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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)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 MARCH 2018**

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Siberian Mining Group Company Limited (the “**Company**”) announces the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2018, together with the comparative figures for the year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	<i>Notes</i>	2018 <i>HK\$’000</i>	2017 <i>HK\$’000</i>
Turnover	4	2,972	1,673
Cost of sales		(2,934)	(1,658)
Gross profit		38	15
Other income	4	166	11,004
Other gains and losses	4	24,529	2,426,960
Selling and distribution costs		(68)	(47)
Administrative and other expenses		(21,052)	(35,234)
Other expenses	4	(97,581)	(6,037)
Finance costs	5	(410,755)	(369,369)
(Loss)/Profit before income tax	6	(504,723)	2,027,292
Income tax	7	(6,408)	3
(Loss)/Profit for the year		(511,131)	2,027,295

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)**For the year ended 31 March 2018*

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Attributable to:			
Owners of the Company	8	(509,455)	1,978,002
Non-controlling interests		(1,676)	49,293
		<u>(511,131)</u>	<u>2,027,295</u>
(Loss)/Earnings per share			
Basic (Hong Kong cents)	10	<u>(42)</u>	<u>313</u>
Diluted (Hong Kong cents)	10	<u>(42)</u>	<u>313</u>

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

For the year ended 31 March 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Loss)/Profit for the year	(511,131)	2,027,295
Other comprehensive income for the year, net of tax:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	<u>(3,956)</u>	<u>47,767</u>
Total comprehensive (expense)/income for the year, net of tax	<u>(515,087)</u>	<u>2,075,062</u>
Attributable to:		
Owners of the Company	<u>(513,570)</u>	2,021,682
Non-controlling interests	<u>(1,517)</u>	<u>53,380</u>
	<u>(515,087)</u>	<u>2,075,062</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	14,901	13,898
Other intangible assets	13	522,142	529,088
Exploration and evaluation assets	14	2,331,014	2,392,398
		<u>2,868,057</u>	<u>2,935,384</u>
Current assets			
Trade receivables	15	2,747	1,282
Prepayments for acquisition of property, plant and equipment		418	—
Other receivables, deposits and prepayments		2,983	2,774
Cash and cash equivalents	16	9,611	10,846
		<u>15,759</u>	<u>14,902</u>
Current liabilities			
Trade payables	17	—	1,282
Other payables, accrued expenses and trade deposit received		18,888	17,689
Interest-bearing borrowing	18	9,468	39,072
Amount due to an ex-director	19(a)	—	5,957
Amount due to a shareholder	19(b)	1,968	—
Purchase consideration payable for additional acquisition	20	3,348	3,315
Convertible note payables	21	3,591,498	3,187,111
		<u>3,625,170</u>	<u>3,254,426</u>
Net current liabilities		<u>(3,609,411)</u>	<u>(3,239,524)</u>
Total assets less current liabilities		<u>(741,354)</u>	<u>(304,140)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**As at 31 March 2018*

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Non-current liabilities			
Amount due to an ex-director	<i>19(a)</i>	—	5,910
Amount due to a related party	<i>19(e)</i>	—	33,897
Amount due to shareholders	<i>19(c) & (d)</i>	106,657	33,039
Interest-bearing borrowings	<i>18</i>	37,409	—
Promissory notes payable	<i>22</i>	15,600	15,600
Provision for close down, restoration and environmental costs	<i>23</i>	1,528	1,474
Deferred tax liabilities	<i>24</i>	6,490	6
		<hr/>	<hr/>
		167,684	89,926
		<hr/>	<hr/>
NET LIABILITIES		(909,038)	(394,066)
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital	<i>25</i>	241,695	241,695
Reserves		(1,176,724)	(663,269)
		<hr/>	<hr/>
Equity attributable to owners of the Company		(935,029)	(421,574)
Non-controlling interests		25,991	27,508
		<hr/>	<hr/>
CAPITAL DEFICIENCIES		(909,038)	(394,066)
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. ORGANISATION AND OPERATIONS

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

The Company engages in investment holding. Its principal subsidiaries are engaged in holding mining and exploration rights of coal mines in Russia, and trading in the Republic of Korea.

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

The consolidated financial statements for the year ended 31 March 2018 were approved for issue by the Board of Directors on 29 June 2018.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumptions

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

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

During the year, the Group incurred total comprehensive expenses of HK\$515,087,000 (2017: total comprehensive income of HK\$2,075,062,000) and, as at 31 March 2018, the Group’s current liabilities exceeded its current assets by approximately HK\$3,609,411,000 (2017: HK\$3,239,524,000) and there was a capital deficiency of HK\$909,038,000 (2017: HK\$394,066,000) as at 31 March 2018. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION *(Continued)*

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

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

- Continue to exercise cost control 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) Executed various loan facilities agreements with different independent third parties to provide continuous financial support to the Group. The loan facilities will provide funding to the Group of up to US\$105,860,683 (approximately HK\$825,713,000) for the 18 months period commencing on 5 June 2018 and 29 June 2018 (as the case may be).
- (ii) As set out in Note 18, with regard to Other Loan 2, the lender has agreed not to demand for repayment for the amount due before 31 December 2019 in the opinion of the Directors, a further extension can be done when necessary.
- (iii) As set out in Note 18, with regard to Other Loan 6, the lender has agreed not to demand for repayment for the amount due before 31 December 2019 in the opinion of the Directors, a further extension can be done when necessary.
- (iv) As set out in Note 18, with regard to Other Loan 7, the lender has agreed not to demand for repayment for the amount due before 28 March 2020 in the opinion of the Directors, a further extension can be done when necessary.
- (v) As set out in Note 18, with regard to Other Loan 8, the lender has agreed not to demand for repayment for the amount due before 7 March 2020 in the opinion of the Directors, a further extension can be done when necessary.
- (vi) As set out in Note 22, with regard to the promissory notes, the promissory notes holder has agreed not to demand for repayment of the amount due before 31 December 2019 in the opinion of the Directors, a further extension can be done when necessary.
- (vii) As set out in Note 19(c) and (d), with regard to amounts due to shareholders, they have agreed not to demand for repayment of the amount due before 31 December 2019.
- (viii) The Company has obtained additional loan facilities sufficient to support the continual normal operation of the Group for at least 12 months after the year end date. For details, please refer to Note 28(c) to (g).
- (ix) The Company has initiated different ways of enhancing the Group's overall financial position including, but not limited to, capital reorganisation and further fund raising from the capital market.

2. BASIS OF PREPARATION *(Continued)*

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

With the successful implementation of the measures and the 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. Together with the probable capital reorganisation and further fund raising activities, the Directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

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

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

- (a) The accounting policies and basis of preparation adopted in the preparation of the consolidated financial statements are the same as those used in the consolidated financial statements for the year ended 31 March 2017, except in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current year’s financial statements as explained in (b) below.
- (b) New and revised HKFRSs effective in current year:

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

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

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

Amendments to HKAS 7 “Disclosure initiative”

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be included in cash flows from financing activities.

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

(b) New and revised HKFRSs effective in current year: (Continued)

Amendments to HKAS 7 “Disclosure initiative” (Continued)

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The additional disclosure has been included to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, which require disclosure of changes in liabilities arising from financing activities. Apart from the additional disclosure, the application of these amendments has had no impact on the Group’s consolidated financial statements.

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

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁵
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transaction ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 ¹
Amendments to HKFRS 19	Employee Benefits ²
Amendments to HKFRS 28	Long-term Interest in Associates and Joint Ventures ²
Amendments to HKAS 40	Investment Property ¹
Amendment to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture ³
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014 - 2016 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015 - 2017 Cycle ²
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

⁵ Effective for annual periods beginning on or after 1 January 2021.

