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SIBERIAN MINING GROUP COMPANY LIMITED

西伯利亞礦業集團有限公司*
(incorporated in the Cayman Islands with limited liability)
(Stock code: 1142)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Siberian Mining Group Company Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2017 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Turnover	4	559	252
Cost of sales		(551)	(250)
Gross profit		8	2
Other income	4	4,624	6,363
Other gains and losses	4	(317,729)	560,312
Selling and distribution costs		(31)	(8)
Administrative and other expenses		(60,355)	(16,170)
Finance costs	6	(199,084)	(179,605)
(Loss)/Profit before income tax	5	(572,567)	370,894
Income tax	7	(8,313)	(7)
(Loss)/Profit for the period		(580,880)	370,887
Other comprehensive expenses for the period, net of tax:			
Exchange differences on translation of financial statements of foreign operations		(16,058)	(4,035)
Total comprehensive (expenses)/income for the period, net of tax		(596,938)	366,852

* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*
For the six months ended 30 September 2017

	<i>Notes</i>	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
(Loss)/Profit for the period attributable to:			
Owners of the Company		(572,280)	365,432
Non-controlling interests		(8,600)	5,455
		<u>(580,880)</u>	<u>370,887</u>
Total comprehensive (expenses)/income attributable to:			
Owners of the Company		(588,167)	361,977
Non-controlling interests		(8,771)	4,875
		<u>(596,938)</u>	<u>366,852</u>
(Loss)/Earnings per share			
Basic (Hong Kong cents)	9	<u>(47.36)</u>	<u>71.17</u>
Diluted (Hong Kong cents)	9	<u>(47.36)</u>	<u>71.17</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	13,887	13,898
Prepayments for acquisition of property, plant and equipment		1,239	—
Other intangible assets	<i>11</i>	443,685	529,088
Exploration and evaluation assets	<i>12</i>	2,107,299	2,392,398
		<u>2,566,110</u>	<u>2,935,384</u>
Current assets			
Trade receivables	<i>13</i>	5	1,282
Other receivables, deposits and prepayments		3,625	2,774
Cash and cash equivalents		2,498	10,846
		<u>6,128</u>	<u>14,902</u>
Current liabilities			
Trade payables		—	1,282
Other payables, accrued expenses and trade deposit received		17,081	17,689
Interest-bearing borrowings	<i>14</i>	53,872	39,072
Amount due to an ex-director	<i>20(c)</i>	6,170	5,957
Purchase consideration payable for additional acquisition	<i>15</i>	3,328	3,315
Convertible note payables	<i>16</i>	3,383,308	3,187,111
		<u>3,463,759</u>	<u>3,254,426</u>
Net current liabilities		<u>(3,457,631)</u>	<u>(3,239,524)</u>
Total assets less current liabilities		<u>(891,521)</u>	<u>(304,140)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 September 2017

		As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Amount due to an ex-director	20(c)	5,938	5,910
Amount due to a related party	20(e)	34,706	33,897
Amount due to a shareholder	20(b)	33,304	33,039
Promissory notes payables	17	15,600	15,600
Provision for close down, restoration and environmental costs		1,474	1,474
Deferred tax liabilities		8,368	6
		<u>99,390</u>	<u>89,926</u>
NET LIABILITIES		<u>(990,911)</u>	<u>(394,066)</u>
CAPITAL AND RESERVES			
Share capital	18	241,695	241,695
Reserves		<u>(1,251,343)</u>	<u>(663,269)</u>
Equity attributable to owners of the Company		(1,009,648)	(421,574)
Non-controlling interests		<u>18,737</u>	<u>27,508</u>
CAPITAL DEFICIENCIES		<u>(990,911)</u>	<u>(394,066)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 September 2017

The Group	Share capital <i>HKS '000</i> <i>(Note 18)</i>	Share premium <i>HKS '000</i>	Translation reserve <i>HKS '000</i>	Other reserve <i>HKS '000</i> <i>(Note b)</i>	Equity- settled share option reserve <i>HKS '000</i> <i>(Note c)</i>	Capital reserve <i>HKS '000</i> <i>(Note a(i)</i> <i>and (ii))</i>	Accumulated losses <i>HKS '000</i>	Sub-total <i>HKS '000</i>	Non- controlling interests <i>HKS '000</i>	Total equity <i>HKS '000</i>
At 1 April 2016 (Audited)	102,690	1,917,558	(11,395)	322,379	47	23,518	(4,976,099)	(2,621,302)	(25,872)	(2,647,174)
Profit for the period	—	—	—	—	—	—	365,432	365,432	5,455	370,887
Other comprehensive expenses for the period	—	—	(3,455)	—	—	—	—	(3,455)	(580)	(4,035)
Total comprehensive (expenses)/income for the period	—	—	(3,455)	—	—	—	365,432	361,977	4,875	366,852
Waiver of interest on early settlement of amount due to a shareholder <i>(Note 20(f))</i>	—	—	—	—	—	15	—	15	—	15
As at 30 September 2016 (Unaudited)	<u>102,690</u>	<u>1,917,558</u>	<u>(14,850)</u>	<u>322,379</u>	<u>47</u>	<u>23,533</u>	<u>(4,610,667)</u>	<u>(2,259,310)</u>	<u>(20,997)</u>	<u>(2,280,307)</u>
At 1 April 2017 (Audited)	241,695	1,956,517	32,285	322,379	47	23,600	(2,998,097)	(421,574)	27,508	(394,066)
Loss for the period	—	—	—	—	—	—	(572,280)	(572,280)	(8,600)	(580,880)
Other comprehensive expenses for the period	—	—	(15,887)	—	—	—	—	(15,887)	(171)	(16,058)
Total comprehensive expenses for the period	—	—	(15,887)	—	—	—	(572,280)	(588,167)	(8,771)	(596,938)
Waiver of interest on early settlement of amount due to a shareholder <i>(Note 20(f))</i>	—	—	—	—	—	93	—	93	—	93
At 30 September 2017 (Unaudited)	<u>241,695</u>	<u>1,956,517</u>	<u>16,398</u>	<u>322,379</u>	<u>47</u>	<u>23,693</u>	<u>(3,570,377)</u>	<u>(1,009,648)</u>	<u>18,737</u>	<u>(990,911)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY *(Continued)*

