanding Third Convertible Note on the maturity dates.

However, Daily Loyal (as the plaintiff) subsequently alleged that its sole director (Mr. Chan Chun Wah) signed the Amendment Agreement in August 2016 (leaving the document undated, the “**Undated Amendment Agreement**”) based on an understanding that such document only served as a memorandum for discussion purpose only and was not intended to be binding, and that the Company and Hong Sang Joon (an existing director of the Company) would not fill in the date of the document. Besides, Daily Loyal was of the view that the validity of the Undated Amendment Agreement was contrary to the Additional Agreement entered into by it with Cordia Global Limited (“**Cordia**”), Choi Sungmin, Grandvest International Limited (a subsidiary of the Company) and the Company on 22 August 2016.

Daily Loyal also alleged that (i) the placing and issue of new Shares by the Company as announced by the Company on 24 October 2016; (ii) the placing and issue of new Shares by the Company as announced by the Company on 24 January 2017; and (iii) the issue of new Shares upon loan capitalizations as announced by the Company on 20 February 2017 were conducted without the prior consent or authorization of Daily Loyal and were in breach of a convertible note agreement (the “**Convertible Note Agreement**”) dated 3 April 2013 between the Company and Cordia in relation to the Third Convertible Note. For details please refer to Note 28 in relation to legal action HCA 1071 of 2017.

## 22. CONVERTIBLE NOTE PAYABLES (Continued)

### (ii) Measurement of convertible note

The fair value of the derivative components of the Third Convertible Note was determined based on a professional valuation performed by Access Partner using the Hull model at the date of issue, and there was no change in the fair value of convertible note (2016: No change in the fair value of convertible note). The effective interest rate of the liability component of the Third Convertible Note was 12.01%.

	At 31 March 2017	At 31 March 2016
Expected volatility	43.47%	44.10%
Expected life	1.01 years	2.01 years
Risk-free rate	0.62%	0.58%
Expected dividend yield	Nil	Nil
Bond yield	Nil	Nil

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

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

	Convertible notes		Total HK\$ '000
	Liabilities component HK\$ '000	Derivative component HK\$ '000	
At 1 April 2015	2,702,681	—	2,702,681
Conversion of convertible note (Note 26)	(196,156)	—	(196,156)
Imputed interest charged during the year (Note 5)	321,664	—	321,664
At 31 March 2016 and 1 April 2016	2,828,189	—	2,828,189
Imputed interest charged during the year (Note 5)	358,922	—	358,922
<b>At 31 March 2017</b>	<b>3,187,111</b>	<b>—</b>	<b>3,187,111</b>

## 23. PROMISSORY NOTES PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At beginning of the year	72,160	70,974
Imputed interest charged ( <i>Note 5</i> )	—	1,186
Less: Repayment by way of loan capitalisation	<u>(56,560)</u>	<u>—</u>
At the end of year and included in non-current liabilities	<u><u>15,600</u></u>	<u><u>72,160</u></u>

In prior years, three unsecured promissory notes in the aggregate principal amount of US\$35,000,000 (equivalent to approximately HK\$273,000,000) (“**Modified PN**”) were issued by the Company to Cordia, an ex-shareholder of the Company, as a result of a conditional modification deed entered into between the Company and Cordia, the Modified PN was issued on 23 February 2010, and is non-interest-bearing and payable in one lump sum on maturity date of 25 May 2015. The principal amount of the Modified PN was US\$35,000,000 (equivalent to approximately HK\$273,000,000) and its fair value was US\$20,766,000 (equivalent to approximately HK\$161,973,000) as at the issue date. The fair value was determined by reference to a valuation carried out on the issue date by Vigers Appraisal and Consulting Limited. The effective interest rate of the Modified PN was determined to be 10.5% per annum.

During the year ended 31 March 2012, Cordia transferred part of the Modified PN with an aggregate principal amounts of US\$9,000,000 (equivalent to approximately HK\$70,200,000) to the then three independent third parties (the “**Three New PN Holders**”).

The Three New PN Holders subsequently converted all the Modified PN during year ended 31 March 2013.

On 20 February 2017, certain loan capitalisation agreements were executed with two existing PN Holders. Pursuant to the agreement, the existing PN Holders have agreed to, among other things, subscribe new shares by apply the entire outstanding principals and interests amount in respect of the coal trade deposit as subscription monies at a price of HK\$0.325 per capitalisation share.

During the year, no imputed interest (2016: HK\$1,186,000) 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\$15,600,000 (2016: HK\$72,160,000).

On 29 November 2016, the remaining PN Holder has agreed to extend the maturity date of the promissory notes to 31 December 2018.



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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At beginning of year	1,166	1,291
Provision during the year ( <i>Note 6</i> )	59	74
Exchange realignments	249	(199)
	<hr/>	<hr/>
At end of year	<b>1,474</b>	<b>1,166</b>

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

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

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

## 25. DEFERRED TAXATION

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

	<i>HK\$'000</i>
At 1 April 2015	7
Charge to the consolidated financial statements ( <i>Note 7</i> )	2
Exchange realignments	(1)
	<hr/>
At 31 March 2016 and 1 April 2016	8
Charge to the consolidated financial statements ( <i>Note 7</i> )	(3)
Exchange realignments	1
	<hr/>
<b>At 31 March 2017</b>	<b><u><u>6</u></u></b>

At 31 March 2017, the Group had unused tax losses of HK\$ 53,757,000 (2016: HK\$49,637,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2017 and 2016 in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group entities. There was no other significant unrecognised deferred tax as at 31 March 2017 and 2016.

## 26. SHARE CAPITAL

	Number of shares		Nominal value	
	2017	2016	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.2 each (2016: HK\$0.2 each)	<b><u>5,000,000,000</u></b>	<u>5,000,000,000</u>	<b><u>1,000,000</u></b>	<u>1,000,000</u>
Issued and fully paid:				
At beginning of year	<b>513,447,763</b>	508,442,763	<b>102,690</b>	101,689
Issue of shares on conversion of the Convertible Note ( <i>Note (i)</i> )	—	5,005,000	—	1,001
Issue of shares upon new placement ( <i>Note (ii) &amp; (iii)</i> )	<b>225,800,000</b>	—	<b>45,160</b>	—
Issue of shares upon capitalisation of loan ( <i>Note (iv)</i> )	<b>469,227,760</b>	—	<b>93,845</b>	—
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	<b><u>1,208,475,523</u></b>	<u>513,447,763</u>	<b><u>241,695</u></b>	<u>102,690</u>

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

## 26. SHARE CAPITAL *(Continued)*

*Note:*

- (i) As set out in Note (22), 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) on 22 May 2015. 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\$195,155,000 was credited to the share premium account.
- (ii) On 24 October 2016, an aggregate of 102,600,000 new ordinary shares at nominal value of HK\$0.2 each were issued at subscription price at HK\$0.269 each to the then independent third parties of the Group. The aggregate consideration was approximately HK\$26,316,000 (net of issue expenses) of which HK\$20,520,000 was credited to share capital and HK\$5,795,000 was credited to share premium. The net proceeds were intended to utilised for repayment of loans and general working capital of the Group.
- (iii) On 24 January 2017, an aggregate of 123,200,000 new ordinary shares at nominal value of HK\$0.2 each were issued at subscription price at HK\$0.217 each to the then independent third parties of the Group. The aggregate consideration was approximately HK\$25,481,000 (net of issue expenses) of which HK\$24,640,000 was credited to share capital and HK\$841,000 was credited to share premium. The net proceeds were intended to utilised for repayment of loans and general working capital of the Group.
- (iv) On 20 February 2017, completion of five loan capitalisation agreements with five creditors took place. Pursuant to the agreements, the creditors have agreed to, among other things, subscribe new shares by apply the outstanding principals and interests amount in respect of the loan as subscription monies. An aggregate of 469,227,760 capitalisation shares at nominal value of HK\$0.2 each were issued at subscription price at HK\$0.325 each to the then creditors to settle the loans and accrued interests. The fair value of the shares on 20 February 2017 was HK\$0.27 per share, therefore the aggregate consideration was approximately HK\$151,976,000 (net of issue expenses) of which HK\$93,845,000 was credited to share capital and HK\$32,323,000 was credited to share premium. The remaining balance amount to HK\$25,807,527 was recognised as gain on extinguish of financial liability with equity instruments in profit or loss.

## 27. SHARE OPTION SCHEME

The Company has two share option schemes.

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

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

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

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

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

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

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

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

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

## 27. SHARE OPTION SCHEME (Continued)

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2017:

Name or category of participant	At 1/4/2016 Number	Lapse during the year Number	At 31/3/2017 Number	Date of grant of share options	Exercise of share options	Exercise price of share options HK\$
Employees and consultants other than directors						
— In aggregate	440,000	—	440,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	<u>440,000</u>	<u>—</u>	<u>440,000</u>			

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2016:

Name or category of participant	At 1/4/2015 Number	Lapse during the year Number	At 31/3/2016 Number	Date of grant of share options	Exercise of share options	Exercise price of share options HK\$
Employees and consultants other than directors						
— In aggregate	440,000	—	440,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	<u>440,000</u>	<u>—</u>	<u>440,000</u>			

Note:

The exercise price of share options outstanding at the end of the year was HK\$0.355 (2016: HK\$0.355) and their weighted average remaining contractual life was 4.83 years (2016: 5.83 years).

The total number of share options outstanding as at 31 March 2017 was 440,000 (2016: 440,000) all of which were exercisable as at that date.