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

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

HKFRS 9, “Financial Instruments”

The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to the profit or loss in the future. For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under HKAS 39. Under the new hedge accounting rules, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

Under HKFRS 9, trade receivables of the Group are likely to be classified as FVOCI instruments with earlier recognition of loss is expected, and amount of relevant impairment provision may be revised when ECL is referenced. Gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

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

HKFRS 9 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

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

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

HKFRS 15, “Revenue from Contracts with Customers”

This standard will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service is transferred to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Under HKFRS 15, revenue arising from channel sales of the Group may subject to a different timing of recognition, which may impact the amount of revenue recognized by the Group for a given period.

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

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

HKFRS 16, “Leases”

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$1,373,000. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated profit or loss and other comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase.

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

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

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

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

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

	2018 HK\$'000	2017 HK\$'000
Turnover		
Trading of mineral resources and commodities	<u>2,972</u>	<u>1,673</u>
Other income		
Exchange gain, net	50	10,966
Sundry income	<u>116</u>	<u>38</u>
	<u>166</u>	<u>11,004</u>
Other gains and losses		
Fair value gain on capitalisation of loans	—	25,808
Reversal of impairment loss on other intangible assets (Note 13)	93,951	470,567
Reversal of impairment loss on property, plant and equipment (Notes 12 & 13)	6	12,110
(Impairment loss)/Reversal of impairment loss on exploration and evaluation assets (Note 14)	<u>(69,428)</u>	<u>1,918,475</u>
	<u>24,529</u>	<u>2,426,960</u>
Other expenses		
Amortisation of other intangible assets — mining right (Note 13)	<u>97,581</u>	<u>6,037</u>

5. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest expenses on		
Loan from a related party	—	1,618
Loan from a director	—	94
Loan from an ex-director	—	620
Loan from third parties	3,233	7,509
Loan from shareholders	3,077	550
Imputed interest on convertible note payables (<i>Note 21</i>)	404,387	358,922
	<u>410,697</u>	<u>369,313</u>
Bank charges	58	56
	<u>410,755</u>	<u>369,369</u>

6. (LOSS)/PROFIT BEFORE INCOME TAX

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Loss)/Profit before income tax is arrived at after charging/(crediting):—		
Employees benefit expenses (excluding directors' emoluments):—		
Wages and salaries	4,575	4,584
Pension fund contributions	334	303
	<u>4,909</u>	<u>4,887</u>
Amortisation of other intangible assets — mining right (<i>Note 13</i>)	97,581	6,037
(Provision of bad debt recovered)/Provision of bad debt	(13)	13
Depreciation (<i>Note 12</i>)	51	43
Auditor's remuneration		
— Group	1,650	1,580
— Overseas subsidiaries	174	96
Provision for close down, restoration and environmental costs (<i>Note 23</i>)	62	59
Minimum lease payments in respect of premises under operating leases	1,953	1,824
Net exchange gain	(50)	(10,966)
Cost of inventories sold	2,934	1,658
	<u>2,934</u>	<u>1,658</u>

7. INCOME TAX

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

	2018 HK\$'000	2017 HK\$'000
Group:		
Current — Hong Kong Charge for the year	—	—
Current — Russia and other overseas Deferred tax (<i>Note 24</i>)	<u>6,408</u>	<u>(3)</u>
	<u>6,408</u>	<u>(3)</u>

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

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

	2018 HK\$'000	2017 HK\$'000
(Loss)/Profit before income tax expenses	<u>(504,723)</u>	<u>2,027,295</u>
Tax credit calculated at the weighted average statutory tax rate	(83,436)	334,740
Tax effect of expenses not deductible for taxation purposes	89,632	78,929
Tax effect of income not taxable for taxation purposes	(6,892)	(414,351)
Tax effect of unrecognised temporary difference	6,410	—
Tax effect of tax losses not recognised	<u>694</u>	<u>679</u>
Income tax charge/(credit) for the year	<u>6,408</u>	<u>(3)</u>

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

(Loss)/Profit from ordinary activities attributable to owners of the Company for the year ended 31 March 2018 includes a loss of HK\$509,455,000 (2017: profit of HK\$1,978,002,000) which has been dealt with in the financial statements of the Company.

9. DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 March 2018 (2017: Nil).

10. (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 year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted (loss)/earnings per share was based on the (loss)/profit for the year attributable to the owners of the Company, adjusted to reflect the imputed interest on a convertible note, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (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 have an anti-dilutive effect to the basic (loss)/earnings per share calculation for the current and prior years, the conversion of the outstanding share options and convertible note is therefore not assumed in the computation of diluted (loss)/earnings per share for the current and prior years. Therefore, the basic and diluted (loss)/earnings per share calculations for the respective years are the same.

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

	2018	2017
	HK\$'000	HK\$'000
(Loss)/Profit		
(Loss)/Profit attributable to the owners of the Company, used in the basic and diluted (loss)/earnings per share	<u>(509,455)</u>	<u>1,978,002</u>
	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share	<u>1,208,475,523</u>	<u>632,179,024</u>

11. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the Directors, the chief operating decision maker, that are used for resources allocation and for making 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 mining and exploration activities of coal mines in Russia.

11. SEGMENT INFORMATION (Continued)

- (ii) Mineral resources, commodities and other trading segment comprises the business of integration module 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.

There were no inter segment sales and transfers.

(a) Reportable segments

The following table presents the revenue, results and certain assets, liabilities and expenditure information for the Group’s reportable segments for the years ended 31 March 2018 and 2017.

For the year ended 31 March 2018

	Mining <i>HK\$’000</i>	Mineral resources, commodities and other trading <i>HK\$’000</i>	Consolidated total <i>HK\$’000</i>
Reportable segment revenue			
Revenue from external customers	—	2,972	2,972
Reportable segment loss	(79,259)	(90)	(79,349)
Reversal of impairment loss on other intangible assets	93,951	—	93,951
Reversal of impairment loss on property, plant and equipment	6	—	6
Impairment loss on exploration and evaluation assets	(69,428)	—	(69,428)
Depreciation	(49)	(2)	(51)
Reversal of allowance for doubtful trade receivables	—	13	13
Amortisation of other intangible assets	(97,581)	—	(97,581)
Reportable segment assets	2,873,211	3,760	2,876,971
Additions to non-current assets	9,155	—	9,155
Reportable segment liabilities	(43,397)	(3,796)	(47,193)

11. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the year ended 31 March 2017

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

11. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Reportable segment revenue and consolidated revenue	<u><u>2,972</u></u>	<u><u>1,673</u></u>
(Loss)/Profit before income tax		
Reportable segment (loss)/profit	(79,349)	2,399,662
Other gains and losses	—	25,808
Unallocated corporate expenses	(14,619)	(28,809)
Finance costs	<u>(410,755)</u>	<u>(369,369)</u>
Consolidated (loss)/profit before income tax	<u><u>(504,723)</u></u>	<u><u>2,027,292</u></u>
Assets		
Reportable segment assets	2,876,971	2,949,168
Unallocated corporate assets	<u>6,845</u>	<u>1,118</u>
Consolidated total assets	<u><u>2,883,816</u></u>	<u><u>2,950,286</u></u>
Liabilities		
Reportable segment liabilities	(47,193)	(36,160)
Unallocated corporate liabilities	<u>(3,745,661)</u>	<u>(3,308,192)</u>
Consolidated total liabilities	<u><u>(3,792,854)</u></u>	<u><u>(3,344,352)</u></u>

11. SEGMENT INFORMATION (Continued)

(b) Geographical information

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

	Revenue from external customers		Specific non-current assets	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Russia	—	—	2,868,475	2,935,382
Korea	2,972	1,673	—	2
	<u>2,972</u>	<u>1,673</u>	<u>2,868,475</u>	<u>2,935,384</u>

(c) Information about major customers

For the year ended 31 March 2018, revenue from two customers in the mineral resources, commodities and other trading segment amount to HK\$576,000 and HK\$2,396,000 respectively, each contributed to more than 10% of the Group's revenue.