For the six months ended 30 September 2017

Notes:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(10,144)	(14,936)
Net cash outflow from investing activities	(9,532)	(230)
Net cash inflow from financing activities	16,208	22,881
Effect on foreign exchange rate changes	<u>(4,880)</u>	<u>(6,366)</u>
Net (decrease)/increase in cash and cash equivalents	(8,348)	1,349
Cash and cash equivalents at beginning of the period	<u>10,846</u>	<u>337</u>
Cash and cash equivalents at end of the period	<u><u>2,498</u></u>	<u><u>1,686</u></u>
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	<u><u>2,498</u></u>	<u><u>1,686</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

These condensed consolidated interim financial statements have been approved for issue by the Board of the Company on 30 November 2017.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2017 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The unaudited interim financial information should be read in conjunction with the Group's audited annual financial statements for the year ended 31 March 2017 as contained in the 2017 Annual Report.

The following amendments are mandatory for the financial year beginning 1 April 2017 and have no material impact to these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle

During the period, the Group had net current liabilities of approximately HK\$3,457,631,000 as at 30 September 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

2.1 Basis of preparation *(Continued)*

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

The Directors are currently implementing the measures as set out below to improve the operating and financial position of the Group:

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

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

- (i) Obtained a loan facilities agreement from an 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 14, 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 14, 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 14, 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 17, with regard to promissory notes, the promissory notes holder has agreed not to demand for repayment for the amount due before 31 December 2018.
- (vi) With regard to amounts due to an ex-director, he has agreed not to demand for repayment of the Hong Kong dollar amount due before 31 December 2018.
- (vii) With regard to amounts due to a related party and a shareholder, they have 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 new shares of the Company to be issued.
- (ix) The Company has obtained additional loan facilities sufficient to support the continual normal operation of the Group for at least 12 months after period end.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

2.1 Basis of preparation *(Continued)*

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

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

2.2 Principal accounting policies

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

The accounting policies and methods of computation adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2017.

3. 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 engage in the exploration and mining of coal.
- (ii) Mineral resources, commodities and other trading segment comprises the business of scrapped iron and paper for newspaper printing trading in 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the six months ended 30 September 2017 and 2016.

	Six months ended 30 September 2017		
	Mining	Mineral resources, commodities and other trading	Consolidated total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue			
Revenue from external customers	—	559	559
	<u> </u>	<u> </u>	<u> </u>
Reportable segment loss	(367,903)	(86)	(367,989)
	<u> </u>	<u> </u>	<u> </u>
Impairment loss on other intangible assets	(25,029)	—	(25,029)
Impairment loss on property, plant and equipment	(779)	—	(779)
Impairment loss on exploration and evaluation assets	(291,921)	—	(291,921)
Depreciation	(23)	(1)	(24)
Amortisation of other intangible assets	(49,938)	—	(49,938)
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

	Six months ended 30 September 2016		
	Mining	Mineral resources and commodities trading	Consolidated total
	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue			
Revenue from external customers	—	252	252
	<u> </u>	<u> </u>	<u> </u>
Reportable segment profit	560,815	13	560,828
	<u> </u>	<u> </u>	<u> </u>
Reversal of impairment loss on other intangible assets	47,519	—	47,519
Reversal of impairment loss on property, plant and equipment	1,716	—	1,716
Reversal of impairment loss on exploration and evaluation assets	511,077	—	511,077
Depreciation	(19)	(1)	(20)
Amortisation of other intangible assets	(832)	—	(832)
	<u> </u>	<u> </u>	<u> </u>

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

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue and consolidated revenue	<u> </u> 559	<u> </u> 252

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Profit before income tax		
Reportable segment (loss)/profit	(367,989)	560,828
Unallocated corporate expenses	(5,494)	(10,329)
Finance costs	(199,084)	(179,605)
	<u>(572,567)</u>	<u>370,894</u>
Consolidated (loss)/profit before income tax	<u>(572,567)</u>	<u>370,894</u>
	As at	As at
	30 September	31 March
	2017	2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	2,570,959	2,949,168
Unallocated corporate assets	1,279	1,118
	<u>2,572,238</u>	<u>2,950,286</u>
Consolidated total assets	<u>2,572,238</u>	<u>2,950,286</u>
	As at	As at
	30 September	31 March
	2017	2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Liabilities		
Reportable segment liabilities	(46,995)	(36,160)
Unallocated corporate liabilities	(3,516,154)	(3,308,192)
	<u>(3,563,149)</u>	<u>(3,344,352)</u>
Consolidated total liabilities	<u>(3,563,149)</u>	<u>(3,344,352)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

	Revenue from external customers		Specific non-current assets	
	Six months ended 30 September 2017 (Unaudited) <i>HK\$'000</i>	Six months ended 30 September 2016 (Unaudited) <i>HK\$'000</i>	As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
Continuing operations				
Russia	—	—	2,566,109	2,935,382
Korea	559	252	1	2
	<u>559</u>	<u>252</u>	<u>2,566,110</u>	<u>2,935,384</u>

(c) Information about major customers

For the six months ended 30 September 2017, the sole customer of the mineral resources, commodities and other trading segment contributed all the Group's revenue of HK\$559,000.

