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 2019

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 2019, together with the comparative figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Turnover	*4*	**647,951**	2,972
Cost of sales		**(643,370)**	(2,934)
Gross profit		**4,581**	38
Other income	*4*	**103**	166
Other gains and losses	*4*	**71,715**	24,529
Selling and distribution costs		**(1,094)**	(68)
Administrative and other expenses		**(19,317)**	(21,052)
Other expenses	*4*	**(107,502)**	(97,581)
Share of results of joint venture		**(204)**	—
Finance costs	*5*	**(9,230)**	(410,755)
Loss before income tax	*6*	**(60,948)**	(504,723)
Income tax	*7*	**806**	(6,408)
Loss for the year		**(60,142)**	(511,131)

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

For the year ended 31 March 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Attributable to:			
Owners of the Company	*8*	**(61,730)**	(509,455)
Non-controlling interests		**1,588**	(1,676)
		(60,142)	(511,131)
Loss per share			
Basic (Hong Kong cents)	*10*	**(5)**	(42)
Diluted (Hong Kong cents)	*10*	**(5)**	(42)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(60,142)**	(511,131)
Other comprehensive expense for the year, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(69,615)**	(3,956)
Total comprehensive expenses for the year, net of tax	**(129,757)**	(515,087)
Attributable to:		
Owners of the Company	**(124,414)**	(513,570)
Non-controlling interests	**(5,343)**	(1,517)
	(129,757)	(515,087)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	**14,397**	14,901
Other intangible assets	*13*	**479,729**	522,142
Exploration and evaluation assets	*14*	**2,271,689**	2,331,014
		2,765,815	2,868,057
Current assets			
Trade receivables	*15*	**22,859**	2,747
Prepayments for acquisition of property, plant and equipment		**1,310**	418
Other receivables, deposits and prepayments		**7,690**	2,983
Asset classified as held for sale	*16*	**4,061**	—
Cash and cash equivalents	*17*	**1,747**	9,611
		37,667	15,759
Current liabilities			
Other payables, accrued expenses and trade deposit received		**20,869**	18,888
Interest-bearing borrowings	*18*	**7,953**	9,468
Amount due to shareholders	*19(a) & (b)*	**2,374**	1,968
Purchase consideration payable for additional acquisition	*20*	**3,349**	3,348
Convertible note payables	*21*	**3,591,498**	3,591,498
		3,626,043	3,625,170
Net current liabilities		**(3,588,376)**	(3,609,411)
Total assets less current liabilities		**(822,561)**	(741,354)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current liabilities			
Amount due to shareholders	*19(c) & (d)*	**134,124**	106,657
Interest-bearing borrowings	*18*	**60,166**	37,409
Promissory notes payables	*22*	**15,600**	15,600
Provision for close down, restoration and environmental costs	*23*	**1,470**	1,528
Deferred tax liabilities	*24*	**4,777**	6,490
		216,137	167,684
NET LIABILITIES		**(1,038,698)**	(909,038)
CAPITAL AND RESERVES			
Share capital	*25*	**241,695**	241,695
Reserves		**(1,301,041)**	(1,176,724)
Equity attributable to owners of the Company		**(1,059,346)**	(935,029)
Non-controlling interests		**20,648**	25,991
CAPITAL DEFICIENCIES		**(1,038,698)**	(909,038)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

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 Units A & B, 15/F, Chinaweal Centre, 414-424 Jaffe Road, Causeway Bay, Hong Kong.

The Company engages in investment holding. The principal activities of its principal subsidiaries are engaged in holding mining and exploration rights of coal mines in Russia, and mineral resources, commodities and other trading in the Republic of Korea.

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

The consolidated financial statements for the year ended 31 March 2019 were approved for issue by the Board of Directors on 28 June 2019.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumptions

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

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

During the year, the Group incurred total comprehensive expense of HK$129,757,000 (2018: total comprehensive expense of HK$515,087,000) and, as at 31 March 2019, the Group's current liabilities exceeded its current assets by approximately HK$3,588,376,000 (2018: HK$3,609,411,000) and there was a capital deficiency of HK$1,038,698,000 (2018: HK$909,038,000) as at 31 March 2019. 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)*

As described more fully in Note 21, the Third Convertible Note (the "CN") was issued on 3 April 2013 at zero coupon rate with an original maturity date on 3 April 2018.