The weighted average share price at the date of exercise of share options exercised during the current year was HK\$Nil (2016: HK\$Nil).

At 31 March 2017, the Company had 440,000 (2016: 440,000) share options outstanding under the Old Scheme, representing 0.04% (2016: 0.08%) of the Company's issued share capital. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 31 March 2017, result in the issue of 440,000 (2016: 440,000) additional ordinary shares of HK\$0.2 (2016: HK\$0.2) each of the Company, additional share capital of HK\$88,000 (2016: HK\$88,000) and additional share premium of approximately HK\$68,000 (2016: HK\$68,000) (before issue expense). In addition, amount attributable to the related share options of HK\$47,000 (2016: HK\$47,000) would be transferred from equity-settled share option reserve to the share premium account.

## 27. SHARE OPTION SCHEME (Continued)

### Valuation of share options

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

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

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

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

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

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

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

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

During the year ended 31 March 2017 and 2016, no option has been granted under the New Scheme since the adoption date to the date of this report.

## 28. LITIGATIONS

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

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

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

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

The Group and the Second Claimant entered into an amicable agreement dated 11 July 2013 to settle the Second Claim by three instalments. In February 2014, US\$100,000 (approximately HK\$780,000) was paid. The Second Claimant threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the remaining outstanding amount of the Second Claim. As of 31 March 2017, the outstanding amount of the Second Claim is US\$188,600 (approximately HK\$1,471,080), which had been fully provided for since 31 March 2013.

The Group and the Third Claimant entered into an amicable agreement dated 13 May 2013 to settle the Third Claim by three instalments. In February 2014, US\$100,000 (approximately HK\$780,000) was paid. The Third Claimant also threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the remaining outstanding amount of the Third Claim. As of 31 March 2017, 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 parties (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/ parties (including certain shareholders of the Company) to restrain them from disposing their shares in the Company and/or exercising their voting rights under those shares.

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

## 28. LITIGATIONS *(Continued)*

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

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

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 1821 of 2015*

As announced by the Company on 19 August 2015, Zhi Charles 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 parties including the Company, certain existing directors and certain former directors of 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.

As announced by the Company on 25 November 2015, the Company received two notices of discontinuance on 16 November 2015 and 18 November 2015, respectively, from the plaintiff that he discontinued his action against the existing directors and the former directors of the Company in HCA 1821 of 2015.

As announced by the Company on 13 April 2016, the Company received a notice of discontinuance on 6 April 2016 from the plaintiff that he wholly discontinued his action against the Company in HCA 1821 of 2015.



## 28. LITIGATIONS *(Continued)*

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

#### ***HCMP 2439 of 2015***

As announced by the Company on 8 October 2015, Zhi Charles as the plaintiff on 30 September 2015 issued an originating summons in the High Court of Hong Kong (HCMP 2439 of 2015) against certain parties including the Company and an existing director and a former director of the Company. The plaintiff questions the qualification and expertise of Herman Tso and thus the validity of the HASS Technical Report. The plaintiff also alleges certain impropriety of a former director of the Company in providing loan facility to the Company.

As announced by the Company on 25 November 2015, the Company received two notices of discontinuance on 16 November 2015 and 18 November 2015, respectively, from the plaintiff that he discontinued his action against the existing director and the former director of the Company in HCMP 2439 of 2015.

As announced by the Company on 13 April 2016, the Company received a notice of discontinuance on 6 April 2016 from the plaintiff that he wholly discontinued his action against the Company in HCMP 2439 of 2015.

#### ***HCA 2694 of 2015***

As announced by the Company on 25 November 2015, Tam Wing Yuen 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 parties including the Company, Grandvest International Limited (a 100% wholly-owned subsidiary of the Company) and certain former directors of 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.

As announced by the Company on 28 September 2016, at a Court hearing held on 21 September 2016, the action HCA 2694 of 2015 commenced by the plaintiffs against the Company, Grandvest International Limited and certain former directors of the Company has been struck out by the Court with costs.

#### ***HCCW 392 of 2015 and CACV 49 of 2017***

As announced by the Company on 21 December 2015, the Company was served on 18 December 2015 a petition made by Tam Wing Yuen, Chow Doi Yik Caniel and Zhi Charles to wind up the Company under the provision of the Companies (Winding-Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) in the High Court of Hong Kong under action number HCCW 392 of 2015.

A settlement proposal offered by two of the petitioners (Tam Wing Yuen and Chow Doi Yik Caniel) to dismiss their winding up petition has been accepted by the Company in November 2016 on the conditions that, inter alia, Tam Wing Yuen and Chow Doi Yik Caniel would have to pay the appropriate related legal costs to the Company. However, Zhi Charles continued the petition on his own.

## **28. LITIGATIONS** *(Continued)*

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

#### ***HCCW 392 of 2015 and CACV 49 of 2017*** *(Continued)*

As announced by the Company on 27 January 2017, at a Court hearing held on 25 January 2017, the petition made by Zhi Charles to wind up the Company was struck out by the Court with costs payable by Zhi Charles on an indemnity basis.

As announced by the Company on 31 March 2017, the Company received a Notice of Appeal from Zhi Charles on 22 February 2017 to appeal at the Court of Appeal of the High Court of Hong Kong under action number CACV 49 of 2017 against the order given by the Court of First Instance on 25 January 2017 to strike out his petition to wind up the Company. The Court on 28 March 2017 confirmed that the appeal of Zhi Charles under CACV 49 of 2017 would not fall within the scope of the Court Order in respect of the Company's legal action against him given under HCMP 443 of 2015 (details of such Court Order was announced by the Company on 29 June 2016).

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this CACV 49 of 2017), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company and the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

#### ***HCA 2983 of 2015***

As announced by the Company on 22 December 2015, the Company on 16 December 2015 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 2983 of 2015) against the Company and certain other parties. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the Third Convertible Note, shares and voting rights of the Company, certain proposed loan capitalizations transactions as disclosed in the Company's announcement of 1 December 2015 and the loans extended to the Company by Pioneer Centre Limited.

As announced by the Company on 13 April 2016, the plaintiff on 6 April 2016 wholly discontinued the legal action against the Company in HCA 2983 of 2015.

#### ***HCA 91 of 2016***

As announced by the Company on 21 January 2016, the Company on 12 January 2016 received a writ of summons issued by Kim Sung Ho (as the plaintiff) in the High Court of Hong Kong (HCA 91 of 2016) against the Company and certain other parties, including two existing directors and certain former directors of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the loans extended by Pioneer Centre Limited to the Company, certain proposed loan capitalizations transactions as disclosed in the Company's announcement of 1 December 2015 and the relationships of certain defendants with the Company.

## 28. LITIGATIONS *(Continued)*

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

#### *HCA 91 of 2016 (Continued)*

As announced by the Company on 27 April 2016, the plaintiff on 20 April 2016 wholly discontinued the legal action against the Company in HCA 91 of 2016. As further announced by the Company on 29 November 2016, the Court has struck out the plaintiff's claim as against the two existing directors of the Company on 22 November 2016 with costs on the ground that there is no reasonable cause of action.

#### *HCA 118 of 2016*

As announced by the Company on 21 January 2016, the Company on 12 January 2016 received a writ of summons issued by Kim Sung Ho (as the plaintiff) in the High Court of Hong Kong (HCA 118 of 2016) against the Company and certain other parties, including two existing directors and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, certain loans extended to the Company and the relationships of certain defendants with the Company.

As announced by the Company on 27 April 2016, the plaintiff on 20 April 2016 wholly discontinued the legal action against the Company in HCA 118 of 2016. Strike out application by the two existing directors of the Company has been made. As announced by the Company on 21 June 2016, the action HCA 118 of 2016 against the two existing directors of the Company had been struck out by the Court on 8 June 2016 on several grounds including that the plaintiff has no reasonable cause of action against such defendants.

#### *HCA 211 of 2016*

As announced by the Company on 28 January 2016, the Company on 22 January 2016 received a writ of summons issued by Kim Sung Ho (as the plaintiff) in the High Court of Hong Kong (HCA 211 of 2016) against the Company and certain other parties, including two existing directors of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, certain reports and opinions in relation to the resumption of trading in the Company's shares, and the proposed loan capitalization transactions as disclosed in the Company's announcement of 1 December 2015.

As announced by the Company on 27 April 2016, the plaintiff on 20 April 2016 wholly discontinued the legal action against the Company in HCA 211 of 2016. Strike out application by the two existing directors of the Company has been made. As announced by the Company on 26 May 2016, the action HCA 211 of 2016 against the two existing directors of the Company had been struck out by the Court on 18 May 2016 on the ground that the plaintiff has no reasonable cause of action against such defendants.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 294 of 2016***

As announced by the Company on 3 February 2016, the Company on 22 January 2016 received a writ of summons issued by Kim Sung Ho (as the plaintiff) in the High Court of Hong Kong (HCA 294 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the resumption of trading in the Company's shares on 24 April 2015, the Company's very substantial acquisition in relation to the Russian coal mines in 2008, and certain technical reports and opinions relating to the Company's Russian coal mines.

As announced by the Company on 27 April 2016, the plaintiff on 20 April 2016 wholly discontinued the legal action against the Company in HCA 294 of 2016. Strike out application by the existing director of the Company has been made. As announced by the Company on 7 June 2016, the action HCA 294 of 2016 against the existing director of the Company had been struck out by the Court on 1 June 2016 on several grounds including that the plaintiff has no reasonable cause of action against such defendant.