For the six months ended 30 September 2016, the sole customer of the mineral resources and commodities trading segment contributed to all the Group's revenue of HK\$252,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4. TURNOVER, OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Turnover		
Mineral resources, commodities and other trading	<u>559</u>	<u>252</u>
Other income		
Exchange gain	4,618	6,327
Sundry income	<u>6</u>	<u>36</u>
	<u>4,624</u>	<u>6,363</u>
Other gains and losses		
(Impairment loss)/Reversal of impairment loss on other intangible assets <i>(Note 11)</i>	(25,029)	47,519
(Impairment loss)/Reversal of impairment loss on exploration and evaluation assets <i>(Note 12)</i>	(291,921)	511,077
(Impairment loss)/Reversal of impairment loss on property, plant and equipment <i>(Note 10)</i>	<u>(779)</u>	<u>1,716</u>
	<u>(317,729)</u>	<u>560,312</u>

5. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
(Loss)/Profit before income tax is arrived at after charging:—		
Amortisation of other intangible assets		
— Mining right	49,938	832
Depreciation	<u>24</u>	<u>20</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

6. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Interest expenses on		
Loan from third parties	1,563	3,998
Loan from a related party	810	810
Loan from an ex-director	240	315
Loan from a director	—	75
Loan from a shareholder	243	281
Imputed interest on convertible note <i>(Note 16)</i>	196,197	174,102
	<u>199,053</u>	<u>179,581</u>
Bank charges	<u>31</u>	<u>24</u>
	<u><u>199,084</u></u>	<u><u>179,605</u></u>

7. INCOME TAX

	Six months ended 30 September	
	2017	2016
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Deferred tax	<u>8,313</u>	<u>7</u>

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

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

The calculation of diluted (loss)/earnings per share for the period is based on the (loss)/profit for the period attributable to the owners of the Company, adjusted to reflect the change in fair value of convertible note. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic (loss)/earnings 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 had an anti-dilutive effect to the basic (loss)/earnings per share calculation for the current and prior periods, the conversion of the above potential dilutive shares was therefore not assumed in the computation of dilutive (loss)/earnings per share for the current and prior periods.

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

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/Profit		
(Loss)/Profit attributable to the owners of the Company, used in the basic and diluted earnings per share	<u><u>(572,280)</u></u>	<u><u>365,432</u></u>
	Number of shares	
	30 September	30 September
	2017	2016
Shares		
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share calculation	<u><u>1,208,475,523</u></u>	<u><u>513,447,763</u></u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired items of property, plant and equipment with total cost of HK\$1,052,000 (30 September 2016: HK\$11,300) and did not have any significant disposal of property, plant and equipment. An impairment loss for property, plant and equipment was recognised during the period. Details are set out in Note 11.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. OTHER INTANGIBLE ASSETS

	Mining rights <i>HK\$'000</i>
Cost	
At 1 April 2016	1,435,856
Exchange realignments	301,555
	<hr/>
At 31 March 2017 and 1 April 2017 (Audited)	1,737,411
Exchange realignments	(32,805)
	<hr/>
At 30 September 2017 (Unaudited)	1,704,606
	<hr/>
Accumulated amortisation and impairment loss	
At 1 April 2016	1,426,111
Charge for the year	6,037
Reversal of impairment loss	(470,567)
Exchange realignments	246,742
	<hr/>
At 31 March 2017 and 1 April 2017 (Audited)	1,208,323
Charge for the period	49,938
Impairment loss <i>(Note 4)</i>	25,029
Exchange realignments	(22,369)
	<hr/>
At 30 September 2017 (Unaudited)	1,260,921
	<hr/>
Net carrying value	
At 30 September 2017 (Unaudited)	443,685
	<hr/> <hr/>
At 31 March 2017 (Audited)	529,088
	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. OTHER INTANGIBLE ASSETS *(Continued)*

Mining rights

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

In performing the impairment test for current period, the Directors of the Company have engaged Access Partner Consultancy & Appraisals Limited (“**Access Partner**”), an independent firm of professional valuer in determining the recoverable amount of the mining right which is the higher of the asset’s fair value less costs to sell and its value in use. Given the current development status of the mining right, the Directors have determined the fair value less costs to sell to be its recoverable amount. The recoverable amount is derived by using a discounted cash flow (“**DCF**”) analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating the mining right’s fair value.

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

- (i) Cash flow projection is determined for a period of 15 years up to 2031 (31 March 2017: a period of 15 years up to 2031) with the first year of production taken to be from year 2021 (31 March 2017: first year of production from year 2021) based on the senior management’s current best estimated production plan.
- (ii) The post-tax discount rate applied to the cash flow projection is 19.80% (31 March 2017: post-tax discount rate of 19.71%).
- (iii) Coal sales prices used in the DCF in the current and prior periods are determined with reference to current market information of the respective valuation dates, which vary from a decrease of approximately 10% to increase of approximately 10% (depends on different type of coals) when compared to that of 31 March 2017.
- (iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2017: 3% p.a.), which is in line with the comparable market information.
- (v) The exchange rate for US Dollars (“**US\$**”) to Russian Rubles (“**RUB**”) with reference to the approximate spot rate as of 30 September 2017 is taken to be 1.00 US\$ to 57.49 RUB (31 March 2017: 1.00 US\$ to 56.24 RUB).
- (vi) The inflation rate on operating costs is 3% p.a. (31 March 2017: 3% p.a.).
- (vii) The Group is able to renew the relevant licence for the mining rights upon its existing expiry date.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. OTHER INTANGIBLE ASSETS *(Continued)*

Mining rights *(Continued)*

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (ii), (iii) and (v) mentioned above, other major assumptions used in the DCF analysis in current period, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that of 31 March 2017.

The Directors of the Company are of the opinion that based on the valuation, the mining right was impaired by HK\$25,029,000 (31 March 2017: reversal of impairment loss of HK\$470,567,000) compared with its carrying value as at 30 September 2017. The impairment loss is mainly attributable to the effects of the decrease in coal sales prices of certain types of coals during the current period as compared with that of 31 March 2017, and the changes in parameters for the other major assumption in the DCF analysis for item (i), (ii) and (v) mentioned above do not have material impacts on the resultant impairment loss when compared with that of coal prices decrease.

The Directors of the Company are also of the opinion that based on the valuation above, property, plant and equipment associated with the mining right was partially impaired compared with their recoverable amounts as at 31 March 2017. Impairment loss of HK\$779,000 (31 March 2017: reversal of impairment loss of HK\$12,110,000) was recognised for property, plant and equipment associated with the mining right during the current period.