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

12. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress <i>HK\$'000</i>	Freehold land <i>HK\$'000</i>	Furniture and fixture <i>HK\$'000</i>	Equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
At 1 April 2016	9,918	1,481	118	132	172	11,821
Additions	—	—	3	29	—	32
Exchange realignments	2,082	310	17	1	36	2,446
At 31 March 2017	12,000	1,791	138	162	208	14,299
Additions	1,044	—	30	37	—	1,111
Disposals	—	—	—	(25)	—	(25)
Exchange realignments	(48)	(9)	—	—	(1)	(58)
At 31 March 2018	12,996	1,782	168	174	207	15,327
Accumulated depreciation and impairment						
At 1 April 2016	9,681	1,444	96	92	123	11,436
Charge for the year (<i>Note 6</i>)	—	—	7	17	19	43
Reversal of impairment loss (<i>Note 4</i>)	(10,539)	(1,571)	—	—	—	(12,110)
Exchange realignments	858	127	18	1	28	1,032
At 31 March 2017	—	—	121	110	170	401
Charge for the year (<i>Note 6</i>)	—	—	9	22	20	51
Reversal of impairment loss (<i>Note 4</i>)	(5)	(1)	—	—	—	(6)
Written back on disposal	—	—	—	(24)	—	(24)
Exchange realignments	5	1	(1)	—	(1)	4
At 31 March 2018	—	—	129	108	189	426
Net carrying value						
At 31 March 2018	12,996	1,782	39	66	18	14,901
At 31 March 2017	12,000	1,791	17	52	38	13,898

As explained in Note 13, property, plant and equipment associated with the mining right had been taking up the reversal of impairment loss during the current year.

13. OTHER INTANGIBLE ASSETS

	Mining right <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	1,737,411
Exchange realignments	(8,705)
	<hr/>
At 31 March 2018	1,728,706
	<hr/>
Accumulated amortisation and impairment	
At 1 April 2016	1,426,111
Charge for the year (<i>Note 6</i>)	6,037
Reversal of impairment loss (<i>Note 4</i>)	(470,567)
Exchange realignments	246,742
	<hr/>
At 31 March 2017 and 1 April 2017	1,208,323
Charge for the year (<i>Note 6</i>)	97,581
Reversal of impairment loss (<i>Note 4</i>)	(93,951)
Exchange realignments	(5,389)
	<hr/>
At 31 March 2018	1,206,564
	<hr/>
Net carrying value	
At 31 March 2018	522,142
	<hr/> <hr/>
At 31 March 2017	529,088
	<hr/> <hr/>

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 (collectively referred as the “**Langfeld Group**”) from Cordia (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. At the end of each reporting year, the mining right is measured at cost less impairment.

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

13. OTHER INTANGIBLE ASSETS *(Continued)*

Mining rights *(Continued)*

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

- (i) Cash flow projection determined for a period of 16 years up to 2033 (2017: a period of 15 years up to 2031) with the first year of production taken to be 2023 (2017: first year of production taken to be 2021) based on the current estimated production plan.
- (ii) Costs of production (including royalties) on average is taken as 47.25% (2017: 49.44%) of revenue.
- (iii) The post-tax discount rate applied to the cash flow projection is 19.89% (2017: post-tax discount rate of 19.71%).
- (iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (2017: increment of 3% p.a.), which is in line with the comparable market information.
- (v) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information at the respective valuation dates, which remain unchanged (depends on different type of coals) or show an increase of approximately 40% (depends on different type of coals) when compared to that of last year.
- (vi) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 31 March 2018 of 1.00 US Dollar to 57.13 Rubles (2017: 1.00 US Dollar to 56.24 Rubles).
- (vii) The inflation rate on operating costs is 3% p.a. (2017: 3% p.a.)
- (viii) The Group is able to renew the relevant licence for the mining right before its expiry date.

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

The Directors of the Company are of the opinion that based on the valuation, the mining right was evaluated upward and thus would result in a reversal of impairment loss of HK\$93,951,000 (2017: HK\$470,567,000) compared with its carrying value as at 31 March 2018. The reversal of impairment loss is mainly attributable to the net effects of the increase of the relevant coal price, the depreciation of Russian Rubles to US Dollars, and the increase in post-tax discount rate during the current year as compared to previous year, and the change of total number of years and change in the first year of production in the DCF analysis in item (i) mentioned above.

The Directors of the Company are also of the opinion that based on the valuation above, property, plant and equipment associated with the mining right were evaluated upward compared with their recoverable amounts as at 31 March 2018. The resultant reversal of impairment loss of HK\$6,000 (2017: HK\$12,110,000) (Note 12) was recognised for property, plant and equipment associated with the mining right during the current year.

13. OTHER INTANGIBLE ASSETS (Continued)

Mining right (Continued)

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

Intangible assets	Locations	Expiry Date
Mining right		
Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russian Federation	1 July 2025

14. EXPLORATION AND EVALUATION ASSETS

	Total <i>HK\$'000</i>
Cost	
At 1 April 2016	3,627,052
Additions	5,550
Exchange realignments	3,604
	<hr/>
At 31 March 2017 and 1 April 2017	3,636,206
Additions	8,044
Exchange realignments	39
	<hr/>
At 31 March 2018	3,644,289
	<hr/>
Accumulated impairment	
At 1 April 2016	3,161,560
Reversal of impairment loss (Note 4)	(1,918,475)
Exchange realignments	723
	<hr/>
At 31 March 2017 and 1 April 2017	1,243,808
Impairment loss (Note 4)	69,428
Exchange realignments	39
	<hr/>
At 31 March 2018	1,313,275
	<hr/>
Net carrying value	
At 31 March 2018	2,331,014
	<hr/> <hr/>
At 31 March 2017	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.

14. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

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

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

- (i) Cash flow projection determined for a period of 12 years up to 2029 (2017: a period of 12 years up to 2028) with the first year of production taken to be 2020 (2017: first year of production taken to be 2019) based on the current estimated production plan.
- (ii) The post-tax discount rate applied to the cash flow projection is 19.89% (2017: 19.71%).
- (iii) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information at the respective valuation dates, which remain more or less unchanged (depends on different type of coals) when compared to that of last year.
- (iv) The Director have assumed the average increment in coal sales prices to be 3% p.a. (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 31 March 2018 is taken to be 1.00 US Dollar to 57.13 Rubles (2017: 1.00 US Dollar to 56.24 Rubles).
- (vi) The inflation rate on operating costs is 3% p.a. (2017: 3% p.a.).

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

The Directors of the Company are of the opinion that based on the valuation, the exploration and evaluation assets were impaired by HK\$69,428,000 (2017: reversal of impairment loss of HK\$1,918,475,000) compared with their carrying amount as at 31 March 2018. The impairment loss is mainly attributable to the net effects of the depreciation of Russian Rubles to US Dollars and the increase in post-tax discount rate during the current year as compared to the previous year, and the changes in parameters for the other major assumption in the DCF analysis for item (i) mentioned above do not have material impacts on the resultant impairment loss when compared with that of depreciation of Russian Rubles to US Dollars and post-tax discount rate increase.

14. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

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

15. TRADE RECEIVABLES

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

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

	2018 HK\$'000	2017 <i>HK\$'000</i>
Trade receivables	2,747	1,295
Less: Allowance for doubtful debts	—	(13)
	<u>2,747</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 year 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 15 days. (2017: 30 days)

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

	2018 HK\$'000	2017 <i>HK\$'000</i>
Neither past due nor impaired	<u>2,747</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.