#### ***HCA 519 of 2016***

As announced by the Company on 8 March 2016, the Company on 29 February 2016 received a writ of summons issued by Kim Sung Ho (as the plaintiff) in the High Court of Hong Kong (HCA 519 of 2016) against the Company and certain other parties, including two existing directors and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the proposed loan capitalizations transactions as disclosed in the Company's announcement of 1 December 2015.

As announced by the Company on 27 April 2016, the plaintiff on 20 April 2016 wholly discontinued the legal action against the Company in HCA 519 of 2016. As announced by the Company on 6 May 2016, the action HCA 519 of 2016 against the two existing directors of the Company was dismissed by the Court on 26 April 2016 on the ground that the plaintiff had failed to file and serve his statement of claim on those defendants. The plaintiff was ordered to pay costs to those defendants.

#### ***HCA 584 of 2016***

As announced by the Company on 14 March 2016, the Company on 8 March 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 584 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the Company's very substantial acquisition in relation to the Russian coal mines in 2008, and certain technical reports and valuation reports relating to the Russian coal mines.

As announced by the Company on 29 June 2016, Zhi Charles is subject to a Court Order in respect of the Company's legal action against him under action number HCMP 443 of 2015. Pursuant to such Court Order, there has been a stay of all further proceedings as against the Company in action HCA 584 of 2016.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 584 of 2016*** *(Continued)*

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 584 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company and the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

Hearing for strike out application by the Company and the existing director of the Company has thus been pending on the views of the Official Receiver.

#### ***HCA 892 of 2016***

As announced by the Company on 19 April 2016, the Company on 18 April 2016 received a writ of summons issued by Tso Chi Ming (as known as Herman Tso) (as the plaintiff) in the High Court of Hong Kong (HCA 892 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. In such action, the plaintiff alleged that (a) HASS Natural Resources Limited (“HASS”) was engaged by the Company in January 2013 to produce the First HASS Report for the Company's internal reference purpose only; (b) he was not aware that the First HASS Report would be used for the purpose of issuance of the Third Convertible Note; and (c) the work scope of HASS did not include coal reserves estimation. The plaintiff is seeking, among other things, an order to refrain the defendants (including the Company) from using any reports or opinions by the plaintiff or any reports issued by HASS for any purpose, and an order for payment of damages at HK\$30,000,000.

As announced by the Company on 30 May 2016, the plaintiff on 20 May 2016 wholly discontinued his action against the Company and all other defendants in HCA 892 of 2016.

#### ***HCA 1160 of 2016***

As announced by the Company on 11 May 2016, the Company on 4 May 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 1160 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, certain accounting treatments of the Company's Russian coal mines and certain audit reports on the Company's consolidated financial statements.

As announced by the Company on 29 June 2016, the plaintiff on 20 June 2016 wholly discontinued his action against the Company in HCA 1160 of 2016.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 1160 of 2016 (Continued)***

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 1160 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

Hearing for strike out application by the existing director of the Company has thus been pending on the views of the Official Receiver.

#### ***HCA 1195 of 2016***

As announced by the Company on 11 May 2016, the Company on 6 May 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 1195 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, certain technical report and certain valuation report on the Company's Russian coal mines.

As announced by the Company on 29 June 2016, Zhi Charles is subject to a Court Order in respect of the Company's legal action against him under action number HCMP 443 of 2015. Pursuant to such Court Order, there has been a stay of all further proceedings as against the Company in action HCA 1195 of 2016.

As announced by the Company on 23 March 2017, the plaintiff wholly discontinued his actions against the existing director of the Company in HCA 1195 of 2016.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 1195 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company and the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 1260 of 2016***

As announced by the Company on 19 May 2016, the Company on 12 May 2016 received a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong (HCA 1260 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the Third Convertible Note issued by the Company, the resumption announcement of the Company dated 22 April 2015 and the possible general offer announced by Best State Investments Limited in 2013 and 2014.

As announced by the Company on 2 November 2016, at a Court hearing held on 26 October 2016, the action HCA 1260 of 2016 commenced by Lim Hang Young against the Company and the existing director of the Company was struck out by the Court with costs on several grounds including that the plaintiff has no reasonable cause of action against such defendants.

#### ***HCA 1338 of 2016***

As announced by the Company on 26 May 2016, the Company on 19 May 2016 received a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong (HCA 1338 of 2016) against the Company and certain other parties, including an existing director and a former director of the Company. The plaintiff is seeking various declarations on the Company and other defendants in respect of, inter alia, certain opinions on the Company's Russian coal mine, certain consultants fees, certain legal and professional fees, certain repayments of debts owed by the Company and certain relationships amongst certain defendants.

As announced by the Company on 2 November 2016, at a Court hearing held on 26 October 2016, the action HCA 1338 of 2016 commenced by Lim Hang Young against the Company and the existing director of the Company was struck out by the Court with costs on several grounds including that the plaintiff has no reasonable cause of action against such defendants.

#### ***HCA 1618 of 2016***

As announced by the Company on 29 June 2016, the Company on 22 June 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 1618 of 2016) against the Company and certain other parties. The plaintiff is seeking various orders on the Company and other defendants in respect of, inter alia, the investigation on the Company's mining assets, the Company's financial statements, certain securities issued by the Company, and the trading of the Company's shares.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 1618 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

## 28. LITIGATIONS *(Continued)*

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

#### *HCA 1618 of 2016 (Continued)*

Strike out application by the Company is being considered, pending on the views of the Official Receiver.

#### *HCA 2137 of 2016*

As announced by the Company on 24 August 2016, Zhi Charles (as the plaintiff) on 17 August 2016 issued a writ of summons in the High Court of Hong Kong under action number HCA 2137 of 2016 to certain parties, including the five existing directors and certain former directors of the Company. For avoidance of doubt, the Company is not a defendant in such action. The plaintiff is seeking various orders on the defendants in respect of, inter alia, the Third Convertible Note of the Company, the New Technical Report of 11 August 2016 on Lot 2 of the Russian coal mines, certain loans and loan facilities made available to the Company and the audit reports of the Company.

As announced by the Company on 13 February 2017, the plaintiff wholly discontinued his actions against four existing directors of the Company in HCA 2137 of 2016.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 2137 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

Strike out application by the existing director of the Company is being considered, pending on the views of the Official Receiver.

#### *HCA 2380 of 2016*

As announced by the Company on 21 September 2016, Zhi Charles (as the plaintiff) on 14 September 2016 issued a writ of summons in the High Court of Hong Kong under action number HCA 2380 of 2016 to certain parties, including the five existing directors and a former director of the Company. For avoidance of doubt, the Company is not a defendant in such action. The plaintiff is seeking various orders on the defendants in respect of, inter alia, the New Technical Report conducted by the New Technical Expert engaged by the Company and certain agreements relating to the Third Convertible Note and certain proposed loan capitalizations transactions as disclosed in the Company's announcement of 1 December 2015.

As announced by the Company on 13 February 2017, the plaintiff wholly discontinued his actions against an existing director of the Company in HCA 2380 of 2016.



## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 2380 of 2016 (Continued)***

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 2380 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

Strike out application by the existing directors of the Company is being considered, pending on the views of the Official Receiver.

#### ***HCA 2397 of 2016***

As announced by the Company on 27 September 2016, the Company received on 20 September 2016 a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong under action number HCA 2397 of 2016 to certain parties, including the five existing directors of the Company. For avoidance of doubt, the Company is not a defendant in such action. The plaintiff is seeking various orders on the defendants in respect of, inter alia, the Company's audit reports of 2013, 2014 and 2015.

As announced by the Company on 13 February 2017, the plaintiff wholly discontinued his actions against an existing director of the Company in HCA 2397 of 2016.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this HCA 2397 of 2016), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company's directors in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

Hearing for strike out application by the existing directors of the Company has thus been pending on the views of the Official Receiver.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 2398 of 2016***

As announced by the Company on 5 October 2016, the Company received on 28 September 2016 a writ of summons issued by Kim Kyungsoo (as the plaintiff) in the High Court of Hong Kong under action number HCA 2398 of 2016 to certain parties, including the two existing directors of the Company and Grandvest International Limited. For avoidance of doubt, the Company is not a defendant in such action. The plaintiff is seeking various orders on the defendants in respect of, inter alia, certain alleged share transactions of certain shareholders of the Company and certain loans extended to the Company.

As announced by the Company on 21 February 2017, at a Court hearing held on 10 February 2017, the plaintiff's claim against the two existing directors of the Company and Grandvest International Limited in the action HCA 2398 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff.

#### ***HCA 2631 of 2016***

As announced by the Company on 18 October 2016, the Company received on 11 October 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 2631 of 2016 to certain parties, including the Company and the five existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the New Technical Report conducted by the New Technical Expert engaged by the Company.

As announced by the Company on 16 March 2017, the plaintiff had previously discontinued his action against an existing director of the Company in HCA 2631 of 2016, and at a Court hearing held on 8 March 2017, the plaintiff's claim against the Company and the other four existing directors in the action HCA 2631 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff.

#### ***HCA 2633 of 2016***

As announced by the Company on 18 October 2016, the Company received on 11 October 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 2633 of 2016 to certain parties, including the Company and the two existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, disclosure of interests in the shares of the Company by certain alleged investors, certain loans made available to the Company, and the Third Convertible Note issued by the Company.