Subsequent to various actions by CN holders against converting part of the principal amount of the CN into shares of the Company, the registered CN holders of not less than 75%, resolved to amend the CN agreement whereby, inter alia, the maturity date of the CN was extended to 19 October 2019 and the Company was granted the right to require the principal amount of the CN to be converted into shares of the Company which the Company did exercise on 19 October 2018 to require the conversion of US$340,390,000 (equivalent to approximately HK$2,655,042,000) in principal amount of the CN, resulting in the issue of 55,313,376 new shares in the Company at HK$48 per share.

The application by the Company to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for its consent to the amendments to the CN agreement and listing approval for the new shares was rejected for reasons that:

— Prior consent had not been obtained from the Stock Exchange for any proposed change to the terms of convertible securities after issue and before the Company exercising its conversion right.

— Legal proceedings concerning the disputes among the previous and the present CN holders over ownership were still ongoing.

— The ownership of part of the CN transferred from Daily Loyal Limited to Gold Ocean and China Panda Limited (the "Transfers") remain the subject of ongoing litigation under the High Court actions HCA 1071/2017 and HCA 2501/2017. In the meantime, the Transfers remain registered on the Company's register of noteholders, and have not been reversed or cancelled.

In consequence, the Company entered into a cancellation agreement whereby amendments and share conversion and share issue aforementioned were cancelled and reversed and the Company's number of issued shares was reverted to 1,208,475,523 shares.

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

– Continue to exercise cost control in administrative and other expenses by further streamlining the Group's operations.

2. BASIS OF PREPARATION *(Continued)*

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

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 and a shareholder to provide continuous financial support to the Group. The loan facility will provide funding to the Group of up to US$100,300,000 (approximately HK$782,340,000) for the 18 months period commencing on 24 June 2019 and 25 June 2019 (as the case maybe).

(ii) As set out in Note 18, with regard to Other Loan 3, the lender has agreed not to demand for repayment for the amount due before 31 December 2020. In the opinion of the Directors, a further extension can be obtained 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 2020. In the opinion of the Directors, a further extension can be obtained when necessary.

(iv) 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 31 December 2020. In the opinion of the Directors, a further extension can be obtained when necessary.

(v) As set out in note 22, with regard to promissory notes, the promissory notes holder has agreed not to demand for repayment of the amount due before 31 December 2020. In the opinion of the Directors, a further extension can be obtained when necessary.

(vi) 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 2020.

(vii) 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.

(viii) The Company has initiated ways of enhancing the Group's overall financial position including, but not limited to, capital reorganization 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 funding and financial support obtained as set out above, in the opinion of the Directors, the Group will have sufficient funds to satisfy its future working capital and other financial commitments as and when they fall due. Accordingly, the Directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

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 2018, except in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current year's financial statements as explained in (b).

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

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

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and its clarification
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendment to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS Insurance Contracts
Amendment to HKFRS 15	Clarifications to HKFRS 15
HK(IFRIC) 22	Foreign currency transactions and advance Consideration
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRSs 2014-2016 cycle	Amendments to HKFRS 1 and HKAS 28

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.

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

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

HKFRS 9, 'Financial Instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. HKFRS 9 remains 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 unless the entity has elected to present gains or losses on that investment 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 principle-based approach.

Under HKFRS 9, trade receivables of the Group are classified as measured at amortised cost with earlier recognition of loss is expected, and amount of relevant impairment provision may be revised when ECL is referenced. Gains or losses realized 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.

The Group has assessed the effects of applying the new standard on the consolidated financial statements and has not identified any significant impact to the Group.

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.

The Group has assessed the effects of applying the new standard on the consolidated financial statements and has not identified any significant impact to the Group.

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

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

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

Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a business[4]
Amendments to HKAS 19	Employee Benefits[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Transactions[1]
Annual Improvements to HKFRSs 2015-2017 cycle	Amendments to HKFRS 3, HKFRS 11, HKAS12 and HKAS 23[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2021 with earlier application permitted.