15. TRADE RECEIVABLES (Continued)

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At beginning of year	13	—
(Reversal of impairment loss)/Impairment loss recognised during the year	(13)	13
Written-off of uncollectible amounts	—	—
Exchange realignments	—	—
	<hr/>	<hr/>
At end of 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.

16. CASH AND CASH EQUIVALENTS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cash and cash equivalents were denominated in:		
Russian Ruble (“RUB”)	24	31
Korean Won (“KRW”)	1,011	46
United States Dollars (“US\$”)	5,086	19
Euro (“EUR”)	10	8
Hong Kong Dollars (“HK\$”)	3,480	10,742
	<hr/>	<hr/>
Total	<u>9,611</u>	<u>10,846</u>

17. TRADE PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	—	1,282
	<hr/>	<hr/>

17. TRADE PAYABLES (Continued)

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 to 30 days	—	1,282

18. INTEREST-BEARING BORROWINGS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Other loan 1 (“ Other loan 1 ”) (Note a)	—	14,500
Less: Repayment by way of loan capitalisation	—	(12,728)
	—	1,772
Other loan 2 (“ Other loan 2 ”) (Note b)	5,148	—
Other loan 3 (“ Other loan 3 ”) (Note c)	—	53,710
Less: Repayment by way of loan capitalisation	—	(46,410)
	—	7,300
Other loan 4 (“ Other loan 4 ”) (Note d)	—	30,000
Other loan 5 (“ Other loan 5 ”) (Note e)	9,468	—
Other loan 6 (“ Other loan 6 ”) (Note f)	28,561	—
Other loan 7 (“ Other loan 7 ”) (Note g)	1,480	—
Other loan 8 (“ Other loan 8 ”) (Note h)	2,220	—
	46,877	39,072
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Carrying amount repayable: —		
Within one year or on demand	9,468	39,072
Over 1 year	37,409	—
	46,877	39,072

18. INTEREST-BEARING BORROWINGS *(Continued)*

Note:

- a. During the year 2017, Other Loan 1 was bearing interest at 10% per annum and repayable after 12 months from the date of drawdown or on demand. As the lender was a shareholder of the Company, the outstanding principal and interest amount were classified as amount due to shareholders. Detail please refer to note 19(b).
- b. During the year 2018, a new loan amount of USD660,000 (equivalent to approximately HK\$5,148,000) was obtained from an independent third party. Other Loan 2 is bearing interest at 7% per annum and repayable after 6 months from the date of drawdown or on demand. The lender had agreed to extend the repayment date to 31 December 2019.
- c. During the year 2017, Other Loan 3 was bearing interest at 10% per annum and repayable after 1 year from the date of drawdown or on demand. As the lender was a shareholder of the Company, the outstanding principal and interest amount were classified as amount due to shareholders. Detail please refer to note 19(c).
- d. During the year 2018, Other Loan 4 in aggregate amount of HK\$30,000,000 (including its interest payable) had been fully settled during the year.
- e. In the previous year, Other Loan 5 was bearing interest at 5% per annum and repayable upon maturity or on demand. It was classified as amount due to an ex-director as the lender resigned during that year.

During the year, the lender was considered as an independent third party of the Company. Therefore, the outstanding amounts were classified as interest-bearing borrowings. For more detail please refer to note 19(a).

- f. In the previous year, Other Loan 6, bearing interest rate at 5%-6% per annum and no fixed term of repayment or on demand, was classified as amount due to a related party.

During the year, the lender was considered as an independent third party of the Company. Therefore, the outstanding amounts were re-classified as interest-bearing borrowings. For more detail please refer to note 19(e).

- g. During the year 2018, a new loan amount of amount of KRW200,000,000 (equivalent to approximately HK\$1,480,000) was obtained from an independent third party. Other Loan 7 is unsecured, bearing interest at 5% per annum and repayable after 12 months from the date of drawdown or on demand. The lender had agreed to extend the repayment date to 28 March 2020.
- h. During the year 2018, a new loan amount of KRW300,000,000 (equivalent to approximately HK\$2,220,000) was obtained from an independent third party. Other Loan 8 is unsecured, bearing interest at 5% per annum and repayable after 12 months from the date of drawdown or on demand. The lender had agreed to extend the repayment date to 7 March 2020.

19. AMOUNT DUE TO AN EX-DIRECTOR/SHAREHOLDERS

- (a) In the previous year, the amount due to an ex-director is unsecured, was bearing interest at 5% per annum and had no fixed term of repayment. During the year 2018, the lender (a Director who resigned during 2017) was considered as an independent third party of the Company. Therefore, the outstanding amounts was re-classified as interest-bearing borrowings. For more detail please refer to Note 18(e).
- (b) During the year 2018, the amount due to a shareholder (2017: an independent third party) is unsecured, bears interest at the weighted average effective interest rate of 10% per annum and repayable upon maturity on 31 December 2018 or on demand.

On 20 February 2017, the amount due to a shareholder (including accrued interest payable) totalling HK\$18,945,000 had been capitalised. Pursuant to the loan capitalisation agreement, the shareholder agreed to, among other things, subscribe for new shares of the Company by applying the entire outstanding loan principal and interests on maturity as subscription monies at a price of HK\$0.325 per capitalisation share.

- (c) During the year 2018, the amount due to a shareholder (2017: an independent third party) amounting to HK\$72,970,000 is unsecured and bears interest at the rate of 6%-10% per annum. During the year 2018, agreements were entered into with the same shareholder for new loans in the amount of HK\$59,884,000 which bear interest at 6% to 10% per annum and repayable after 1 year from the date of drawdown or on demand. The shareholder agreed to extend the repayment date to 31 December 2019.

On 20 February 2017, the amount due to a shareholder (including accrued interest payable) with an amount US\$6,771,000 (equivalent to HK\$52,814,000) had been capitalised. Pursuant to the loan capitalisation agreement, the shareholder agreed to, among other things, subscribe the new shares of the Company by applying the entire outstanding principal and interests on maturity as subscription monies at a price of HK\$0.325 per capitalisation share.

- (d) The amount due to a shareholder totalling HK\$33,687,000, which is unsecured and bears interest at the rate of 0%-8% per annum, was repayable within three years after the drawdown date. The shareholder had agreed to extend the repayment date to 31 December 2019.
- (e) In the previous year, the amount due to a related party totalling HK\$33,897,000 is unsecured and bears interest at the rate of 5%-6% per annum and has no fixed term of repayment. During the year 2018, the lender became an independent third party of the Company. Therefore, the outstanding amounts was re-classified as interest-bearing borrowings. For more detail please refer to Note 18(f).

20. 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 Russian nationals for a consideration of US\$9,490,600 (equivalent to approximately HK\$74,027,000) to be satisfied by the payment of cash in four stages (the “**Additional Acquisition**”). The first and second stages of payments in an 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 certain conditions as follows: (i) an amount of US\$4,095,300 (equivalent to approximately HK\$31,943,000) when the Group obtained the relevant 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 years, the Group had 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 and the remaining balance of the 4th Adjusted Consideration became US\$426,600 (equivalent to approximately HK\$3,348,000 (2017: HK\$3,315,000)).

During the year, the Group made no further settlement of the 4th Adjusted Consideration. For more detail please refer to note 27(i).

21. CONVERTIBLE NOTE PAYABLES

(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**”). The HASS Reports was previously adopted by the Company to determine the quantum of purchase consideration of the Lapi mine and hence the amount of convertible notes to be issued.

In order to re-assess and support the issuance of the Third Convertible Note, the Company then engaged another experienced and qualified New Technical Expert to perform another technical report (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.