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

Intangible assets	Locations	Expiry date
Mining rights		
Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russian Federation	1 November 2017 (extension to 1 July 2025 granted and official state registration in progress)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

12. EXPLORATION AND EVALUATION ASSETS

	Total HK\$'000
Cost	
At 1 April 2016	3,627,052
Additions	5,550
Exchange realignments	3,604
	<hr/>
At 31 March 2017 and 1 April 2017 (Audited)	3,636,206
Additions	7,241
Exchange realignments	(397)
	<hr/>
At 30 September 2017 (Unaudited)	3,643,050
	<hr/>
Accumulated amortisation and impairment loss	
At 1 April 2016	3,161,560
Reversal of impairment loss	(1,918,475)
Exchange realignments	723
	<hr/>
At 31 March 2017 and 1 April 2017 (Audited)	1,243,808
Impairment loss (<i>Note 4</i>)	291,921
Exchange realignments	22
	<hr/>
At 30 September 2017 (Unaudited)	1,535,751
	<hr/>
Net carrying value	
At 30 September 2017 (Unaudited)	2,107,299
	<hr/> <hr/>
At 31 March 2017 (Audited)	2,392,398
	<hr/> <hr/>

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

12. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

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

- (i) Cash flow projection is determined for a period of 12 years up to 2028 (31 March 2017: a period of 12 years up to 2028) with the first year of production taken to be from year 2019 (31 March 2017: first year of production from year 2019) based on the senior management's current best estimated production plan.
- (ii) The post-tax discount rate applied to the cash flow projection is 19.80% (31 March 2017: 19.71%).
- (iii) Coal sales prices used in the DCF in the current and prior periods are determined with reference to current market information of the respective valuation dates, which vary from a decrease of approximately 10% to an increase of approximately 11% (depends on different type of coals) when compared to that of 31 March 2017.
- (iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2017: 3% p.a.), which is in line with the comparable market information.
- (v) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 30 September 2017 is taken to be 1.00 US Dollar to 57.49 Rubles (31 March 2017: 1.00 US Dollar to 56.24 Rubles).
- (vi) The inflation rate on operating costs is 3% p.a. (31 March 2017: 3% p.a.).

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (ii), (iii) and (v) mentioned above, other major assumptions used in the DCF analysis in current period, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that of 31 March 2017.

The Directors of the Company are of the opinion that based on the valuation, the mining right was impaired by HK\$291,921,000 (31 March 2017: reversal of impairment loss of HK\$1,918,475,000) compared with its carrying value as at 30 September 2017. The impairment loss is mainly attributable to the effects of the decrease in coal sales prices of certain types of coals during the current period as compared with that of 31 March 2017, and the changes in parameters for the other major assumption in the DCF analysis for item (i), (ii) and (v) mentioned above do not have material impacts on the resultant impairment loss when compared with that of coal prices decrease.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

12. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

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

13. TRADE RECEIVABLES

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

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

	As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
Trade receivables	5	1,295
Less: Allowance for doubtful debts	—	(13)
	<u>5</u>	<u>1,282</u>

Included in the Group's accounts receivables are debtors (see below for aged analysis) which are past due as at the end of each reporting period for which the Group has not provided for allowance of doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right to offset against any amounts owed by the Group to the counterparty. The average age of these receivables is 30 days (31 March 2017: 30 days).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13. TRADE RECEIVABLES *(Continued)*

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

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Neither past due nor impaired	<u>5</u>	<u>1,282</u>
	<u>5</u>	<u>1,282</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 follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
At beginning of period/year	13	—
(Reversal of impairment loss)/impairment loss recognised during the period/year	<u>(13)</u>	<u>13</u>
At end of period/year	<u>—</u>	<u>13</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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14. INTEREST-BEARING BORROWINGS

	As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
Other loan 1 (Note 1)	1,772	14,500
Less: Repayment by way of loan capitalisation	—	(12,728)
	<hr/> 1,772 <hr/>	<hr/> 1,772 <hr/>
Other loan 2 (Note 2)	<hr/> — <hr/>	<hr/> — <hr/>
Other loan 3 (Note 3)	22,100	53,710
Less: Repayment by way of loan capitalisation	—	(46,410)
	<hr/> 22,100 <hr/>	<hr/> 7,300 <hr/>
Other loan 4 (Note 4)	<hr/> 30,000 <hr/>	<hr/> 30,000 <hr/>
	<hr/> 53,872 <hr/> <hr/>	<hr/> 39,072 <hr/> <hr/>
	As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
Carrying amount repayable:—		
Within one year or on demand	<hr/> 53,872 <hr/> <hr/>	<hr/> 39,072 <hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14. INTEREST-BEARING BORROWINGS *(Continued)*

Notes:

1. Fixed rate loan with an independent third party amounted to HK\$1,772,000 (31 March 2017: HK\$1,772,000) (“**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) has 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.

2. During the year ended 31 March 2017, Other Loan 2 in aggregate amount of HK\$3,400,000 (including its interest payable) has been fully settled.
3. As of previous year of 31 March 2017, fixed rate loans from an independent third party amounted to HK\$53,710,000 (“**Previous Other Loan 3**”). During the period, new loan agreements were entered with the same independent third party in the amount of HK\$14,800,000 bearing interest at 6% - 10% per annum and repayable after 1 year from the date of drawdown or on demand.

On 20 February 2017, part of Previous Other Loan 3 (including its interest payable) has 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 unsettled Previous Other Loan 3 in aggregate amount of HK\$22,100,000 was due to a substantial shareholder (2017: HK\$7,300,000 was due to the independent third party) (“**Other Loan 3**”). Other Loan 3 is interest-bearing at 6% - 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 (excluding the new addition loan) to 31 December 2018.

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. Subsequent to the reporting period, Other Loan 4 has been fully repaid.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15. PURCHASE CONSIDERATION PAYABLE FOR ADDITIONAL ACQUISITION

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

In prior year, the Group has recognised US\$1,300,000 (equivalent to approximately HK\$10,140,000) of the 4th Adjusted Consideration as purchase consideration payable for the acquisition of additional 30% equity interest in Lapi. The Group’s share of the 4th Adjusted Consideration in the amount of HK\$9,126,000 was debited directly to other reserve in equity. The Group settled an aggregate amount of US\$873,400 (equivalent to approximately HK\$6,813,000) of the 4th Adjusted Consideration, the remaining balance of the 4th Adjusted Consideration is US\$426,600 (equivalent to approximately HK\$3,328,000 (31 March 2017: HK\$3,315,000)).