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

4 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early application of the amendments continues to be permitted.

HKFRS 16, 'Leases'

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$1,666,000. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated profit or loss and other comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase.

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

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

4. TURNOVER, OTHER INCOME, AND OTHER GAINS AND LOSSES 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, other gains and losses and other expenses are as follows:

	2019	2018
	HK$'000	*HK$'000*
Turnover		
Gasoline trading	**642,320**	—
Other trading	**5,631**	2,972
	647,951	2,972
Other income		
Bank interest income	**11**	—
Exchange gain, net	—	50
Sundry income	**92**	116
	103	166
Other gains and losses		
Reversal of impairment loss on other intangible assets *(Note 13)*	**130,432**	93,951
(Impairment loss)/Reversal of impairment loss on property, plant and equipment *(Note 12 & 13)*	**(18)**	6
Impairment loss on exploration and evaluation assets *(Note 14)*	**(58,699)**	(69,428)
	71,715	24,529
Other expenses		
Amortisation of other intangible assets — mining right *(Note 13)*	**107,502**	97,581

5. FINANCE COSTS

	2019 *HK$'000*	2018 *HK$'000*
Interest expenses on		
Loan from third parties	**3,315**	3,233
Loan from shareholders	**5,843**	3,077
Imputed interest on convertible note *(Note 21)*	**—**	404,387
	9,158	410,697
Bank charges	**72**	58
	9,230	410,755

6. LOSS BEFORE INCOME TAX

	2019 *HK$'000*	2018 *HK$'000*
Loss before income tax is arrived at after charging/(crediting):—		
Employees benefit expenses (excluding directors' emoluments):—		
Wages and salaries	**6,362**	4,575
Pension fund contributions	**284**	334
	6,646	4,909
Amortisation of other intangible assets — mining right *(Note 13)*	**107,502**	97,581
Bad debt recovered	**—**	(13)
Depreciation	**63**	51
Auditor's remuneration		
— Group	**1,600**	1,650
— Overseas subsidiaries	**116**	174
Provision for close down, restoration and environmental costs *(Note 23)*	**138**	62
Minimum lease payments in respect of premises under operating leases	**1,799**	1,953
Net exchange losses/(gain)	**1,408**	(50)
Cost of inventories sold	**643,370**	2,934

7. INCOME TAX

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

	2019	2018
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**—**	—
Current – Korea	**81**	—
Deferred tax *(Note 24)*	**(887)**	6,408
	(806)	6,408

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 as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss before income tax expenses	**(60,948)**	(504,723)
Tax credit calculated at the weighted average statutory tax rate	**(10,379)**	(83,426)
Tax effect of expenses not deductible for taxation purposes	**25,089**	89,632
Tax effect of income not taxable for taxation purposes	**(14,960)**	(6,892)
Tax effect of unrecognised temporary difference	**(884)**	6,410
Tax effect of tax losses not recognised	**451**	694
Tax effect of prior year year's unrecognised tax losses utilised this year	**(108)**	—
Tax exempted in current year	**(15)**	—
Income tax (credit)/charge for the year	**(806)**	6,408

8. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss from ordinary activities attributable to owners of the Company for the year ended 31 March 2019 includes a loss of HK$61,730,000 (2018: HK$509,455,000) 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 2019 (2018: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss attributable to the owners of the Company, used in the basic and diluted loss per share	**(61,730)**	(509,455)

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share	**1,208,475,523**	1,208,475,523

11. SEGMENT INFORMATION

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

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

(i) Mining segment comprises holding mining and exploration rights of coal mines in Russia.

11. **SEGMENT INFORMATION** *(Continued)*

(ii) Mineral resources, commodities and other trading segment comprises the business of integration module and gasoline trading in the Republic of Korea ("**Korea**").

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

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

(a) Reportable segments

The following table presents revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the years ended 31 March 2019 and 2018.