21. CONVERTIBLE NOTE PAYABLES (Continued)

(i) Convertible note (Continued)

The New Technical Expert reported a slightly 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 on the Third Convertible Note were made to restate the balance in respective years concerned, being HK\$2,127,088,000 (as restated 31 March 2013), HK\$2,398,314,000 (as restated 31 March 2014) and HK\$2,702,681,000 (as restated 31 March 2015). 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 (“the **CN holder(s)**”) and the Company entered into an 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 agreed not to request for any compensation from any of the other parties for such reduction.

On 13 April 2017, the Company announced that Daily Loyal and the Company entered into the an amendment agreement (the “**Amendment agreement**”), which provided, 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 a 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 of the Company 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 original 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 and was not intended to be binding, and that the Company and Mr. Hong Sang Joon (a former Director of the Company) should not fill in the date of the document. Besides, Daily Loyal was of the view that the validity of the Undated Amendment Agreement was contrary to the Additional Agreement entered into by it with Cordia Global Limited (“**Cordia**”), Choi Sungmin, Grandvest International Limited (a subsidiary of the Company) and the Company on 22 August 2016.

Daily Loyal also alleged that (i) the placing and issue of new shares by the Company as announced by the Company on 24 October 2016; (ii) the placing and issue of new shares by the Company as announced by the Company on 24 January 2017; and (iii) the issue of new shares upon loan capitalizations as announced by the Company on 20 February 2017 were conducted without the prior consent or authorization of Daily Loyal and were in breach of a convertible note agreement (the “**Convertible Note Agreement**”) dated 3 April 2013 between the Company and Cordia in relation to the Third Convertible Note. For details please refer to Note 27 in relation to legal action HCA 1071 of 2017.

21. CONVERTIBLE NOTE PAYABLES (Continued)

(ii) Measurement of convertible note

The fair value of the derivative components of the Third Convertible Note was determined based on a professional valuation performed by Access Partner using the Hull model at the date of issue, and there was no change in the fair value of the convertible note (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 31 March 2018	At 31 March 2017
Expected volatility	20.47%	43.47%
Expected life	0.01 years	1.01 years
Risk-free rate	0.72%	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.

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

	Convertible note		Total HK\$'000
	Liabilities component HK\$'000	Derivative component HK\$'000	
At 1 April 2016	2,828,189	—	2,828,189
Imputed interest charged during the year (Note 5)	358,922	—	358,922
At 31 March 2017 and 1 April 2017	3,187,111	—	3,187,111
Imputed interest charged during the year (Note 5)	404,387	—	404,387
At 31 March 2018	3,591,498	—	3,591,498

22. PROMISSORY NOTES PAYABLE

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	15,600	72,160
Less: Repayment by way of loan capitalisation	—	(56,560)
At the end of year and included in non-current liabilities	15,600	15,600

22. PROMISSORY NOTES PAYABLES (Continued)

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, pursuant to 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.

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

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**”).

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

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

During the year and the previous year, 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 year, the carrying amount of the Modified PN was HK\$15,600,000 (2017: HK\$15,600,000).

On 12 June 2018, the remaining promissory notes holder of the Modified PN agreed to extend the maturity date of the promissory notes to 31 December 2019.

23. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At beginning of year	1,474	1,166
Provision during the year (<i>Note 6</i>)	62	59
Exchange realignments	(8)	249
	<hr/>	<hr/>
At end of year	1,528	1,474

The provision for close down, restoration and environmental costs related to the Russian mine.

23. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS (Continued)

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

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

24. DEFERRED TAXATION

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

	<i>HK\$'000</i>
At 1 April 2016	8
Charge to the consolidated financial statements (<i>Note 7</i>)	(3)
Exchange realignments	1
	<hr/>
At 31 March 2017 and 1 April 2017	6
Charge to the consolidated financial statements (<i>Note 7</i>)	6,408
Exchange realignments	(5)
	<hr/>
At 31 March 2018	<u><u>6,490</u></u>

At 31 March 2018, the Group had unused Hong Kong tax losses of HK\$59,290,000 (2017: HK\$53,757,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2018 and 2017 in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group entities. There was no other significant unrecognised deferred tax as at 31 March 2018 and 2017.

25. SHARE CAPITAL

	Number of shares		Nominal value	
	2018	2017	2018 HK\$'000	2017 HK\$'000
Authorised:				
Ordinary shares of HK\$0.2 each (2017: HK\$0.2 each)	5,000,000,000	5,000,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning of year	1,208,475,523	513,447,763	241,695	102,690
Issue of shares upon new placement (<i>Note (i) & (ii)</i>)	—	225,800,000	—	45,160
Issue of shares upon capitalisation of loan (<i>Note (iii)</i>)	—	469,227,760	—	93,845
At beginning and at end of year	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.

Note:

- (i) On 24 October 2016, an aggregate of 102,600,000 new ordinary shares at a nominal value of HK\$0.2 each were issued by way of a placing at a subscription price of HK\$0.269 each to the then independent third parties. The aggregate nominal value was HK\$27,599,400. The closing market price as of 30 September 2016 was HK\$0.335 when the relevant placing agreement was entered into. The aggregate consideration was approximately HK\$26,315,000 (net of issue expenses that is a net price of approximately HK\$0.256 per share) of which HK\$20,520,000 was credited to share capital and HK\$5,795,000 was credited to share premium. The net proceeds were utilised for the repayment of loans and general working capital of the Group.
- (ii) On 24 January 2017, an aggregate of 123,200,000 new ordinary shares at nominal value of HK\$0.2 each were issued by way of a placing at a subscription price of HK\$0.217 each to the then independent third parties of no less than six individual investors of the Group. The aggregate nominal value was HK\$26,734,400. The closing market price as of 3 January 2017 was HK\$0.270 when the relevant placing agreement was entered into. The aggregate consideration was approximately HK\$25,481,000 (net of issue expenses that is a net price of approximately HK\$0.207 per share) of which HK\$24,640,000 was credited to share capital and HK\$841,000 was credited to share premium. The net proceeds were utilised for the repayment of loans and general working capital of the Group.

25. SHARE CAPITAL *(Continued)*

Note: (Continued)

- (iii) On 20 February 2017, the completion of five loan capitalisation agreements with five creditors took place. Pursuant to the agreements, the creditors have agreed to, among other things, subscribe for new shares of the Company by applying the outstanding principals and accrued interests thereon as subscription monies. An aggregate of 469,227,760 capitalisation shares at a nominal value of HK\$0.2 each were issued at a subscription price of HK\$0.325 each to the then creditors to settle the loans and accrued interests due to them. The fair value of the shares on 20 February 2017 was HK\$0.27 per share. The consideration received net of issue expenses was approximately HK\$151,976,000 of which HK\$93,845,000 was credited to share capital and HK\$32,323,000 was credited to share premium. The remaining balance amount to HK\$25,807,527 foregone by the creditors was recognised in profit or loss as a gain on extinguishment of financial liabilities with equity instruments.

26. SHARE OPTION SCHEME

The Company has two share option schemes.

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

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

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

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

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

26. SHARE OPTION SCHEME (Continued)

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

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

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

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

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

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2018:

Name or category of participant	Number of share issuable under options outstanding			Date of grant of share options	Exercisable period	Exercise price of share options HK\$
	At 1/4/2017	Lapse during the year	At 31/3/2018			
Employees and consultants other than directors						
— In aggregate	440,000	—	440,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	<u>440,000</u>	<u>—</u>	<u>440,000</u>			

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

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

26. SHARE OPTION SCHEME (Continued)

Note:

The exercise price of shares issuable under options outstanding at the end of the year was HK\$0.355 (2017: HK\$0.355) and their weighted average remaining contractual life was 3.83 years (2017: 4.83 years).