As announced by the Company on 16 March 2017, the plaintiff wholly discontinued his actions against an existing director of the Company in HCA 2633 of 2016.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 2633 of 2016 (Continued)***

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 2633 of 2016), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the Company's directors in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company and the other existing director of the Company are taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

#### ***HCA 2634 of 2016***

As announced by the Company on 18 October 2016, the Company received on 11 October 2016 a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong under action number HCA 2634 of 2016 to certain parties, including the Company and the three existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, disclosure of certain interests in the shares of the Company by certain alleged investors.

As announced by the Company on 8 March 2017, at a Court hearing held on 1 March 2017, the plaintiff's claim against the Company and the three existing directors of the Company in the action HCA 2634 of 2016 was struck out by the Court with costs payable by the plaintiff.

#### ***HCA 2636 of 2016***

As announced by the Company on 20 October 2016, the Company received on 13 October 2016 a writ of summons issued by Kim Kyungsoo (as the plaintiff) in the High Court of Hong Kong under action number HCA 2636 of 2016 to certain parties, including the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain alleged fund transfers.

As announced by the Company on 16 January 2017, at a Court hearing held on 4 January 2017, the plaintiff's claim against the Company in action HCA 2636 of 2016 was struck out by the Court with costs payable by the plaintiff and the action was dismissed.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 2677 of 2016***

As announced by the Company on 20 October 2016, the Company received on 14 October 2016 a writ of summons issued by Kim Jinyoung (as the plaintiff) in the High Court of Hong Kong under action number HCA 2677 of 2016 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various orders on the defendants in respect of, inter alia, a technical report on the Company's Russian coal mines.

As announced by the Company on 3 March 2017, at a Court hearing held on 22 February 2017, the plaintiff's claim against the Company and an existing director of the Company in the action HCA 2677 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff.

#### ***HCA 2704 of 2016***

As announced by the Company on 27 October 2016, the Company received on 18 October 2016 a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong under action number HCA 2704 of 2016 to certain parties, including the Company. The plaintiff is seeking various declarations on the defendants in respect of, inter alia, certain alleged payments made by the Company during 2010 to 2013.

As announced by the Company on 3 March 2017, at a Court hearing held on 22 February 2017, the plaintiff's claim against the Company in the action HCA 2704 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff.

#### ***HCA 2810 of 2016***

As announced by the Company on 3 November 2016, the Company received on 27 October 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 2810 of 2016 to certain parties, including the Company and the two existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the Third Convertible Note issued by the Company.

As announced by the Company on 7 February 2017, at a Court hearing held on 20 January 2017, the plaintiff's claim against the Company and the two existing directors of the Company in the action HCA 2810 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff on the ground that the plaintiff's claim disclosed no reasonable cause of action.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 2811 of 2016***

As announced by the Company on 3 November 2016, the Company received on 27 October 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 2811 of 2016 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain technical and valuation reports issued to the Company.

As announced by the Company on 16 March 2017, the plaintiff wholly discontinued his actions against an existing director of the Company in HCA 2811 of 2016.

As announced by the Company on 29 March 2017, pursuant to the Order made by the Court dated 16 March 2017 (which was received by the Company on 21 March 2017), the plaintiff's claim against the Company in the action HCA 2811 of 2016 was dismissed by the Court with costs payable by the plaintiff to the Company.

#### ***HCA 2829 of 2016***

As announced by the Company on 7 November 2016, the Company received on 31 October 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 2829 of 2016 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain disclosure of interest.

As announced by the Company on 28 February 2017, the plaintiff had previously already discontinued his action against an existing director of the Company in HCA 2829 of 2016, and at a Court hearing held on 17 February 2017, the plaintiff's claim against the Company in the action HCA 2829 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff.

#### ***HCA 3148 of 2016***

As announced by the Company on 14 December 2016, the Company received on 1 December 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 3148 of 2016 to certain parties, including the Company and the five existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain alleged transfers of funds for alleged payments of expenses in relation to the resumption of trading in the Company's shares on The Stock Exchange of Hong Kong Limited and the Company's proposed Loan Capitalizations.

As announced by the Company on 13 February 2017, the Company received a notice of discontinuance on 2 February 2017 from the plaintiff that he wholly discontinued his actions against the five existing directors of the Company in the legal action HCA 3148 of 2016.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 3148 of 2016 (Continued)***

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 3148 of 2016), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company is taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

#### ***HCA 3160 of 2016***

As announced by the Company on 14 December 2016, the Company received on 2 December 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 3160 of 2016 to certain parties, including the Company and the five existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain accounting information and certain valuation reports used by the Company.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 3160 of 2016), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company and the five existing directors of the Company are taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

#### ***HCA 3172 of 2016***

As announced by the Company on 13 December 2016, the Company received on 5 December 2016 a writ of summons issued by Joung Jong Hyun (as the plaintiff) in the High Court of Hong Kong under action number HCA 3172 of 2016 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the Company's proposed Loan Capitalizations.

As announced by the Company on 23 May 2017, pursuant to the Order made by the Court on 12 May 2017, the plaintiff's claim against the Company and the existing director of the Company in the action HCA 3172 of 2016 was struck out by the Court with costs payable by the plaintiff to the Company.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 3190 of 2016***

As announced by the Company on 14 December 2016, the Company received on 6 December 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 3190 of 2016 to certain parties, including the Company and the two existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the use of certain technical and valuation reports by the Company.

As announced by the Company on 13 February 2017, the Company received a notice of discontinuance on 2 February 2017 from the plaintiff that he wholly discontinued his actions against the two existing directors of the Company in the legal action HCA 3190 of 2016.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 3190 of 2016), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company is taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

#### ***HCA 3192 of 2016***

As announced by the Company on 13 December 2016, the Company received on 6 December 2016 a writ of summons issued by Lee Moonkyu (as the plaintiff) in the High Court of Hong Kong under action number HCA 3192 of 2016 to certain parties, including the Company and two existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain technical reports issued for the Company.

The Company and the two existing directors of the Company are taking legal advice in respect of such legal action.

#### ***HCA 3324 of 2016***

As announced by the Company on 29 December 2016, the Company received on 16 December 2016 a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong under action number HCA 3324 of 2016 to certain parties, including the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain alleged transfers of funds.

The Company is taking legal advice in respect of such legal action.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 3366 of 2016***

As announced by the Company on 29 December 2016, the Company received on 21 December 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 3366 of 2016 to certain parties, including the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain alleged transfers of funds and the Company's transactions with a creditor.

As announced by the Company on 23 May 2017, pursuant to the Order made by the Court on 12 May 2017, the plaintiff's claim against the Company in the action HCA 3366 of 2016 was struck out by the Court with costs payable by the plaintiff to the Company.

#### ***HCA 3367 of 2016***

As announced by the Company on 29 December 2016, the Company received on 21 December 2016 a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong under action number HCA 3367 of 2016 to certain parties, including the Company and four existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the competency of the directors of the Company.

As announced by the Company on 3 March 2017, at a Court hearing held on 24 February 2017, the plaintiff's claim against the Company and the four existing directors of the Company in the action HCA 3367 of 2016 was dismissed by the Court with costs payable by the plaintiff.

#### ***HCA 47 of 2017***

As announced by the Company on 16 January 2017, the Company received on 9 January 2017 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 47 of 2017 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain technical reports on the Company's Russian coal mines, the First Convertible Note and the Third Convertible Note.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 47 of 2017), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company and the existing director of the Company are taking legal advice in respect of such legal action, pending on the views of the Official Receiver.



## 28. LITIGATIONS *(Continued)*

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

#### ***HCMP 701 of 2017***

As announced by the Company on 16 May 2017, the Company received on 2 May 2017 originating summons issued by Kim Sungho, Cho Seong Woo, Kim Kyungsoo, Lim Hang Young and Joung Jong Hyun (as the plaintiffs) in the High Court of Hong Kong under action number HCMP 701 of 2017 on 27 March 2017 to certain parties, including the Company, an existing director of the Company and Grandvest International Limited (a subsidiary of the Company). The plaintiffs are seeking Court orders for the Company to produce to them, inter alia, information about the new technical report issued to the Company on 11 August 2016.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 47 of 2017), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company, the existing director of the Company and Grandvest International Limited are taking legal advice in respect of such legal action, and in respect of the actions taken by Kim Sungho pending on the views of the Official Receiver.

#### ***HCA 724 of 2017***

As announced by the Company on 5 April 2017, the Company received on 27 March 2017 a writ of summons issued by Hwang Dong Jin (as the plaintiff) in the High Court of Hong Kong under action number HCA 724 of 2017 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain shareholdings of the Company and certain loan capitalizations of the Company.

The Company and the existing director of the Company are taking legal advice in respect of such legal action.

#### ***HCA 808 of 2017***

As announced by the Company on 20 April 2017, the Company received on 3 April 2017 a writ of summons issued by Lee Jaeseong (as the plaintiff) in the High Court of Hong Kong under action number HCA 808 of 2017 to certain parties, including the Company and five existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, a prior loan facility made available to the Company.

The Company and the five existing directors of the Company are taking legal advice in respect of such legal action.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 809 of 2017***

As announced by the Company on 20 April 2017, the Company received on 3 April 2017 a writ of summons issued by Desmond Ouma Ogallo (as the plaintiff) in the High Court of Hong Kong under action number HCA 809 of 2017 to certain parties, including the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain loans and certain shares issued pursuant to the Loan Capitalizations of the Company.

The Company is taking legal advice in respect of such legal action.