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

16. CONVERTIBLE NOTE PAYABLES

The Group and the Company

(i) Convertible note

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16. CONVERTIBLE NOTE PAYABLES *(Continued)*

The Group and the Company *(Continued)*

(i) Convertible note (Continued)

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.

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 result, 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 (equivalent to approximately HK\$3,455,946,000) to US\$431,190,000 (equivalent to approximately HK\$3,363,282,000) and accordingly, the principal amount of US\$412,270,000 (equivalent to approximately HK\$3,215,706,000) of the Third Convertible Note held by Daily Loyal Limited would also be reduced by US\$11,880,000 (equivalent to approximately HK\$92,664,000) to US\$400,390,000 (equivalent to approximately HK\$3,123,042,000). Daily Loyal Limited agrees not to request 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16. CONVERTIBLE NOTE PAYABLES *(Continued)*

The Group and the Company *(Continued)*

(i) Convertible note (Continued)

However, Daily Loyal (as the plaintiff) subsequently alleged that its sole director (Mr. Chan Chun Wah) signed the Amendment Agreement in August 2016 (leaving the document undated, the “**Undated Amendment Agreement**”) based on an understanding that such document only served as a memorandum for discussion purpose 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 dated 3 April 2013 between the Company and Cordia in relation to the Third Convertible Note. For details please refer to Note 21 in relation to HCA 1071 of 2017.

(ii) Measurement of convertible note

The fair value of the derivative components of the Third Convertible Note was determined based on a professional valuation performed by Access Partner using the Hull model at the date of issue, and there was no change in the fair value of convertible note (31 March 2017: 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% (31 March 2017: 12.01%).

	At 30 September 2017	At 31 March 2017
Expected volatility	45.27%	43.47%
Expected life	0.51 years	1.01 years
Risk-free rate	0.47%	0.62%
Expected dividend yield	Nil	Nil
Bond yield	Nil	Nil

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16. CONVERTIBLE NOTE PAYABLES *(Continued)*

The Group and the Company *(Continued)*

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

	Liabilities component HK\$'000	Convertible note Derivative component HK\$'000	Total HK\$'000
At 1 April 2016 (Audited)	2,828,189	—	2,828,189
Imputed interest charged during the year	358,922	—	358,922
At 31 March 2017 and 1 April 2017 (Audited)	3,187,111	—	3,187,111
Imputed interest charged during the period <i>(Note 6)</i>	196,197	—	196,197
At 30 September 2017 (Unaudited)	<u>3,383,308</u>	<u>—</u>	<u>3,383,308</u>

17. PROMISSORY NOTES PAYABLES

	<i>HK\$'000</i>
At 1 April 2016 (Audited)	72,160
Imputed interest charged	—
Less: Repayment by way of loan capitalisation	(56,560)
At 31 March 2017 and 1 April 2017 (Audited)	15,600
Imputed interest charged	—
At 30 September 2017 and included in non-current liabilities (Unaudited)	<u>15,600</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, a shareholder of the Company, as a result of a conditional modification deed entered into between the Company and Cordia, the Modified PN was issued on 23 February 2010, and is non-interest-bearing and payable in one lump sum on maturity date of 25 May 2015. The principal amount of the Modified PN was US\$35,000,000 (equivalent to approximately HK\$273,000,000) and its fair value was US\$20,766,000 (equivalent to approximately HK\$161,973,000) as at the issue date. The fair value was determined by reference to a valuation carried out on the issue date by Vigers Appraisal and Consulting Limited. The effective interest rate of the Modified PN was determined to be 10.5% per annum.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17. PROMISSORY NOTES PAYABLES *(Continued)*

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 PN Holders**”).

In January 2013, Cordia transferred part of the Modified PN to the then another two independent third parties (the “**Two PN Holders**”).

The Three PN Holders subsequently converted into shares of the Company all the Modified PN during year ended 31 March 2013.

On 20 February 2017, certain loan capitalisation agreements were completed with the Two PN Holders. Pursuant to the agreements, the Two PN Holders have agreed to, among other things, subscribe new shares by apply the entire outstanding principals of the promissory notes as subscription monies at a price of HK\$0.325 per capitalisation share.

During the period and pervious year ended 31 March 2017, no imputed interest was charged to profit or loss. The remaining outstanding Modified PN is classified as non-current liabilities and carried on the amortised cost basis until extinguished on redemption. As at the end of the reporting period, the carrying amount of the Modified PN was HK\$15,600,000 (31 March 2017: HK\$15,600,000).

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

18. SHARE CAPITAL

	Number of shares		Nominal value	
	As at 30 September 2017 (Unaudited)	As at 31 March 2017 (Audited)	As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
Ordinary shares of HK\$0.2 each:				
Authorised:	5,000,000,000	5,000,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning and at end of the period	1,208,475,523	1,208,475,523	241,695	241,695

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. CAPITAL COMMITMENTS

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

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Exploration related contracts	<u>2,282</u>	<u>8,285</u>

20. RELATED PARTY TRANSACTIONS

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

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

Name of Company	Relationship	Nature of transaction	Six months ended 30 September	
			2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cordia Global Limited	Shareholder	Interest expenses thereto	243	281
Lim Ho Sok	Ex-director	Interest expenses thereto	240	315
Hong Sang Joon	Director	Interest expenses thereto	—	75
Goldwyn Management Limited	Related party	Interest expenses thereto	<u>810</u>	<u>810</u>

- (b) 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 amounts due before 31 December 2018.
- (c) 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 Hong Kong dollar amount due before 31 December 2018.
- (d) The amount due to a director is unsecured, bears interest at 7.5% per annum and repayable after 12 months from the date of drawdown date or on demand.
- (e) 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 amounts due before 31 December 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

20. RELATED PARTY TRANSACTIONS *(Continued)*

- (f) During the period, Cordia has agreed to waive a portion of the interest charged US\$12,000 (equivalent to approximately HK\$93,000) (31 March 2017: US\$11,000 (equivalent to approximately HK\$82,000)) on the amount due in view of the early settlement on the principal loan due to Cordia. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company in the current period.
- (g) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Directors' remuneration		
— Executive directors	1,279	1,269
— Independent non-executive directors	180	180
	1,459	1,449

21. LITIGATIONS

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

(i) The Company/its Subsidiary as the Defendant

Legal Proceedings Taken By Former Shareholders of a Russian Subsidiary

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

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

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

The Group and the Second Claimant entered into an amicable agreement dated 11 July 2013 to settle the Second Claim by three instalments. In February 2014, US\$100,000 (approximately HK\$780,000) was paid. The Second Claimant threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the remaining outstanding amount of the Second Claim. As of 30 September 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 30 September 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**”).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. 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.