The total number of shares issuable under options outstanding as at 31 March 2018 was 440,000 (2017: 440,000) all of which were exercisable as at that date.

The weighted average share price at the date of exercise of share options exercised during the current year was HK\$Nil (2017: HK\$Nil).

At 31 March 2018, the Company had outstanding 440,000 (2017: 440,000) shares issuable under option granted under the Old Scheme, representing 0.04% (2017: 0.04%) of the Company's issued share capital. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 31 March 2018, result in the issue of 440,000 (2017: 440,000) additional ordinary shares of HK\$0.2 (2017: HK\$0.2) each of the Company, additional share capital of HK\$88,000 (2017: HK\$88,000) and additional share premium of approximately HK\$68,000 (2017: HK\$68,000) (before issue expense). In addition, the amount attributable to the related share options of HK\$47,000 (2017: HK\$47,000) would be transferred from equity-settled share option reserve to the share premium account.

Valuation of share options

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

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

30 January 2012

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

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

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

26. SHARE OPTION SCHEME *(Continued)*

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

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

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

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

During the year ended 31 March 2018 and 2017, no option has been granted under the New Scheme since the adoption date to the date of this report.

27. LITIGATIONS

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

(i) The Company/Its Subsidiary as the Defendant

Legal Proceedings Taken By Former Shareholders of a Russian Subsidiary

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

27. 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 31 March 2018, the outstanding amount of the Second Claim is US\$188,600 (approximately HK\$1,471,080), which had been fully provided for since 31 March 2013.

The Group and the Third Claimant entered into an amicable agreement dated 13 May 2013 to settle the Third Claim by three instalments. In February 2014, US\$100,000 (approximately HK\$780,000) was paid. The Third Claimant also threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the remaining outstanding amount of the Third Claim. As of 31 March 2018, 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**”).

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).

27. LITIGATIONS *(Continued)*

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

HCA 672 of 2013 (Continued)

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).

27. 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 ceases 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 former Directors 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 ceases 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 a former Director of the Company has thus been pending on the views of the Official Receiver.

27. 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 former Directors 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 ceases 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 former 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 former Directors 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 former Director of the Company in HCA 1195 of 2016.

27. 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 ceases 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 ceases 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 two 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 an existing Director of the Company in HCA 2137 of 2016.

27. 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 ceases 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 an 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 two 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 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 a former 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 ceases 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.

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 two 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.

27. LITIGATIONS *(Continued)*

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

HCA 2397 of 2016 (Continued)

As announced by the Company on 13 February 2017, the plaintiff wholly discontinued his actions against a former 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 ceases 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 former 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 a former Director of the Company in HCA 2633 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 2633 of 2016), Kim Sungho does not have locus and ceases 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 is taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

27. LITIGATIONS *(Continued)*

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

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 two 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 transactions as disclosed in the Company's announcement of 1 December 2015.

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 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 ceases to have any right to represent in any of the proceedings against the Company in normal circumstances. Please refer to the announcement of the Company on 19 June 2017.

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

HCA 3160 of 2016

As announced by the Company on 14 December 2016, the Company received on 2 December 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 3160 of 2016 to certain parties, including the Company and the two 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 ceases 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 two existing Directors of the Company are taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

27. LITIGATIONS *(Continued)*

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

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 a former 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 transactions as disclosed in the Company's announcement of 1 December 2015.

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 former 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 an existing Director of the Company. The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, the use of certain technical and valuation reports by the Company.

As announced by the Company on 13 February 2017, the Company received a notice of discontinuance on 2 February 2017 from the plaintiff that he wholly discontinued his actions against the existing Director 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 ceases 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 an existing Director 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.

27. LITIGATIONS *(Continued)*

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

HCA 3192 of 2016 (Continued)

As announced by the Company on 19 September 2017, the plaintiff had previously wholly discontinued his actions against the existing Director 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.

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 a former 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 ceases 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.

27. LITIGATIONS *(Continued)*

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

HCA 47 of 2017 (Continued)

The Company is 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, a former Director of the Company and Grandvest International Limited (a subsidiary of the Company). The plaintiffs are seeking Court orders for the Company to produce to them, inter alia, information about the new technical report issued to the Company on 11 August 2016.

The Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017. The Official Receiver is now the provisional trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver. Until and unless the Official Receiver gives consent to Kim Sungho to continue with any of the proceedings (including this HCA 47 of 2017), Kim Sungho does not have locus and ceases 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 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 a former 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 former Director of the Company in the legal action HCA 724 of 2017.

27. LITIGATIONS *(Continued)*

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

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 two 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 two existing Directors of the Company in the legal action HCA 808 of 2017.

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 a former 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 ceases 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 is taking legal advice in respect of such legal action, pending on the views of the Official Receiver.

27. LITIGATIONS *(Continued)*

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

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 former 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.

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 a former 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 a former 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 former 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 a former 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 former 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 a former 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.

27. 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 ceases 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 is 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 a former 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 (a former 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.

27. 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 former 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.

As announced by the Company on 12 March 2018, the Company received a demand letter from Daily Loyal’s legal advisers on 6 March 2018 where Daily Loyal demanded the Company to repay US\$297,390,000 (approximately HK\$2,319,642,000) (which was alleged by Daily Loyal to be the current outstanding principal amount of the portion of the Third Convertible Note held by Daily Loyal) together with any interest accrued in full and in cash on or before 3 April 2018.

Up to the date of this announcement, Daily Loyal has not taken any steps further after 3 April 2018.

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

27. 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 a former 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 is 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 (namely, Grandvest International Limited and SMG Development Limited) and an existing Director 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.

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.

27. LITIGATIONS *(Continued)*

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

HCA 2394 of 2017 (Continued)

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, the Company took 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) as the 2nd defendant under action number HCA 51 of 2017. 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 a former 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 mines.

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 ceases 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.

27. LITIGATIONS *(Continued)*

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

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

As announced by the Company on 13 February 2017, the Company on 6 February 2017 received a Fourth Party Notice dated 25 January 2017 from Kim Sungho whereby he purported to join 10 parties as the fourth parties and such parties include the Company, a former 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 mines.

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

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

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

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

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

27. LITIGATIONS *(Continued)*

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

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

On 15 April 2010, the Company commenced civil proceedings (HCA 706 of 2010) against these three former executive directors to claim damages in the total sum of approximately HK\$18,980,000. Mediation was conducted with a view to settling the matter as required under the Civil Justice Reform. Although it was the opinion from the Senior Counsel that an amicable settlement would be preferred for the purposing of saving time and costs, no settlement arrangement has been reached. The Company proceeded further with the action against these three former directors. All the pleadings were filed, and discovery was completed with the witness statements of the parties duly exchanged. A trial judge was assigned for the case on 25 March 2014. As a result of the solicitors ceasing to act for the Company from 9 February 2015, the hearing on the case management conference originally fixed on 11 February 2015 was adjourned pending an application by the Company to act in person or the Company's engagement of new solicitors.

On 27 April 2015, the Company finalized the engagement of new solicitors to act for the Company so as to further proceed with the case.

Upon the hearing on 30 July 2015, the Company would file a summons for application to amend the Indorsement of Claim and Statement of Claim. Hearing on the application of the Company to obtain leave to amend the Indorsement of Claim and Statement of Claim was held on 26 January 2017 with reserved judgment, and the related judgment was handed down on 10 February 2017, pursuant to which leave be granted to the Company to amend the Indorsement of Claim and Statement of Claim. Accordingly, the Amended Indorsement of Claim and Amended Statement of Claim had been filed.

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

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

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

An order was made by the Court on the 24 April 2018 case management conference hearing that (i) the case be referred to the Listing Judge for further direction; and (ii) all parties be at the liberty to arrange the second mediation before the next case management conference.