#### ***HCA 814 of 2017***

As announced by the Company on 20 April 2017, the Company received on 5 April 2017 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 814 of 2017 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, a technical report issued to the Company and certain shares issued pursuant to certain loan capitalizations of the Company.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 814 of 2017), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company and the existing director of the Company are taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

#### ***HCA 815 of 2017***

As announced by the Company on 20 April 2017, the Company received on 5 April 2017 a writ of summons issued by Iqbal Singh Nagi (as the plaintiff) in the High Court of Hong Kong under action number HCA 815 of 2017 to certain parties, including the Company and two existing directors of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain shares issued pursuant to certain loan capitalization of the Company.

The Company and the two existing directors of the Company are taking legal advice in respect of such legal action.

## 28. LITIGATIONS *(Continued)*

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

#### *HCA 853 of 2017*

As announced by the Company on 20 April 2017, the Company received on 11 April 2017 a writ of summons issued by Jeremiah Kiprotich (as the plaintiff) in the High Court of Hong Kong under action number HCA 853 of 2017 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the Third Convertible Note issued by the Company.

The Company and the existing director of the Company are taking legal advice in respect of such legal action.

#### *HCA 1004 of 2017*

As announced by the Company on 5 May 2017, the Company received on 26 April 2017 a writ of summons issued by Bose Shankar (as the plaintiff) in the High Court of Hong Kong under action number HCA 1004 of 2017 to certain parties, including the Company and an existing director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the Third Convertible Note issued by the Company.

The Company and the existing director of the Company are taking legal advice in respect of such legal action.

#### *HCA 1050 of 2017*

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

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 1050 of 2017), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

Grandvest International Limited and the existing director of the Company are taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

## 28. LITIGATIONS (Continued)

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

#### *HCA 1071 of 2017*

As announced by the Company on 12 May 2017, the Company received on 26 April 2017 a writ of summons issued by Daily Loyal Limited (“**Daily Loyal**”) (as the plaintiff) in the High Court of Hong Kong under action number HCA 1071 of 2017 to two parties, namely, the Company and an existing director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the Third Convertible Note issued by the Company.

As announced by the Company on 13 April 2017, Daily Loyal and the Company entered into the undated Amendment Agreement, among other things, to (i) extend the maturity dates of the Outstanding Third Convertible Note for at least another two years before the Outstanding Third Convertible Note becomes current liability of the Company; (ii) convert the Outstanding Third Convertible Note except for the principal amount of US\$60,000,000 (equivalent to approximately HK\$468,000,000) at the conversion price of HK\$48 per Share within three business days upon signing of the Amendment Agreement; and (iii) agree on no demand of the remaining outstanding principal amount of the Outstanding Third Convertible Note on the maturity dates.

However, Daily Loyal (as the plaintiff) subsequently alleged that its sole director (Mr. Chan Chun Wah) signed the Amendment Agreement in August 2016 (leaving the document undated, the “**Undated Amendment Agreement**”) based on an understanding that such document only served as a memorandum for discussion purpose only and was not intended to be binding, and that the Company and Hong Sang Joon (an existing director of the Company) would not fill in the date of the document. Besides, Daily Loyal was of the view that the validity of the Undated Amendment Agreement was contrary to the Additional Agreement entered into by it with Cordia Global Limited (“**Cordia**”), Choi Sungmin, Grandvest International Limited (a subsidiary of the Company) and the Company on 22 August 2016.

Daily Loyal also alleged that (i) the placing and issue of new Shares by the Company as announced by the Company on 24 October 2016; (ii) the placing and issue of new Shares by the Company as announced by the Company on 24 January 2017; and (iii) the issue of new Shares upon loan capitalizations as announced by the Company on 20 February 2017 were conducted without the prior consent or authorization of Daily Loyal and were in breach of a convertible note agreement (the “**Convertible Note Agreement**”) dated 3 April 2013 between the Company and Cordia in relation to the Third Convertible Note.

Daily Loyal (as the plaintiff) is seeking, among other things, (i) damages for breach of the Convertible Note Agreement and/or the Additional Agreement; (ii) a declaration that the Undated Amendment Agreement and the dated Amendment Agreement were null and void *ab initio*; and (iii) alternatively, a declaration that the dated Amendment Agreement and/or the Undated Amendment Agreement has been rescinded.

## 28. LITIGATIONS *(Continued)*

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

#### ***HCA 1071 of 2017 (Continued)***

As announced by the Company on 16 June 2017, the Company received a letter from Daily Loyal's legal advisers on 9 June 2017. In that letter, Daily Loyal alleged that it had sold the Outstanding Third Convertible Note as to an aggregate principal amount of US\$103,000,000 (approximately HK\$803,400,000) and therefore it currently held the Outstanding Third Convertible Note as to a principal amount of US\$297,390,000 (approximately HK\$2,319,642,000) (the "**Alleged Current Outstanding Amount**"). Further, Daily Loyal also demanded the Company to (i) repay the Alleged Current Outstanding Amount within 14 days from 9 June 2017; (ii) pay any interest accrued in full; and (iii) indemnify Daily Loyal for all costs and expenses incurred, among other things, for collection of the Alleged Current Outstanding Amount and the enforcement of the Convertible Note Agreement. The primary ground relied upon by Daily Loyal was that the Company did not obtain its prior consent or authorization in the previous placing and issue of new Shares and the issue of new Shares upon loan capitalizations, that was one of Daily Loyal's allegations set out in the Announcement.

The Company and the existing director of the Company are taking legal advice in respect of such legal action.

#### ***HCA 1163 of 2017***

As announced by the Company on 23 May 2017, the Company received on 17 May 2017 a writ of summons issued by Lim Hang Young (as the plaintiff) in the High Court of Hong Kong under action number HCA 1163 of 2017 to certain parties, including the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the Third Convertible Note issued by the Company.

The Company is taking legal advice in respect of such legal action.

#### ***Third Party Notice in Relation to HCA 1665 of 2016***

As announced by the Company on 10 August 2016, Roma Group Limited as the 1st plaintiff and Luk Kee Yan Kelvin as the 2nd plaintiff commenced action against Zhi Charles as the 1st defendant and Kim Sung Ho as the 2nd defendant under the legal action number HCA 1665 of 2016 on 23 June 2016. By a Third Party Notice received by the Company on 2 August 2016, Kim Sung Ho as the 2nd defendant purported to join certain other parties as the third parties, and such parties include the Company and an existing director of the Company. In such notice, Kim Sung Ho is seeking various declarations, inter alia, in respect to the HASS Reports on the coal reserves estimation of the Company's Russian coal mines.

As announced by the Company on 31 October 2016, at the hearing held on 22 October 2016, the Court ordered to set aside the Third Party Notice issued by Kim Sung Ho against certain third parties (including the Company and the existing director of the Company) with costs summarily assessed against Kim Sung Ho.

## 28. LITIGATIONS *(Continued)*

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

#### ***Third Party Notice in Relation to HCA 1665 of 2016 (Continued)***

As announced by the Company on 31 October 2016, the Company on 24 October 2016 received a Third Party Notice from Zhi Charles as the 1st defendant. He purported to join certain other parties as the third parties and such parties include an existing director of the Company. In such notice, Zhi Charles is seeking various declarations and orders, inter alia, in respect of certain technical reports on the coal reserves estimation of the Company's Russian coal mines.

Zhi Charles on 9 December 2016 discontinued his claim in the Third Party Notice as against the existing director of the Company.

#### ***Fourth Party Notice in Relation to HCA 1016 of 2016***

As announced by the Company on 19 May 2016, under legal action number HCA 1016 of 2016 taken by the Company against HASS and Herman Tso, Herman Tso as the 2nd defendant purported to join Zhi Charles as the third party to such legal action. By a Fourth Party Notice dated 10 May 2016, Zhi Charles then purported to join certain other parties as the fourth parties, and such parties include an existing director of the Company. In such Fourth Party Notice, Zhi Charles is seeking various declarations against these certain other parties in respect of, inter alia, certain technical reports on the Company's Russian coal mines, the Third Convertible Note and the resumption announcement of the Company dated 22 April 2015.

As announced by the Company on 21 February 2017, at a Court hearing held on 10 February 2017, upon the applications made by Herman Tso (as the 2nd defendant) and Zhi Charles (as the third party), the Court granted the Orders that (1) leave for Herman Tso (as the 2nd defendant) to withdraw his Third Party Notice as against Zhi Charles; (2) leave to Zhi Charles (as the third party) to withdraw his Fourth Party Notice against various fourth parties including the existing director of the Company; and (3) as a consequence of such, leave for the Company (as the plaintiff) to withdraw its summons to set aside Herman Tso's Third Party Notice.

## 28. LITIGATIONS *(Continued)*

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

#### ***Fourth Party Notice in Relation to HCA 1338 of 2016***

As announced by the Company on 30 May 2016, under legal action number HCA 1338 of 2016 taken by Lim Hang Young, Herman Tso as the 1st defendant purported to join Zhi Charles as the third party to such legal action. By a Fourth Party Notice dated 10 May 2016, Zhi Charles then purported to join certain other parties as the fourth parties, and such parties include the four existing directors. In such Fourth Party Notice, Zhi Charles is seeking various clarifications in respect of, inter alia, certain opinions on the Company's Russian coal mines and certain consultants fees.

As announced by the Company on 28 February 2017, at a Court hearing held on 17 February 2017, the Court allowed Zhi Charles to withdraw his Fourth Party Notice against the four existing directors.