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.

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).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

HCCW 392 of 2015 and CACV 49 of 2017 (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 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.

As announced by the Company on 25 August 2017, the Court ordered that, unless any party indicated by 9 August 2017 in writing of an objection to the dismissal of the appeal, the appeal would be dismissed on 10 August 2017 for want of prosecution without further order and that Zhi Charles (as the appellant) would bear the costs of the respondents (including the Company) in the appeal. The Court was not aware of any written objection to the dismissal of the appeal made by 9 August 2017, and the Company therefore trusted that Zhi Charles's said appeal was dismissed by the Court on 10 August 2017.

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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

HCA 1195 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 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.

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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

HCA 2137 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 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.

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 proceeding 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. 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 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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

HCA 3190 of 2016 (Continued)

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.

As announced by the Company on 19 September 2017, the plaintiff had previously wholly discontinued his actions against the two existing directors of the Company, and pursuant to the Order made by the Court on 12 September 2017, the plaintiff's claim against the Company in the action HCA 3192 of 2016 was struck out and dismissed by the Court with costs payable by the plaintiff.

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 has taken out a strike out application and will proceed to fix the date for substantive hearing.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. 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 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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

HCMP 701 of 2017 (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 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.

As announced by the Company on 4 August 2017, the Company received a notice of discontinuance on 27 June 2017 from the plaintiff that he wholly discontinued his actions against the Company and the existing director of the Company in the legal action HCA 724 of 2017.

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.

As announced by the Company on 4 August 2017, the Company received a notice of discontinuance on 27 June 2017 from the plaintiff that he wholly discontinued his actions against the Company and the five existing directors of the Company in the legal action HCA 808 of 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. 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 Ogalo (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.

As announced by the Company on 4 August 2017, the Company received a notice of discontinuance on 27 June 2017 from the plaintiff that he wholly discontinued his action against the Company in the legal action HCA 809 of 2017.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

HCA 815 of 2017 (Continued)

As announced by the Company on 4 August 2017, the Company received a notice of discontinuance on 27 June 2017 from the plaintiff that he wholly discontinued his actions against the Company and the existing director of the Company in the legal action HCA 815 of 2017.

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.

As announced by the Company on 4 August 2017, the Company received a notice of discontinuance on 27 June 2017 from the plaintiff that he wholly discontinued his actions against the Company and the existing director of the Company in the legal action HCA 853 of 2017.

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.

As announced by the Company on 4 August 2017, the Company received a notice of discontinuance on 27 June 2017 from the plaintiff that he wholly discontinued his actions against the Company and the existing director of the Company in the legal action HCA 1004 of 2017.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

HCA 1050 of 2017 (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 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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

HCA 1071 of 2017 (Continued)

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.

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 of 12 May 2017.

The Company and the existing director of the Company have filed their defence and counterclaim on 18 July 2017. The plaintiff has filed the reply and defence to counterclaim on 9 November 2017.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

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.

As announced by the Company on 6 November 2017, pursuant to the Order made by the Court on 27 October 2017, the plaintiff's claim against the Company in the action HCA 1163 of 2017 was struck out and dismissed by the Court with costs payable by the plaintiff.

HCA 1521 of 2017

As announced by the Company on 10 July 2017, the Company received a writ of summons issued by Lim Hang Young (as plaintiff) in the Court of First Instance of the High Court of Hong Kong under action number HCA 1521 of 2017 on 28 June 2017 to certain parties, including the Company 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 and will take out a strike out application in due course.

HCA 1777 of 2017

As announced by the Company on 8 August 2017, the Company received a writ of summons issued by Kim Jinyoung (as the plaintiff) in the Court of First Instance of the High Court of Hong Kong under the action number HCA 1777 of 2017 on 31 July 2017 to certain parties, including the Company, two subsidiaries of the Company and three existing directors of the Company. The plaintiff is seeking various court orders in respect of, inter alia, certain technical reports and certain valuations on the Company's Russian coal mines, the convertible notes issued by the Company and the loan capitalisations conducted by the Company in February 2017.

The Company, two subsidiaries of the Company and the three existing director of the Company are taking legal advice in respect of such legal action and will take out a strike out application in due course.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

HCA 2394 of 2017

The Company received on 17 October 2017 a writ of summons issued by 山西滙豐興業燃氣集團有限公司 (as the plaintiff) in the Court of First Instance of the High Court of Hong Kong under action number HCA 2394 of 2017 to certain parties, including the Company. The plaintiff claimed that the Company failed to make a loan repayment (with interests) to the plaintiff and is seeking claims against the defendants.

Through the solicitors of the Company, settlement proposals were offered by the Company to the plaintiff through its solicitors. The Company on 15 November 2017 made full repayment of loan principal and related interests to the plaintiff, and the Company takes the view that the substantial claim of such legal action has been resolved.

HCA 2501 of 2017

As announced by the Company on 14 November 2017, the Company on 3 November 2017 received a writ of summons issued by China Panda Limited (as the 1st plaintiff) and Gold Ocean (as the 2nd plaintiff) in the Court of First Instance of the High Court of Hong Kong under action number HCA 2501 of 2017 to certain parties, including the Company. The plaintiffs are seeking various court orders and declarations in respect of certain portions of the Third Convertible Note issued by the Company in April 2013, including the court order for the Company to issue certificates for those portions of the Third Convertible Note to the plaintiffs.