27. LITIGATIONS (*Continued*)

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

HCMP 443 of 2015

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

The Company has on 23 June 2016 obtained a Sealed Court Order dated 20 June 2016 in respect of HCMP 443 of 2015. The Order is made under section 27 of the High Court Ordinance which is designated for the restriction of vexatious legal proceedings and also the inherent jurisdiction of the Court.

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

27. LITIGATIONS *(Continued)*

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

HCA 1016 of 2016

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

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

HCB 5395 of 2016

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

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

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

27. LITIGATIONS *(Continued)*

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

HCA 51 of 2017

As announced by the Company on 7 February 2017, the Company (as the plaintiff) commenced a legal action against Newborn Global Energy Limited (formerly known as “HASS Natural Resources Limited”) (“**Newborn Global**”) as the 1st defendant and Tso Chi Ming (also known as Herman Tso) (“**Tso**”) as the 2nd defendant in the Court of First Instance of the High Court of 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 mines (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.

HCB 377 of 2017

A former 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 former 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.

28. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting year, certain lenders have agreed to further extend the due dates of the loans and the promissory notes (and the related interests payables where applicable) to 31 December 2019, 7 March 2020 and 28 March 2020 (as the case may be). Please refer to Note 2(b) for more information.
- (b) On 3 April 2018, the Company entirely completed its obligation of injection of its portion of 40% of capital contribution, amounting to US\$637,319 (approximately equals to RMB4 million), into the PRC joint venture company which will engage in direct operation and franchise of English kindergarten(s) in the PRC. The registered name of the PRC joint venture company is “上海惟奉教育科技有限公司” (for identification purpose only, the translated English name is “Shanghai Weifeng Education and Technology Co., Ltd”).
- (c) On 5 June 2018, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US\$43,267,956 (approximately HK\$337,490,056).
- (d) On 29 June 2018, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US\$6,765,432 (approximately HK\$52,770,369).
- (e) On 29 June 2018, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US\$3,031,246 (approximately HK\$23,643,718).
- (f) On 29 June 2018, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US\$50,116,616 (approximately HK\$390,909,604).
- (g) On 29 June 2018, the Company entered into a loan facility agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to US\$2,679,430 (approximately HK\$20,899,554).

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2018 and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern basis

During the year ended 31 March 2018, the Group incurred a loss attributable to owners of the Group of HK\$509,455,000 and, as at 31 March 2018, the Group had net current liabilities of approximately HK\$3,609,411,000 and net liabilities of approximately HK\$909,038,000. These conditions, along with other matters as set forth in Note 2(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. The Group is in the progress of implementing various measures to improve its liquidity. On the basis that all these measures could be successfully implemented, the Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due and, accordingly, the consolidated financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Also, we draw attention to Note 27 to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuits filed against the Group. Our opinion is not qualified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2018, the Group recorded a total turnover of HK\$3.0 million (2017: HK\$1.7 million), representing an increase of approximately 76.5% as compared to last corresponding year. The increase in turnover from trading of integration module in the Korean market directly contributed to the increase in turnover for the year under review.

As mentioned in last year’s annual report, the Group diversified to trade the paper for newspaper printing, and for the year under review, the Group further diversified into the trading of integration module. During the year under review, the Group recorded a turnover of HK\$0.6 million (2017: HK\$1.2 million) from trading of paper for newspaper printing, and a turnover of HK\$2.4 million (2017: nil) from the trading of integration module. There was no turnover (2017: HK\$0.5 million) recorded from scrapped iron trading.

Other Income

For the year under review, included in other income, there was a relatively small net exchange gain of HK\$0.05 million (2017: HK\$11.0 million), since the relatively substantial appreciation of Russian Rubles to US Dollars experienced in last year did not happen again in current year.

Other Gains and Losses

During the year under review, (i) the reversal of impairment loss on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) decreased by approximately HK\$376.6 million to HK\$94.0 million (2017: 470.6 million) due to the substantial increase in coal sales prices of certain type of coals and appreciation of Russian Rubles to United States Dollars of last year did not happen again in current year; (ii) the exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) recorded an impairment loss of approximately HK\$69.4 million in current year and yet there was a substantial reversal of impairment loss of the same exploration and evaluation assets of approximately HK\$1,918.5 million in last year, also because of the substantial increase in coal sales prices of certain type of coals and appreciation of Russian Rubles to United States Dollars of last year did not happen again in current year; and (iii) there was no fair value gain (2017: fair value gain of HK\$25.8 million) on capitalization of loans in current year, since the capitalization of loans of last year did not happen again in current year.

Administrative and Other Expenses

During the year under review, amortization of other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) increased from HK\$6.0 million to HK\$97.6 million due to increase in valuation of these other intangible assets in last year. Staff costs (excluding directors' remuneration) were kept at around HK\$4.9 million (2016: HK\$4.9 million). Legal and professional fees decreased from HK\$21.1 million to HK\$6.5 million as quite a substantial number of legal proceedings involving the Company experienced little development during the year under review.

Finance Costs

During the year under review, total finance costs increased to HK\$410.8 million (2017: HK\$369.4 million) mainly resulted from the net effect of (i) the increase in imputed interest of the Third Convertible Note to HK\$404.4 million (2017: HK\$358.9 million); and (ii) the decrease in interests on loans from third parties and shareholders to HK\$6.3 million (2017: HK\$8.1 million).

Loss Before Income Tax

For the year ended 31 March 2018, the loss before income tax of the Group was HK\$504.7 million (2017: profit before income tax of HK\$2,027.3 million). The turnaround to a loss from a profit was mainly attributable to the combined effects of the aforementioned factors.

The Company would like to highlight that (i) the reversal of impairment loss of HK\$94.0 million (2017: HK\$470.6 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 (ii) the impairment loss of HK\$69.4 million (2017: reversal of impairment loss of HK\$1,918.5 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 year end valuation exercises for accounting purposes, which would not affect the cashflow position of the Group.

OPERATION REVIEW

Mineral Resources, Commodities and Other Trading

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

Coal Mining

Lot 1 and Lot 1 Extension underground mining and Lot 2 underground mining would be developed on an integrated basis due to their geographical proximity and also for the sake of achieving economy of scale. Since coal production on Lot 2 underground mining would be targeted only in 2020, naturally not much development work was noted for Lot 1 and Lot 1 Extension for the year under review, as there was no urgency to develop Lot 1 and Lot 1 Extension underground mining alone right now.

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. Given the order of Sibnedra, Kuzbassnedra had finalized 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 had been effective on the date of its state registration with Kuzbassnedra on 14 December 2017, which formed an integral part of the Lot 1 mining license. Hence, the extension of mining license of Lot 1 from 1 November 2017 to 1 July 2025 had been completed by 14 December 2017.

LLC "SibGeoProject", a consulting firm engaged by the Group which is capable of providing geological exploration through to mine construction, continued to refine mine design for Lot 2 open pit mining. Technical specification to develop open pit mining in certain area of Lot 2 was developed. Airborne photographic surface survey for Lot 2, and State Environmental Expert Review, a certain kind of requested environmental impact assessment, would be proceeded.

The Group 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. The documentation of drilling data was extracted, after the core samples collected and analyzed.

LLC “SibGeoProject” had 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 were transferred to LLC “SibGeoProject” to start the preparation work.

Geographical

In the year under review, the Republic of Korea (“**Korea**”) is the Group’s sole market segment which accounted for 100% (2017: 100%) of the total revenue.