#### ***Fourth Party Notices in Relation to HCA 51 of 2017***

As announced by the Company on 7 February 2017, under legal action number HCA 51 of 2017 taken by the Company against Newborn Global Energy Limited (formerly known as HASS Natural Resources Limited) ("**Newborn Global**") as the 1st defendant and Tso Chi Ming (also known as Herman Tso). Subsequently, Kim Sungho and Zhi Charles were purportedly joined as the third parties to such legal action by Herman Tso.

As announced by the Company on 7 February 2017, by a Fourth Party Notice dated 16 January 2017, Zhi Charles purported to join 9 parties as the fourth parties and such fourth parties include an existing director of the Company and Grandvest International Limited (a wholly-owned subsidiary of the Company). In such Fourth Party Notice, Zhi Charles is seeking various declarations against these fourth parties in respect of, inter alia, the HASS Report on the Company's Russian coal mine.

The Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Zhi Charles to continue with any of the proceedings (including this Fourth Party Notice under HCA 51 of 2017), Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company in normal circumstances. Please refer to the announcement of the Company on 5 May 2017.

The Company and Grandvest International Limited are taking legal advice in respect of such action, pending on the views of the Official Receiver.

## 28. LITIGATIONS *(Continued)*

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

#### ***Fourth Party Notices in Relation to HCA 51 of 2017 (Continued)***

As announced by the Company on 13 February 2017, the Company on 6 February 2017 received a Fourth Party Notice dated 25 January 2017 from Kim Sungho whereby he purported to join 10 parties as the fourth parties and such parties include the Company, an existing director of the Company and Grandvest International Limited in the same legal action HCA 51 of 2017. In such Fourth Party Notice, Kim Sungho is seeking various declarations against those 10 parties in respect of, inter alia, the HASS Report on the Company's Russian coal mine.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this Fourth Party Notice under HCA 51 of 2017), Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

The Company, the existing director of the Company and Grandvest International Limited are taking legal advice in respect of such action, pending on the views of the Official Receiver.

### (ii) **The Company/the Company's Director as the Plaintiff**

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

As set out in the Company's announcement dated 25 November 2008, inter alia, the Securities and Futures Commission commenced proceedings in the High Court of Hong Kong to seek a disqualification order and a compensation order against three former executive directors of the Company (namely, Cheung Keng Ching, Chou Mei and Lau Ka Man Kevin) in entering into certain transactions during the period between late 2002 and late 2005 for and on behalf of the Group. The financial impacts on the Group in relation to these transactions had already been provided for and reflected in the previous financial results of the Group and they shall have no further adverse effects on the existing financial position of the Group.

As set out in the Company's announcement dated 22 March 2010, the judgment of the High Court of Hong Kong delivered on 18 March 2010, inter alia, (i) directed the Company to commence civil proceedings against these three former executive directors of the Company to recover loss attributable to their mis-management of the Company in entering into certain transactions for and on behalf of the Group during the period between late 2002 and late 2005; and (ii) ordered that any settlement of this civil action by the Company should be subject to the Court's approval.



## 28. LITIGATIONS (Continued)

### (ii) The Company/the Company's Director as the Plaintiff (Continued)

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

On 15 April 2010, the Company commenced civil proceedings (HCA 706 of 2010) against these three former executive directors to claim damages in the total sum of approximately HK\$18,980,000. Mediation was conducted with a view to settling the matter as required under the Civil Justice Reform. Although it was the opinion from the Senior Counsel that an amicable settlement would be preferred for the 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. Hearing on the application of the Company to obtain leave to amend the Indorsement of Claim and Statement of Claim was held on 26 January 2017 with reserved judgment, and the related judgment was handed down on 10 February 2017, pursuant to which leave be granted to the Company to amend the Indorsement of Claim and Statement of Claim. Accordingly, the Amended Indorsement of Claim and Amended Statement of Claim had been filed.

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

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

## 28. LITIGATIONS *(Continued)*

### (ii) **The Company/the Company's Director as the Plaintiff** *(Continued)*

#### ***HCMP 443 of 2015***

The originating summons of this action was issued by the Company as the plaintiff against Zhi Charles as the defendant on 22 February 2015, by which the Company claims against Zhi Charles for the orders that, inter alia, (i) Zhi Charles 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 Zhi Charles 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 Zhi Charles may commence in the interim time, without first obtaining approval from the High Court of Hong Kong; (iii) Zhi Charles 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 Zhi Charles, 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 Company has on 23 June 2016 obtained a Sealed Court Order dated 20 June 2016 in respect of HCMP 443 of 2015. The Order is made under section 27 of the High Court Ordinance which is designated for the restriction of vexatious legal proceedings and also the inherent jurisdiction of the Court.

Pursuant to such Order, the Court ordered, inter alia, that Zhi Charles be prohibited from commencing or issuing any fresh claims or proceedings in any Court in Hong Kong against the Company without the leave of one of the Designated Judges except where the originating process is signed by counsel or solicitors practising in Hong Kong who have read the Order and the reasons therefor. In addition, a stay of all further proceedings as against the Company in actions HCA 584 of 2016 and HCA 1195 of 2016 has been granted under the Order. For details of such Order, please refer to the Company's announcement of 29 June 2016.

#### ***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 Zhi Charles (also known as Chi Chang Hyun or Charles Chi or Charles Zhi) for his failure of paying to the Company legal costs (plus interests) ordered by the Court amounting to HK\$36,249.87.

At the hearing of 20 April 2016, Zhi Charles fully settled the amount of HK\$36,249.87, thus the bankruptcy petition against him was then withdrawn.

## 28. LITIGATIONS *(Continued)*

### (ii) **The Company/the Company's Director as the Plaintiff** *(Continued)*

#### ***HCA 1016 of 2016***

As announced by the Company on 18 April 2016, the Company (as the plaintiff) has commenced a legal action against HASS (1st defendant) and Herman Tso (2nd defendant) in the High Court of Hong Kong under action number HCA 1016 of 2016 on 18 April 2016. The Company is seeking various reliefs including, inter alia, a declaration that HASS and Herman Tso are not entitled to withdraw the HASS Reports or to assert the HASS Reports being void, an order that they retract their letters dated 1 April 2016 and 11 April 2016, respectively, for withdrawing the HASS Reports, and an order for payment of the original principal amount of the Third Convertible Note of US\$443,070,000 as damages. Herman Tso in his defence statement made counterclaims of US\$443,070,000 as damages.

The action is still in its early stage and will proceed in its usual manner.

#### ***HCB 5395 of 2016***

The Company on 28 July 2016 filed with the High Court of Hong Kong a creditor's bankruptcy petition against Zhi Charles (also known as Chi Chang Hyun or Charles Chi or Charles Zhi) for his failure to comply with a statutory demand on payments to the Company of legal costs (plus interests) ordered by the Court amounting to HK\$1,701,744.56. Subsequent to the issue of the bankruptcy petition, three further costs orders totaling HK\$813,774.67 have been granted in favour of the Company against Zhi Charles.

Zhi Charles has also failed to comply with another statutory demand on payments to a former director of the Company of legal costs (plus interests) ordered by the Court amounting to HK\$514,324.79, hence, the former director of the Company has joined as a supporting creditor in HCB 5395 of 2016. Moreover, Zhi Charles has also been served by the Company another statutory demand on payments to the Company and its directors in relation to the legal costs (plus interests) ordered by the Court amounting to HK\$634,823.

As announced by the Company on 5 May 2017, the Company obtained a bankruptcy order against Zhi Charles (also known as "CHI CHANG HYUN", "CHANG HYUN CHI", "ZHI CHARLES", "CHARLES ZHI", "CHARLES CHI") at the Court hearing held on 26 April 2017 under the bankruptcy proceedings commenced by the Company at the Court of First Instance of the High Court of Hong Kong under bankruptcy number HCB 5395 of 2016. The Official Receiver is now the provisional trustee of the property of Zhi Charles and his property including all things in action has vested in the Official Receiver. The Company will in due course seek the views of the Official Receiver in respect of their position on the various proceedings Zhi Charles has brought against the Company and the directors of the Company. Until and unless the Official Receiver gives such consent to Zhi Charles to continue with any of the proceedings, Zhi Charles does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances.

## 28. LITIGATIONS *(Continued)*

### (ii) **The Company/the Company's Director as the Plaintiff** *(Continued)*

#### ***HCA 51 of 2017***

As announced by the Company on 7 February 2017, the Company (as the plaintiff) commenced a legal action against Newborn Global Energy Limited (formerly known as HASS Natural Resources Limited) ("**Newborn Global**") as the 1st defendant and Tso Chi Ming (also known as Herman Tso) ("**Tso**") as the 2nd defendant in the Court of First Instance of the High Court of HongKong under action number HCA 51 of 2017 on 10 January 2017. Tso was one of the directors of Newborn Global at all material times.

In such action, the Company pointed out, among other things, that Tso misrepresented to the Company that he was a "Competent Person" as defined in Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited when the Company entered into an agreement with Newborn Global in 2013 to engage Newborn Global to provide a technical report on the Company's Russian mine (i.e. the HASS Report). The Company is therefore seeking the repayment of the sums made to Newborn Global under such agreement and damages for misrepresentation from both Newborn Global and Tso.

The action is still in its early stage and pleadings has yet been closed.

#### ***HCB 377 of 2017***

An existing director of the Company, Hong Sang Joon, on 18 January 2017 filed with the High Court of Hong Kong a creditor's bankruptcy petition against Kim Sung Ho (also known as Kim Sungho) for his failure to comply with a statutory demand on payments to him of legal costs (plus interests) ordered by the Court amounting to HK\$171,408.88.