For the year ended 31 March 2019

	Mining *HK$'000*	**Mineral resources, commodities and other trading** *HK$'000*	**Consolidated total** *HK$'000*
Reportable segment revenue			
Revenue from external customers	—	647,951	647,951
Reportable segment (loss)/profit	(42,033)	3,053	(38,980)
Reversal of impairment loss on other intangible assets	130,432	—	130,432
Impairment loss on property, plant and equipment	(18)	—	(18)
Reversal of impairment loss on exploration and evaluation assets	(58,699)	—	(58,699)
Depreciation	(58)	(5)	(63)
Amortisation of other intangible assets	107,502	—	107,502
Reportable segment assets	2,769,368	28,412	2,797,780
Additions to non-current assets	4,611	53	4,664
Reportable segment liabilities	(42,319)	(26,533)	(68,852)

11. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

For the year ended 31 March 2018

	Mining *HK$'000*	Mineral resources, commodities and other trading *HK$'000*	Consolidated total *HK$'000*
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)
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)*

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

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue and consolidated revenue	**647,951**	2,972
Loss before income tax		
Reportable segment loss	**(38,980)**	(79,349)
Other gains and losses	**2**	—
Unallocated corporate expenses	**(12,536)**	(14,619)
Share of results of joint venture	**(204)**	—
Finance costs	**(9,230)**	(410,755)
Consolidated loss before income tax	**(60,948)**	(504,723)
Assets		
Reportable segment assets	**2,797,780**	2,876,971
Unallocated corporate assets	**5,702**	6,845
Consolidated total assets	**2,803,482**	2,883,816
Liabilities		
Reportable segment liabilities	**(68,852)**	(47,193)
Unallocated corporate liabilities	**(3,773,328)**	(3,745,661)
Consolidated total liabilities	**(3,842,180)**	(3,792,854)

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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Russia	**—**	—	**2,765,768**	2,868,057
Korea	**647,951**	2,972	**47**	—
	647,951	2,972	**2,765,815**	2,868,057

(c) Information about major customers

For the year ended 31 March 2019, the four customers of the mineral resources, commodities and other trading segment with revenue of HK$51,477,000, HK$59,358,000, HK$60,103,000 and HK$60,735,000, respectively, each contributed to a range from 8% to 9% of the Group's revenue.

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

12. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Freehold land	Furniture and fixture	Equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 April 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
Additions	1,370	—	19	65	1	1,455
Disposals	—	—	(16)	(6)	—	(22)
Exchange realignments	(1,673)	(228)	(17)	(1)	(26)	(1,945)
At 31 March 2019	**12,693**	**1,554**	**154**	**232**	**182**	**14,815**
Accumulated depreciation and impairment						
At 1 April 2017	—	—	121	110	170	401
Charge for the year *(Note 6)*	—	—	9	22	20	51
Reversal of impairment loss *(Note 4)*	(5)	(1)	—	—	—	(6)
Written back on disposal	—	—	—	(24)	—	(24)
Exchange realignments	5	1	(1)	—	(1)	4
At 31 March 2018	—	—	129	108	189	426
Charge for the year *(Note 6)*	—	—	16	28	19	63
Impairment loss *(Note 4)*	16	2	—	—	—	18
Written back on disposals	—	—	(16)	(6)	—	(22)
Exchange realignments	(16)	(2)	(14)	—	(35)	(67)
At 31 March 2019	**—**	**—**	**115**	**130**	**173**	**418**
Net carrying value						
At 31 March 2019	**12,693**	**1,554**	**39**	**102**	**9**	**14,397**
At 31 March 2018	12,996	1,782	39	66	18	14,901

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

13. OTHER INTANGIBLE ASSETS

	Mining right
	HK$'000
Cost	
At 1 April 2017	1,737,411
Exchange realignments	(8,705)
At 31 March 2018 and 1 April 2018	1,728,706
Exchange realignments	(221,184)
At 31 March 2019	**1,507,522**
Accumulated amortisation and impairment losses	
At 1 April 2017	1,208,323
Charge for the year *(Note 6)*	97,581
Reversal of impairment loss *(Note 4)*	(93,951)
Exchange realignments	(5,389)
At 31 March 2018 and 1 April 2018	1,206,564
Charge for the year *(Note 6)*	107,502
Reversal of impairment loss *(Note 4)*	(130,432)
Exchange realignments	(155,841)
At 31 March 2019	**1,027,793**
Net carrying value	
At 31 March 2019	**479,729**
At 31 March 2018	522,142