Joint Venture in Kindergarten Project

As part of business diversification of the Group, the Company in June 2017 participated in a joint venture with an established education group in the People’s Republic of China (the “**PRC**”) to engage in direct operation and franchise of English kindergarten(s) in the PRC. The registered share capital of the PRC joint venture company is RMB10.0 million, and by holding a 40% stake in it, the Company’s share capital contribution is RMB4.0 million. The PRC joint venture company with its Chinese name “上海惟奉教育科技有限公司” (for identification purpose, the English translation name is “Shanghai Weifeng Education and Technology Co., Ltd”) has been established in February 2018.

PROSPECTS

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

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

Mineral Resources, Commodities and Other Trading

The Group will continue to adopt a 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 integration module, and paper for newspaper printing.

The increase in price of gasoline and other petroleum related products during the year, and the solid demand in different electronic components of mobile phone caught the attention of the Group. The Group might start lining up business connections with these products and will not hesitate to further diversify its trading business into these products when opportunities arise.

Coal Mining

LLC “SibGeoProject” will keep on refining the mine design for Lot 2 open pit mining. The Group in early May 2018 has also engaged LLC “SibGeoProject” to conduct airborne photographic surface survey for both Lot 1 and Lot 2, and LLC “SibGeoProject” has already started the work. The final digital topographic map with program guide and explanatory notes, covering an area of 29 km² at the scale of 1: 2000, would be expected in August 2018. LLC “SibGeoProject” will also assist in State Environmental Expert Review (a certain kind of requested environmental impact assessment) and the preparation of TEO Condition and the geological report for subsequent submission to GKZ for expert review, and the related engagement letter with LLC “SibGeoProject” is now being finalized. In addition, the Group is considering the acquisition of a plot of land within the boundary of Lot 2 for initial infrastructure and facilities purposes, when sufficient capital expenditure budgeting allows.

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 submitted To GKZ for review and approval. The Group targets to obtain protocol on approving additional coal reserves by GKZ after September 2018. The Group is also considering a plan for preparation of a new technical report on an integrated basis which will cover both open pit mining and underground mining of Lot 2, as well as underground mining of Lot 1 and Lot 1 Extension, when sufficient capital expenditure budgeting allows.

Joint Venture in Kindergarten Project

The entire capital contribution of RMB4.0 million by the Company into the PRC joint venture company “上海惟奉教育科技有限公司” has been completed in early April 2018.

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 try its best to maintain proper communications with the holder(s) of the Third Convertible Note to resolve the alleged disputes in an amicable manner, including but not limited to possible conversion of a significant portion of it and/or possible extension of the maturity date.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had net current liabilities of HK\$3,609.4 million (2017: HK\$3,239.5 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 0.43% (2017: 0.46%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 4.17% (2017: 1.83%).

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

During the year under review, the Group recorded a net cash outflow of HK\$1 million (2017: net cash inflow of HK\$21.6 million), while the total cash and cash equivalents decrease to HK\$9.6 million (2017: increase to HK\$10.8 million) as at the end of reporting period.

The management will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities of the Group as at 31 March 2018. Cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The management will continue to closely review the Group's financial resources in a cautious manner and explore opportunities in potential financial institutions financing and equity funding. Apart from the loan capitalizations as disclosed in the Company's announcement dated 5 January 2017, the Company will take proactive actions to improve the liquidity and financial position of the Group by way of equity fund raising exercises including placement of new shares as well as other pre-emptive offers. The Company will closely monitor the market situation and take prompt actions when such opportunities arise. During the year, the Company has raised several loans of a total HK\$8.8 million (2017: HK\$47.8 million) for the Group's daily operation and the mine construction.

In addition to the above measure to improve the liquidity of the Group, the Company also explores way to improve its overall financial position. In particular, the Company has communicated with Daily Loyal Limited, the current holder of the Third Convertible Note, with an aim to deal with such major liability of the Group, including but not limited to the possible conversion of a significant portion of the outstanding Third Convertible Note. The Company believes that such conversion, if happened, will be beneficial to the Company, its shareholders and other stakeholders of the Company (including the holder of the Third Convertible Note) as 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 year under review. Certain expenses of the Group are dominated in RUB and KRW which fluctuated in a relatively greater spread during the year. Therefore, shareholders should be aware that the exchange rate volatility of RUB and KRW against HKD may have favourable or adverse effects on the operating results of the Group.

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

LITIGATIONS

During the year and up to the date of this announcement, the Group has been involved in a number of legal proceedings. Details of the litigations are set out in Note 27 to the financial statements.

CAPITAL COMMITMENTS

As at 31 March 2018, the Group had capital commitments in respect of the exploration related contracts are HK\$2.2 million (2017: HK\$8.3 million) and no capital commitments in acquisition of property, plant and equipment (2017: Nil).

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 31 March 2018 or 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.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2018, the Group had approximately 19 (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

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend in respect of the financial year ended 31 March 2018.

CORPORATE GOVERNANCE

Corporate Governance Code

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

- (i) Under code provision A.6.7 of the CG Code, independent non-executive Directors (“**INEDs**”) should attend the general meetings and develop a balanced understanding of the views of shareholders. However, two the then INEDs of the Company (Mr. Lai Han Zhen and Mr. Jo Sang Hee) 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.
- (ii) Under code provision A.5.1 of the CG Code, the Nomination Committee should comprise of a majority of INEDs. However, following the resignation of Mr. Lai Han Zhen (the then INED) with effect from 27 December 2017, the Nomination Committee of the Company no longer comprised of a majority of INEDs.

Non-compliance with Provisions of the Listing Rules

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

- (i) Following the resignation of Mr. Lai Han Zhen (the then INED) with effect from 27 December 2017, the Board was unable to fulfil the requirement of having at least three INEDs under Rule 3.10(1) and three members on the Audit Committee under Rule 3.21 of the Listing Rules.

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 (except certain Directors who had resigned from December 2017 to April 2018) confirmed that they have complied with the required standards as set out in the Model Code.

Audit Committee

During the year under review and up to 30 August 2017, the audit committee of the Company (the “**Audit Committee**”) consisted of three independent non-executive directors (“**INEDs**”) of the Company, chaired by Mr. Kwok Kim Hung Eddie and the other members are Mr. Jo Sang Hee and Mr. Lai Han Zhen.

From 31 August 2017 to 26 December 2017, the Audit Committee consisted of three INEDs, namely, Mr. Kwok Kim Hung Eddie (chairman of the Audit Committee), Mr. Lai Han Zhen and Mr. Lee Sungwoo.

From 27 December 2017 to 28 March 2018, the Audit Committee consisted of two INEDs, namely, Mr. Kwok Kim Hung Eddie (chairman of the Audit Committee) and Mr. Lee Sungwoo.

From 29 March 2018 and up to the date of this announcement, the Audit Committee consisted of three INEDs, namely, Mr. Kwok Kim Hung Eddie (chairman of the Audit Committee), Ms. Chen Dai and Mr. Lee Sungwoo.

The annual results of the Group for the year ended 31 March 2018 have been reviewed by the Audit Committee.

AUDITOR

The consolidated financial statements for the year ended 31 March 2018 have been audited by JH CPA Alliance Limited (“**JH CPA**”) who will retire and being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

SCOPE OF WORK OF JH CPA

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 have been agreed by the Group's auditor, JH CPA, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by JH CPA in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by JH CPA on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <http://siberian.todayir.com>, respectively. The annual report of the Company for the year ended 31 March 2018 will be despatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

ACKNOWLEDGEMENT

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

By Order of the Board
Siberian Mining Group Company Limited
Jo Sang Hee
Chairman

Hong Kong, 29 June 2018

As at the date of this announcement, the Board consists of Mr. Jo Sang Hee and Mr. Ahn Kibaek as executive directors, and Ms. Chen Dai, Mr. Kwok Kim Hung Eddie and Mr. Lee Sungwoo as independent non-executive directors.