As announced by the Company on 19 June 2017, the Company obtained a bankruptcy order against Kim Sungho (also known as "KIM SUNG HO") at the Court hearing held on 7 June 2017 under the bankruptcy proceedings commenced by the existing director of the Company at the Court of First Instance of the High Court of Hong Kong under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. The Company will in due course seek the views of the Official Receiver in respect of their position on the various proceedings Kim Sungho has brought against the Company and the directors of the Company. Until and unless the Official Receiver gives such consent to Kim Sungho to continue with any of the proceedings, Kim Sungho does not have locus and cease to have any right to represent in any of the proceedings against the Company and the directors of the Company in normal circumstances.

## 29. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

### Significant Events After the Reporting Period

- (a) Subsequent to the end of the reporting period, certain legal actions have been issued against the Company and/or existing directors of the Company, and certain legal actions against the Company and/or existing directors of the Company have been struck out or dismissed by the Court. Please refer to Note 28 for details of particular legal cases.
- (b) As announced by the Company on 5 May 2017, a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016 was obtained. Until and unless the Official Receiver (now being the provisional trustee of the property of Zhi Charles) gives consent to Zhi Charles to continue with any of his proceedings, Zhi Charles does not have locus and cease to have any right to represent in any of his proceedings against the Company and the Company's directors in normal circumstances.
- (c) As announced by the Company on 19 June 2017, a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017 was obtained. Until and unless the Official Receiver (now being the provisional trustee of the property of Kim Sungho) gives consent to Kim Sungho to continue with any of his proceedings, Kim Sungho does not have locus and cease to have any right to represent in any of his proceedings against the Company and the Company's directors in normal circumstances.
- (d) As announced by the Company on 13 April 2017, the Company, inter alia, proposed to extend the maturity date of the remaining outstanding Third Convertible Note for at least two years to 4 April 2020, and has been in the process of preparing the related circular. For more details, please refer to the Company's announcements on 9 May 2017, 29 May 2017, 14 June 2017, and 23 June 2017, respectively. As announced by the Company on 12 May 2017, the Company received on 26 April 2017 a writ of summons issued by Daily Loyal (as the plaintiff) under action number HCA 1071 of 2017 in relation to, among other matters, the proposed extension of the maturity date of the remaining outstanding Third Convertible Note. As announced by the Company on 16 June 2017, the Company received a letter from Daily Loyal's legal advisers on 9 June 2017, demanding the Company, among other matters, to repay the Alleged Current Outstanding Amount of US\$297,390,000 (approximately HK\$2,319,642,000) within 14 days from 9 June 2017. Please refer to Note 28 for details of the legal case HCA 1071 of 2017.
- (e) On 28 June 2017 and 29 June 2017, certain lenders have agreed to further extend the due dates of the loans (and the related interests payables where applicable) to 31 December 2018. Please refer to Note 2(b) for more information.
- (f) On 13 June 2017, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to HK\$100,000,000.

## 29. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD *(Continued)*

### **Significant Events After the Reporting Period** *(Continued)*

- (g) On 28 June 2017, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US\$30,450,000 (approximately HK\$237,510,000).
- (h) On 28 June 2017, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US\$24,900,000 (approximately HK\$194,220,000).
- (i) On 28 June 2017, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US\$13,400,000 (approximately HK\$104,520,000).
- (j) On 28 June 2017, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US\$31,600,000 (approximately HK\$246,480,000).
- (k) On 26 June 2017, the Company signed a joint venture agreement with an established education group in the PRC, pursuant to which a proposed PRC joint venture company will be formed to engage in direct operation and franchise of English kindergarten(s) in the PRC. The proposed registered share capital of the PRC joint venture company will be RMB10 million, and by holding a 40% stake in it, the Company's proposed share capital contribution will be amounted to RMB4 million.

## **EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT**

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

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 2(b) to the consolidated financial statements which indicates that the Group’s current liabilities exceeded its current assets by HK\$3,239,524,000. These conditions, along with other matters as set forth in Note 2(b) indicate the existence of material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

Also, we draw attention to Note 28 to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuits filed against the Group. Our opinion is not qualified in respect of this matter.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Turnover**

For the year ended 31 March 2017, the Group recorded a total turnover of HK\$1.7 million (2016: HK\$1.8 million), representing a decrease of approximately 5.5% as compared to last corresponding year. The reduction is mainly due to keen competition in both scrapped iron and steel trading in the Korean market.

During the year under review, the Group recorded a turnover of HK\$0.5 million (2016: HK\$0.9 million) from scrapped iron trading and no turnover (2016: HK\$0.9 million) was recorded from steel trading. The Group diversified to trade also paper for newspaper printing and achieved a turnover of HK\$1.2 million (2016: nil).

#### **Other Income**

Other income during the year under review mainly represented net exchange gain of HK\$11.0 million (2016: net exchange loss of HK\$12.8 million) primarily arising from the appreciation of Russian Rubles to US Dollars.

## **Other Gains and Losses**

During the year under review, (i) the reversal of impairment loss on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) amounted to HK\$470.6 million (2016: impairment loss of HK\$30.1 million) mainly due to the net effects of substantial increase in coal sales prices of certain types of coals, the appreciation of Russian Rubbles to US Dollars and the decrease in post-tax discount rate; (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\$1,918.5 million (2016: impairment loss of HK\$57.4 million) also mainly due to the net effects of substantial increase in coal sales prices of certain types of coals, the appreciation of Russian Rubbles to US Dollars and the decrease in post-tax discount rate; and (iii) the completion of loan capitalizations in February 2017 resulted in a fair value gain of HK\$25.8 million (2016: nil).

## **Administrative and Other Expenses**

During the year under review, amortization of mining rights increased from HK\$5.5 million to HK\$6.0 million. Staff costs (excluding directors' remuneration) were kept at around HK\$4.9 million (2016: HK\$4.8 million). Legal and professional fees increased from HK\$12.3 million to HK\$21.1 million as the Company was involved in more legal proceedings.

## **Finance Costs**

During the year under review, total finance costs increased to HK\$369.4 million (2016: HK\$332.9 million) mainly resulted from the net effects of (i) the increase in imputed interest of the Third Convertible Note to HK\$358.9 million (2016: HK\$321.7 million); (ii) no imputed interest on the promissory notes (2016: HK\$1.2 million); and (iii) the slight increase in interests on loans from third parties to HK\$7.5 million (2016: HK\$7.1 million).

## **Loss Before Income Tax**

For the year ended 31 March 2017, the profit before income tax of the Group was HK\$2,027.3 million (2016: loss before income tax of HK\$465.6 million). The turnaround to a profit from a loss is mainly attributable to the combined effects of the aforementioned factors.

The Company would like to highlight that (i) the reversal of impairment loss of HK\$470.6 million (2016: impairment loss of HK\$30.1 million) on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines); (ii) the reversal of impairment loss of HK\$1,918.5 million (2016: impairment loss of HK\$57.4 million) on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines); and (iii) the fair value gain on loan capitalizations of HK\$25.8 million (2016: nil) were just non-cash items arising from year end valuation exercises for accounting purposes, which would not affect the cashflow position of the Group.



## **OPERATION REVIEW**

### **Mineral Resources, Commodities and Other Trading**

For the year under review, trading of paper for newspaper printing and scrapped iron trading were the two contributors to the Group's turnover.

### **Coal Mining**

Lot 1 and Lot 1 Extension underground mining and Lot 2 underground mining would be developed on an integrated basis due to their geographical proximity and also for the sake of achieving economy of scale. Since coal production on Lot 2 underground mining would be targeted only after the third quarter of 2019, naturally not much development work was noted for Lot 1 and Lot 1 Extension for the year under review, as there was no urgency to develop Lot 1 and Lot 1 Extension underground mining alone.

As the mining license of Lot 1 will expire by November 2017, technical design for prolongation of the license has been prepared during second quarter of 2017, which is now under the prior consultation with GKZ (which is the State Committee of Reserves under the Russian Federation Ministry of National Resources) before official submission.

As a response to the sudden withdrawal of HASS Reports in early April 2016, the Company engaged the New Technical Expert to prepare the New Technical Report on Lot 2. The New Technical Expert conducted a physical site visit to the coal mines and performed due diligence on technical data of Lot 2 in May 2016. In August 2016, the New Technical Report was issued and reported the estimated probable coal reserves in merely the open pit mining area in Lot 2 to be 14.47 million tonnes.

LLC "SibGeoProject", a consulting firm engaged by the Group which is capable of providing geological exploration through to mine construction, continued to refine mine design for Lot 2 open pit mining by means of various kinds of simulations so as to optimize the methods of mine development. Updated coal prices and various operating costs as of third quarter of 2016 have been adopted in those simulations to further fine-tune the mine design of open pit mining in Lot 2.

The Group has engaged LLC "SGP-GEOLOGY" to conduct 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 drillings have been already commenced. As of mid-June 2017, drillings of total depth of approximately 15,000 metres in a total of 40 boreholes have been completed. The documentation of drilling data was extracted, after the core samples collected and analyzed.

### **Geographical**

In the year under review, the Republic of Korea ("**Korea**") is the Group's sole market segment which accounted for 100% (2016: 100%) of the total revenue.