Mining right

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

In performing the impairment test for current year, the Directors of the Company have engaged Ravia Global Appraisal Advisory Limited ("**Ravia**") (2018: Access Partner Consultancy & Appraisals Limited ("**Access Partner**")), an independent firm of professional valuer in determining the recoverable amount of the mining right which is the higher of the asset's fair value less costs to sell and its value in use. Given the current development status of the mining right, the Directors have determined the fair value less costs to sell to be its recoverable amount. The recoverable amount is derived by using a discounted cash flow ("**DCF**") analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating the mining right's fair value.

13. OTHER INTANGIBLE ASSETS *(Continued)*

Mining right *(Continued)*

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

(i) Cash flow projection is determined for a period of 15 years up to 2033 (2018: a period of 16 years up to 2033) with the first year of production taken to be from year 2023 (2018: first year of production from year 2023) based on the senior management's current best estimated production plan.

(ii) Cost of production (including royalties) on average is taken as 46.08% (2018: 47.25%) of revenue.

(iii) The post-tax discount rate applied to the cash flow projection is 22.40% (2018: post-tax discount rate of 19.89%).

(iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (2018: 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 show an increase of approximately 8% to 14% (depends on different type of coals) when compared to that of last year.

(vi) The exchange rate for US Dollars ("**US$**") to Russian Rubles ("**RUB**") with reference to the approximate spot rate as of 31 March 2019 is taken to be 1.00 US$ to 65.63 RUB (2018: 1.00 US$ to 57.13 RUB).

(vii) The inflation rate on operating costs is 3% p.a. (2018: 3% p.a.).

(viii) The Group is able to renew the relevant licence for the mining right upon its existing expiry date.

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

The Directors of the Company are of the opinion that based on the valuation, the mining right was evaluated downward, as the carrying value was subject to amortization charge during the year, it thus would result in a reversal of impairment loss of HK$130,432,000 (2018: HK$93,591,000) compared with its carrying value as at 31 March 2019. The reversal of impairment loss is mainly attributable to the net effects of the increase of the relevant coal prices, 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 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 reversal of impairment loss when compared with that of coal prices increase, depreciation of Russian Rubles to US Dollars and post-tax discount rate increase.

13. OTHER INTANGIBLE ASSETS *(Continued)*

Mining right *(Continued)*

The Directors of the Company are also of the opinion that based on the valuation above, property, plant and equipment associated with the mining right were partially impaired compared with their recoverable amounts as at 31 March 2019. Impairment loss of HK$18,000 (2018: reversal of impairment loss of HK$6,000) (Note 12) was recognised for property, plant and equipment associated with the mining right during the current year.

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

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

14. EXPLORATION AND EVALUATION ASSETS

	Total *HK$'000*
Cost	
At 1 April 2017	3,636,206
Additions	8,044
Exchange realignments	39
At 31 March 2018 and 1 April 2018	3,644,289
Additions	3,209
Exchange realignments	(4,053)
At 31 March 2019	**3,643,445**
Accumulated impairment losses	
At 1 April 2017	1,243,808
Impairment loss *(Note 4)*	69,428
Exchange realignments	39
At 31 March 2018 and 1 April 2018	1,313,275
Impairment loss *(Note 4)*	58,699
Exchange realignments	(218)
At 31 March 2019	**1,371,756**
Net carrying amount	
At 31 March 2019	**2,271,689**
At 31 March 2018	2,331,014

Exploration and evaluation assets are considerations paid for the acquisition of the exploration and mining rights located adjacent to the Lapichevskaya Mine (the "**New Exploration and Mining Licence**").

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 current year, the Directors of the Company have engaged Ravia (2018: Access Partner) to determine the recoverable amount of the exploration and evaluation asset which is the higher of the asset's fair value less costs to sell and its value in use. Given the current development status of the exploration and evaluation asset, the Directors have determined the fair value less costs to sell to be its recoverable amount. The recoverable amount is derived by using a DCF analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating the exploration and evaluation asset's fair value.