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

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

Fourth Party Notices in Relation to HCA 51 of 2017 (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 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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

(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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. 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)

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

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

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

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

HCMP 443 of 2015 (Continued)

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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

HCB 5395 of 2016 (Continued)

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.

The Company has duly filed its proof of debt. The trustee in bankruptcy was appointed at the creditors' meeting on 3 August 2017. The Company as one of the creditors of Zhi Charles will be informed of the progress of the case.

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 Hong Kong 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 will proceed with its usual manner.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. LITIGATIONS *(Continued)*

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

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.

The Official Receiver was appointed as trustee of Kim Sungho's property by an order of the Court on 18 September 2017. The Company as one of the creditors of Kim Sungho will be informed of the progress of the case.

22. 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 certain legal action against the Company has been struck out and dismissed by the Court. Please refer to Note 21 for details of particular legal cases.
- (b) Subsequent to the end of the reporting period, financial supports have been obtained from a substantial shareholder of the Company (i.e. the lender of Other Loan 3) and certain loan facilities up to US\$5.78 million (approximately HK\$45.08 million) have been granted to the Company.
- (c) Subsequent to the end of the reporting period, in settlement of the legal action HCA 2394 of 2017, full repayment of the loan principal amounting to HK\$30 million has been made to the assignee of the Other Loan 4.
- (d) Subsequent to the end of the reporting period, the Company received a written requisition from a shareholding, holding approximately 13.45% of the total issued share capital of the Company at the time of making the requisition, requesting the Company to convene an extraordinary general meeting to remove Mr. Su Run Fa and Mr. Lai Han Zhen as directors of the Company. Please refer to the announcement of the Company dated 29 November 2017.

EXTRACT FROM REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is an extract of the independent auditor's review report on the Group's interim financial information for the six months ended 30 September 2017:

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 2.1 to the condensed consolidated financial statements which indicates that the Group had current liabilities exceeded its current assets by HK\$3,457,631,000. These conditions, along with other matters as set forth in Note 2.1 indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Also, we draw attention to Note 21 to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuit filed against to the Group. Our opinion is not qualified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the six months period ended 30 September 2017, the Group recorded a total turnover of HK\$0.56 million (2016: HK\$0.25 million), representing an increase of approximately 124.0% as compared to last corresponding period. The increase in turnover from trading of paper for newspaper printing directly contributed to the increase in turnover for the period under review.

As already mentioned in the 2017 Annual Report, the Group started its diversification into the trading of paper for newspaper printing during the year ended 31 March 2017. During the period under review, the Group recorded a turnover of HK\$0.56 million (2016: nil) from trading of paper for newspaper printing. Due to keen competition in scrapped iron trading in the Korean market, no turnover was recorded for scrapped iron trading (2016: HK\$0.25 million).

Other Income

Other income during the period under review mainly represented net exchange gain of HK\$4.6 million (2016: HK\$6.3 million) primarily arising from the increase of Russian Rubles to US Dollars.

Other Gains and Losses

During the period under review, (i) the impairment loss on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) amounted to HK\$25.0 million (2016: reversal of impairment loss of HK\$47.5 million) mainly due to the decrease in coal sales prices of certain types of coals; and (ii) the impairment loss on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) amounted to HK\$291.9 million (2016: reversal of impairment loss of HK\$511.1 million) also mainly due to the decrease in coal sales prices of certain types of coals.

Administrative and Other Expenses

During the period under review, amortization of mining rights increased from HK\$0.8 million to HK\$49.9 million, since the net carrying value of the mining rights as at last year end of 31 March 2017 increased quite substantially upon year end valuation. Staff costs (excluding directors remuneration) maintained more or less the same at HK\$2.4 million, legal and professional fees dropped from HK\$8.7 million to HK\$4.0 million as the Company successfully obtained bankruptcy orders against Zhi Charles and Kim Sungho and thus could put a halt on all their related outstanding legal proceedings.

Finance Costs

During the period under review, total finance costs increased to HK\$199.1 million (2016: HK\$179.6 million) mainly resulted from the net effects of (i) the increase in imputed interest of the Third Convertible Note to HK\$196.2 million (2016: HK\$174.1 million); and (ii) the decrease in interest on loans from third parties to HK\$1.6 million (2016: HK\$4.0 million) due to decrease in loan balances after loan capitalizations in February 2017.

Loss Before Income Tax

For the six months period ended 30 September 2017, the loss before income tax of the Group was HK\$572.6 million (2016: profit before income tax of HK\$370.9 million). The turnaround to a loss from a profit is mainly attributable to the combined effects of the aforementioned factors.

The Company would like to highlight that both the impairment loss of HK\$25.0 million (2016: reversal of impairment loss of HK\$47.5 million) on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) and the impairment loss of HK\$291.9 million (2016: reversal of impairment loss of HK\$511.1 million) on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) were just non-cash items arising from period 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 period under review, trading of paper for newspaper printing was the only contributor to the Group's turnover. Geographically speaking, the Korean market was still the Group's sole market segment which accounted for 100% (2016: 100%) of the total revenue.

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 was noted for Lot 1 and Lot 1 Extension for the period under review, as there was no urgency to develop Lot 1 and Lot 1 Extension underground mining alone.

In relation to prolongation of the mining license of Lot 1, official submission of technical design for Lot 1 was made by end of June 2017, and its approval was granted in August 2017. Following the official approval of the technical design, the formal application for prolongation of mining license of Lot 1 was submitted in mid-September 2017 to Kemerovo Geology and Licensing Department of Siberian Branch of the Agency for Subsoil Usage (called "**Kuzbassnedra**"). Upon clearance by Kuzbassnedra, the application was onward submitted to the Federal Agency for Subsoil Usage (called "**Rosnedra**") for decision. Rosnedra issued the signed protocol dated 30 October 2017 to recommend the prolongation of the mining license of Lot 1 from 1 November 2017 to 1 July 2025, and the instruction of Rosnedra was forwarded to Siberian Department of the Federal Agency for Subsoil Use (called "**Sibnedra**") for execution on 14 November 2017.