## **Placing of Shares and Loan Capitalizations**

In October 2016, the Company completed the placing of 102.6 million new shares under the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 4 September 2015, with the net proceeds of approximately HK\$26.5 million. Further, in January 2017, the Company completed another placing of 123.2 million new shares under the general mandate granted to the directors by the shareholders at the annual general meeting of the Company held on 15 December 2016, with the net proceeds of approximately HK\$25.1 million.

In February 2017, the Company completed the loan capitalizations of five creditors by issuing 469,227,760 remaining capitalization shares under specific mandates passed by the shareholders on the extraordinary general meeting held on 23 January 2017, with the aggregate amount of loans (and related interests where applicable) of approximately HK\$152.5 million being capitalized.

All these contributed to the improvements in financial position of the Group.

## **PROSPECTS**

Looking forward, the year ahead will remain challenging for the Group. In an era of new presidency coupled with interest rate hikes of the United States of America, the continuing recovery of global economy is uncertain, which will make the Group's mineral resources, commodities and other trading businesses remain rather challenging, and would also have impacts on the coal prices.

The Company, apart from focusing on its core businesses, i.e. (i) mineral resources, commodities and other trading; and (ii) coal mining, will also consider diversification into other business areas when opportunities arise.

### **Mineral Resources, Commodities and Other Trading**

The Group will continue to adopt a prudent and flexible approach in mineral resources, commodities and other trading business, and will strive to meet the needs of different customers looking for diversified products in addition to paper for newspaper printing, scrapped iron and steel.

### **Coal Mining**

The official submission of technical design for Lot 1 will be made in due course and the approval process will take around 2 months to complete. Following the official approval of such technical design, the formal application for extension of mining license of Lot 1 will then be made in around September 2017.

LLC "SibGeoProject" will keep on refining the mine design for Lot 2 open pit mining. Airborne photographic surface survey is planned for certain areas in Lot 2 open pit mining, and in parallel, State Environmental Expert Review, which is certain kind of requested environmental impact assessment, will be proceeded. In addition, the Group is considering the acquisition of a plot of land within the boundary of Lot 2 for initial infrastructure and facilities purposes, when sufficient capital expenditure budgeting allows.

In respect of the drilling in Lot 2 for underground mining, the remaining 1 borehole drilling for hydrogeology will be done shortly, which will then mark the overall completion of all exploration works for the entire license area of Lot 2. Core samples collection and analysis will be continued, for compilation and documentation of drilling data.

With all these drilling data being completed, preparation for an integrated TEO Conditions (TEO Conditions stands for Technical and Economic Justification of Conditions and is broadly equivalent to the Western pre-feasibility study) covering the underground mining of Lot 1 and Lot 1 Extension, and Lot 2 will be followed, and then geological report will be prepared and submitted to GKZ for review with the ultimate objective to obtain protocol on approving the TEO Conditions and the coal reserves for underground mining. Preliminarily, submission of TEO Conditions and geological report will be planned in last quarter of 2017, and protocol approval might be expected during the first half of 2018.

### **Joint Venture in Kindergarten Project**

As part of business diversification of the Group, the Company in June 2017 signed a joint venture agreement with an established education group in the People's Republic of China (the "PRC"), pursuant to which a proposed PRC joint venture company will be formed to engage in direct operation and franchise of English kindergarten(s) in the PRC. The proposed registered share capital of the PRC joint venture company will be RMB10 million, and by holding a 40% stake in it, the Company's proposed share capital contribution will be amounted to RMB4 million.

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

To further improve the financial position, the Company will strive to grasp opportunities in possible further loan capitalizations and potential equity funding such as further placing of new shares. In addition, the Company will maintain proper communications with the holder(s) of the Third Convertible Note to resolve the alleged disputes in an amicable manner, including but not limited to possible conversion of a significant portion of it and/or possible extension of the maturity date.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2017, the Group had net current liabilities of HK\$3,239.5 million (2016: HK\$188.9 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 0.46% (2016: 1.08%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 1.83% (2016: 29.00%).

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

During the year under review, the Group recorded a net cash inflow of HK\$21.6 million (2016: net cash outflow of HK\$17.7 million), while the total cash and cash equivalents increase to HK\$ 10.8 million (2016: HK\$0.3 million) as at the end of reporting period.

The management will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities of the Group as at 31 March 2017. 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. Apart from the loan capitalizations as disclosed in the Company's announcement dated 5 January 2017, the Company will take proactive actions to improve the liquidity and financial position of the Group by way of equity fund raising exercises including placement of new shares as well as other pre-emptive offers. The Company will closely monitor the market situation and take prompt actions when such opportunities arise. During the year, the Company has raised several loans of a total HK\$47.8 million (2016: HK\$13.3 million) for the Group's daily operation and the mine construction.

In addition to the above measure to improve the liquidity of the Group, the Company also explores way to improve its overall financial position. In particular, the Company has from time to time communicated with Daily Loyal Limited, the current holder of the Third Convertible Note, with an aim to deal with such major liability of the Group, including but not limited to the possible conversion of a significant portion of the outstanding Third Convertible Note. The Company believes that such conversion, if happened, will be beneficial to the Company, its shareholders and other stakeholders of the Company (including the holder of the Third Convertible Note) as whole as the overall gearing of the Group will be improved and the equity base of the Company will be strengthened. The Company may then be able to improve its overall financial position.

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

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

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

## **LITIGATIONS**

During the year and up to the date of this announcement, the Group has been involved in a number of legal proceedings. Details of the litigations are set out in Note 28 to the financial statements.

## **CAPITAL COMMITMENTS**

As at 31 March 2017, the Group had capital commitments in respect of the exploration related contracts are HK\$8.3 million (2016: HK\$0.2 million) and no capital commitments in acquisition of property, plant and equipment (2016: Nil).

## **PLEDGE OF ASSETS**

The Group had not pledged any of its assets for bank facilities as at 31 March 2017 or 31 March 2016.

## **SHARE OPTION SCHEMES**

The Group has adopted share option scheme whereby directors, employees and consultants of the Group may be granted options to subscribe for the new shares of the Company.

## **EMPLOYEES AND REMUNERATION POLICIES**

As of 31 March 2017, the Group had approximately 22 (2016: 23) staff in Hong Kong, Russia and Korea. Remuneration policy is reviewed by the management periodically and is determined by reference to industry practice, company performance, and individual qualifications and performance. Remuneration packages comprised salary, commissions and bonuses based on individual performance. Share options may also be granted to eligible employees of the Group. Employees benefit plans provided by the Group include provident fund scheme, medical insurance and subsidised training programmes and seminars.

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

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2017.

## **DIVIDENDS**

The Board of Directors does not recommend the payment of a dividend in respect of the financial year ended 31 March 2017.

## **CORPORATE GOVERNANCE**

### **Corporate Governance Code**

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

- (i) Under code provision A.6.7 of the CG Code, INEDs should attend the general meetings and develop a balanced understanding of the views of shareholders. However, two of existing INEDs of the Company, namely, Mr. Jo Sang Hee and Mr. Lai Han Zhen, were unable to attend the 2016 annual general meeting of the Company held on 15 December 2016 and the extraordinary general meeting of the Company held on 23 January 2017 due to other overseas commitments or other prior business engagements.

## **Non-compliance with Provisions of the Listing Rules**

During the year under review, the Company has the following non-compliance with provisions of the Listing Rules:—

- (i) The 2016 annual results for the year ended 31 March 2016 cannot be published on or before 30 June 2016, because the Company required more time to provide information requested by the Company's auditor (JH CPA Alliance Limited), and more time was needed for the auditor to complete all relevant audit procedures in connection with the assessments on the valuation of the Russian coal mines of the Group and the verification of the evidence on the loan facilities of the Company. As such, the Company was not able to timely comply with the financial reporting provisions under the Listing Rules in (a) announcing the annual results for the financial year ended 31 March 2016 on or before 30 June 2016; and (b) publishing the 2016 annual report for the year ended 31 March 2016 on or before 31 July 2016.
- (ii) Due to the delay in publishing the 2016 annual report mentioned hereinabove, the Company was not able to timely comply with the provision under the Listing Rules in laying its annual financial statements for the year ended 31 March 2016 before its members at its annual general meeting within the period of six months after the end of the financial year to which the annual financial statements relate, i.e. to hold its 2016 annual general meeting on or before 30 September 2016.

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

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

## **Audit Committee**

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive directors (“**INEDs**”) of the Company, chaired by Mr. Kwok Kim Hung Eddie and the other members are Mr. Jo Sang Hee and Mr. Lai Han Zhen. The annual results of the Group for the year ended 31 March 2017 have been reviewed by the Audit Committee.

## **AUDITOR**

The consolidated financial statements for the year ended 31 March 2017 have been audited by JH CPA Alliance Limited (“**JH CPA**”) who will retire and being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

## **SCOPE OF WORK OF JH CPA**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2017 have been agreed by the Group's auditor, JH CPA, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by JH CPA in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by JH CPA on the preliminary announcement.

## **PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <http://siberian.todayir.com> respectively. The annual report of the Company for the year ended 31 March 2017 will be despatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

## **ACKNOWLEDGEMENT**

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

By Order of the Board  
**Siberian Mining Group Company Limited**  
**Hong Sang Joon**  
*Chairman*

Hong Kong, 30 June 2017

*As at the date of this announcement, the Board consists of Mr. Hong Sang Joon and Mr. Su Run Fa as executive directors, and Mr. Jo Sang Hee, Mr. Kwok Kim Hung Eddie and Mr. Lai Han Zhen as independent non-executive directors.*