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

(i) Cash flow projection is determined for a period of 11 years up to 2029 (2018: a period of 12 years up to 2029) with the first year of production taken to be from year 2020 (2018: first year of production from year 2020) based on the senior management's current best estimated production plan.

(ii) The post-tax discount rate applied to the cash flow projection is 22.40% (2018: 19.89%).

(iii) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show an increase of approximately 8% (depends on different type of coals) when compared to that of last year.

(iv) The Directors have assumed the average increment in coal sales prices is 3% p.a. (2018: 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 2019 is taken to be 1.00 US$ to 65.63 RUB (2018: 1.00 US$ to 57.13 RUB).

(vi) The inflation rate on operating costs is 3% p.a. (2018: 3% p.a.).

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (ii), (iii) and (v) mentioned above, other major assumptions used in the DCF analysis in current 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$58,699,000 (2018: HK$69,428,000) compared with its carrying value as at 31 March 2019. The impairment loss is mainly attributable to the net effects of the increase of the relevant coal prices, 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 changes in parameters for the other major assumptions in the DCF analysis for item (i) mentioned above do not have material impacts on the resultant impairment loss when compared with that of coal prices increase, 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 specific credit term to trade customers and no interest is charged.

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**22,859**	2,747
Less: Allowance for doubtful debts	**—**	—
	22,859	2,747

Included in the Group's accounts receivables are debtors (see below for aged analysis) which are past due as at the end of each reporting period for which the Company have not provided for allowance of doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right to offset against any amounts owed by the Company to the counterparty. The average age of these receivables is 15 days. (2018: 15 days)

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

	2019	2018
	HK$'000	*HK$'000*
Neither past due nor impaired	**22,859**	2,747

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:

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	—	13
Reversal of impairment loss recognised during the year	—	(13)
At end of year	—	—

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. **ASSET CLASSIFIED AS HELD FOR SALE**

	2019	2018
	HK$'000	*HK$'000*
Non-current asset held for sale		
Investment in joint venture	**4,061**	—

On 10 June 2019, the Company disposed of the 40% equity interest in the joint venture to a creditor of the Company at a consideration of RMB4,000,000.

Details of the Group's joint venture at the end of the reporting year is as follows:

Name of company	**Principal activities**	**Place of incorporation/ operation**	**Proportion of ownership interest and voting right held by the Group**	
			31/3/2019	31/3/2018
上海惟奉教育科技有限公司 (Shanghai Weifeng Education and Technology Co., Ltd)	Education Technology	People's Republic of China ("PRC")	**40%**	—

The above joint venture is accounted for using the equity method in these consolidated financial statements.

16. ASSET CLASSIFIED AS HELD FOR SALE *(Continued)*

The aggregate financial information related to the Group's share of joint ventures are as follows:

	2019	2018
	HK$'000	*HK$'000*
Current assets	**2,204**	—
Current liabilities	**(1,172)**	—
	1,032	—

	2019	2018
	HK$'000	*HK$'000*
Revenue	**17**	—
Loss and total comprehensive expenses for the year	**(1,547)**	—
Net asset of joint venture	**10,153**	—
Proportion of the Group's ownership interest in the joint venture	**40%**	—
Carrying amount of the Group's interest in the joint venture	**4,061**	—

17. 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.

	2019	2018
	HK$'000	*HK$'000*
Cash and cash equivalents were denominated in:		
Russian Ruble ("**RUB**")	**738**	24
Korean Won ("**KRW**")	**33**	1,011
United States Dollars ("**US$**")	**6**	5,086
Euro ("**EUR**")	**—**	10
Hong Kong Dollars ("**HK$**")	**970**	3,480
Total	**1,747**	9,611

18. INTEREST-BEARING BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Other loan 1 *(Note a)*	**—**	5,148
Other loan 2 *(Note b)*	**4,508**	9,468
Other loan 3 *(Note c)*	**28,561**	28,561
Other loan 4 *(Note d)*	**—**	1,480
Other loan 5 *(Note e)*	**—**	2,220
Other loan 6 *(Note f)*	**21,497**	—
Other loan 7 *(Note g)*	**3,445**	—
Other loan 8 *(Note h)*	**10,108**	—
	68,119	46,877