LLC "SibGeoProject", a consulting firm engaged by the Group which is capable of providing geological exploration through to mine construction, continued to work on the mine design for Lot 2 open pit mining.

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). In respect of underground mining in Lot 2, a detailed and well-supported TEO Conditions may enable the Group to obtain additional coal reserves approved by GKZ (which is the State Committee of Reserves under the Russian Federation Ministry of National Resources). The additional drillings were completed in June 2017 and a total depth of approximately 15,230 metres in a total of 41 boreholes were accomplished.

LLC "SibGeoProject" has also been engaged to prepare an integrated TEO Conditions and the geological report covering the underground mining of Lot 1 and Lot 1 Extension, and Lot 2 as a whole. All relevant data including borehole geophysical studies, laboratory tests, core samples and drilling data in respect of Lot 2 underground mining have been transferred to LLC "SibGeoProject" to start the preparation work.

PROSPECTS

Looking forward, the new presidency and interest rate hikes of the United States of America together with the ending of bond-buying programme by The Federal Reserve would continue to impact the global economy, which will make the Group's mineral resources, commodities and other trading businesses remain rather challenging, and would also affect 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

It is expected that given the order of Sibnedra, Kuzbassnedra will soon finalize the preparation of the addendum to the mining license of Lot 1 to extend the validity of the license from 1 November 2017 to 1 July 2025. The addendum will become effective on the date of its state registration with Kuzbassnedra and will form an integral part of the Lot 1 mining license. The Group is rather confident that the registration of the addendum will be completed in December 2017.

Fine-tuning of the mine design for Lot 2 open pit mining by LLC "SibGeoProject" will be progressing as planned. Upon review of the integrated TEO Conditions on the underground mining of Lot 1 and Lot 1 Extension, and Lot 2 as a whole, airborne photographic surface survey for certain areas in Lot 2 open pit mining and State Environmental Expert Review (a certain kind of requested environmental impact assessment) will be resumed. The assessment on acquisition of a plot of land within the boundary of Lot 2 for initial infrastructure and facilities purposes will also depend on the final conclusion of the integrated TEO Conditions.

Starting from 2012, the Group conducted the three phases exploration drillings in accordance with the requirements of Lot 2 mining license with each phase completed in August 2012, October 2013 and January 2015, respectively. An aggregate depth of approximately 16,680 metres in a total of 32 boreholes were achieved for these three phases drillings. Taking into account of the subsequent additional drilling of a total depth of approximately 15,230 metres in a total of 41 boreholes from November 2016 to June 2017, the overall completed drillings added up to a total depth of approximately 31,910 metres in a total of 73 boreholes. All these have empowered the Group to proceed with the integrated TEO Conditions and the geological report covering the underground mining of Lot 1 and Lot 1 Extension, and Lot 2 as a whole. It is expected that the integrated TEO Conditions and the geological report will be ready for submission in December 2017 and in the first quarter of 2018, respectively. The Group targets to obtain protocol on approving additional coal reserves by GKZ from the second quarter of 2018.

Joint Venture in Kindergarten Project

The Group is still waiting for the completion of establishment of the kindergarten joint venture company in the People's Republic of China (the "PRC"). Once the PRC joint venture company has been established, the Group will be ready to make its 40% share of capital contribution 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 30 September 2017, the Group had net current liabilities of HK\$3,457.6 million (31 March 2017: HK\$3,239.5 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 0.18% (31 March 2017: 0.46%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 2.64% (31 March 2017: 1.83%).

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

During the period under review, the Group recorded a net cash outflow of HK\$8.3 million (2016: net cash inflow of HK\$1.3 million), while the total cash and cash equivalents decreased to HK\$2.5 million (2016: increased HK\$1.7 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 30 September 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. 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 period, the Company has raised several loans amounting to HK\$14.8 million (31 March 2017: HK\$47.8 million) in total for the Group's daily operation and the mine development.

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 registered 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 registered holder of the Third Convertible Note) as a whole as the overall gearing of the Group will be improved and the equity base of the Company will be strengthened. The Company may then be able to improve its overall financial position.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

LITIGATIONS

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

CAPITAL COMMITMENTS

As at 30 September 2017, the Group had capital commitments in respect of the exploration related contracts of HK\$2.3 million (31 March 2017: HK\$8.3 million) and no capital commitments in acquisition of property, plant and equipment (31 March 2017: nil).

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 30 September 2017 and 31 March 2017.

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. For details, please refer to the Company's 2017 Annual Report.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed above, during the reporting period, the Group was neither involved in any significant investment, nor any material acquisitions and disposals of any subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2017, the Group had approximately 23 (31 March 2017: 22) 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

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

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2017 (for the six months ended 30 September 2016: nil).

CORPORATE GOVERNANCE

Corporate Governance Code

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

- (i) Under code provision A.6.7 of the CG Code, independent non-executive directors ("**INEDs**") should attend the general meetings and develop a balanced understanding of the views of shareholders. However, one INED (Mr. Lai Han Zhen) and one the then INED (Mr. Jo Sang Hee) of the Company were unable to attend the 2017 annual general meeting of the Company held on 30 August 2017 due to other overseas commitments or other prior business engagements.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the 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 (up to 31 August 2017), Mr. Lai Han Zhen and Mr. Lee Sungwoo (from 31 August 2017). The unaudited condensed Interim Financial Statements for the six months ended 30 September 2017 have been reviewed by the Audit Committee.

REVIEW ON INTERIM RESULTS

The unaudited condensed consolidated interim results of the Group have been reviewed by the Company’s auditor, JH CPA Alliance Limited, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of Entity” issued by the Hong Kong Institute of Certified Public Accountants. An extract from the report on review with modified opinion is shown hereinabove under the heading “Extract from Report on Review of Interim Financial Information” on page 58. The report on review will be included in the interim report for distribution to shareholders.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company’s website at <http://siberian.todayir.com>, respectively. The interim report of the Company for the six months ended 30 September 2017 will be despatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 November 2017

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