	2019	2018
	HK$'000	*HK$'000*
Carrying amount repayable:—		
Within one year or on demand	**7,953**	9,468
Over one year	**60,166**	37,409
	68,119	46,877

Note:

a. During the year 2019, fixed rate loans from an independent third party amounted to US$660,000 (equivalent to approximately HK$5,148,000) ("**Other Loan 1**") was bearing interest at 7% per annum and repayable after 6 months from the date of drawdown or on demand. The amount was fully settled during the year.

On 5 October 2018, a part of Previous Loan 2 (as defined hereinbelow) in aggregate amount of HK$4,960,000 (including its interest payable) was assigned from an independent third party.

On 22 March 2019, the lender had assigned the Other Loan 1 (including interest payable) and a part of Previous Loan 2 in aggregate amount of HK$4,960,000 (including interest payable) to another independent third party ("**Other Loan 8**").

18. **INTEREST-BEARING BORROWINGS** *(Continued)*

Note: (Continued)

b. In the previous year, the lender (a Director who resigned during 2017) was considered as an independent third party of the Company. Therefore, the outstanding amounts were classified as interest-bearing borrowings.

   During the year 2019, the aggregate amount of HK$9,468,000 ("**Previous Other Loan 2**") was bearing interest at 5% per annum and repayable upon maturity or on demand.

   On 5 July 2018, a part of Previous Other Loan 2 which amounted to HK$4,960,000 (including interest payable) was assigned to an independent third party.

   Therefore, the remaining unsettled Previous Other Loan 2 in aggregate amount of HK$4,508,000 (2018: HK$9,468,000) was due to the independent third party ("**Other Loan 2**"). Other Loan 2 was bearing interest at 5% per annum and repayable upon maturity or on demand.

c. In the previous year, the lender, who was classified as amount due to a related party in 2017, was considered as an independent third party of the Company. Therefore, the outstanding amounts were classified as interest-bearing borrowings.

   During the year 2019, such loan amount ("**Other Loan 3**") was bearing interest at 5%-6% per annum with no fixed term of repayment or on demand. The lender had agreed to extend the repayment date to 31 December 2020.

d. During the year 2019, the loan amount ("**Other Loan 4**") in aggregate amount of KRW200,000,000 (equivalent to approximately HK$1,480,000 (including interest payable)) had been fully settled.

e. During the year 2019, the loan amount ("**Other Loan 5**") in aggregate amount of KRW300,000,000 (equivalent to approximately HK$2,220,000 (including interest payable)) had been fully settled.

f. During the year 2019, a new loan amount of KRW3,120,000,000 (equivalent to approximately HK$21,497,000) was obtained from an independent third party ("**Other Loan 6**"). Other Loan 6 is unsecured, bearing interest at 4.6 % 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 31 December 2020.

g. During the year 2019, a new loan amount of KRW500,000,000 (equivalent to approximately HK$3,445,000) was obtained from an independent third party ("**Other Loan 7**"). Other Loan 7 is unsecured, bearing interest at 6 % per annum and repayable after 12 months from the date of drawdown or on demand. The Other Loan 7 (including interest payable) has been fully settled after the year end.

h. On 22 March 2019, Other Loan 8 in aggregate amount of US$660,000 (equivalent to approximately HK$5,148,000 (including interest payable)) and in aggregate amount of HK$4,960,000 (including interest payable) had been assigned from an independent third party.

   During the year 2019, Other Loan 8 was bearing interest at 5%-7% per annum with no fixed term of repayment or on demand. The lender had agreed to extend the repayment date to 31 December 2020.

19. AMOUNT DUE TO SHAREHOLDERS

(a) In the previous year, the amount due to a shareholder amounting to HK$228,000 was unsecured, interest-free and repayable on demand.

(b) During the year 2019, the amount due to a shareholder amounting to HK$2,146,000 (2018: HK$1,968,000) is unsecured, bears interest at the weighted average effective interest rate of 10% per annum and repayable upon maturity or on demand.

(c) During the year 2019, the amount due to a shareholder amounting to HK$100,111,000 (2018: HK$72,797,000) is unsecured and bears interest at the rate of 5.5%-10% per annum. During the year 2019, agreements were entered into with the same shareholder for new loans in the amount of HK$21,900,000 which bear interest at 5.5%-6% per annum and repayable after 1 year from the date of drawdown or on demand. The shareholder agreed to extend the repayment date of all loans (including new addition loan and interest payable) to 31 December 2020.

(d) The amount due to a shareholder totaling HK$34,013,000 (2018: HK33,687,000), 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 2020.

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 Russians for a consideration of US$9,490,600 (equivalent to approximately HK$74,027,000) to be satisfied by payment of cash in four stages (the "**Additional Acquisition**"). The first and second stages of payments in aggregate amount of US$4,095,300 (equivalent to approximately HK$31,943,000) were made before 31 March 2010. The remaining consideration payable on the Additional Acquisition will be settled in two stages upon the fulfilment of the certain conditions as follows: (i) an amount of US$4,095,300 (equivalent to approximately HK$31,943,000) when the Group obtain the New Exploration and Mining Licence (the "**3rd Adjusted Consideration**") and (ii) an amount of US$1,300,000 (equivalent to approximately HK$10,140,000) which is only payable as and when the Group obtains the confirmation from the relevant tax authority in Russia of the taxation liabilities of Lapi (the "**4th Adjusted Consideration**").

In prior year, the Group has recognised US$1,300,000 (equivalent to approximately HK$10,140,000) of the 4th Adjusted Consideration as purchase consideration payable for the acquisition of additional 30% equity interest in Lapi. The Group's share of the 4th Adjusted Consideration in the amount of HK$9,126,000 was debited directly to other reserve in equity. The Group settled an aggregate amount of US$873,400 (equivalent to approximately HK$6,813,000) of the 4th Adjusted Consideration, the remaining balance of the 4th Adjusted Consideration is US$426,600 (equivalent to approximately HK$3,349,000 (2018: HK$3,348,000)).

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

21. CONVERTIBLE NOTE PAYABLES

(i) Convertible note

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

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

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

In April 2016, HASS Natural Resources Limited ("**HASS**") (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.

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 results, prior year adjustments on the Third Convertible Note were made to restate the balance in the 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 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 HKD$3,455,946,000) to US$431,190,000 (equivalent to approximately HKD$3,363,282,000) and accordingly, the principal amount of US$412,270,000 (equivalent to approximately HKD$3,215,706,000) of the Third Convertible Note held by Daily Loyal Limited would also be reduced by US$11,880,000 (equivalent to approximately HK$92,664,000) to US$400,390,000 (equivalent to approximately HK$3,123,042,000). Daily Loyal Limited agrees not to request any compensation from any of the other parties for such reduction.

21. CONVERTIBLE NOTE PAYABLES *(Continued)*

(i) Convertible note *(Continued)*

On 13 April 2017, the Company announced that Daily Loyal and the Company entered into an amended 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 within three business days upon signing of the Amendment Agreement; and (ii) 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 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.

On 19 October 2018, the Company announced that it has received transfer documents together with note certificates in respect of an aggregate US$309,270,000 in principal amount of the Original Notes, with instructions to transfer (i) US$226,170,000 in aggregate principal amount of the Original Notes from Daily Loyal Limited to China Panda Limited, and (ii) US$83,100,000 in aggregate principal amount of the Original Notes from Daily Loyal Limited to Gold Ocean (collectively, the "**Transferred Notes**").

The Company has accordingly registered the transfer of the Transferred Notes in the Register of Noteholders of the Company. Subsequently, the Company also received transfer documents together with note certificates in respect of an aggregate principal amount of US$20,000,000 with instructions to transfer such US$20,000,000 in notes from China Panda Limited to Gold Ocean. The Company has registered the transfer of such notes in the Register of Noteholders of the Company.

21. CONVERTIBLE NOTE PAYABLES *(Continued)*

(i) Convertible note *(Continued)*

On 19 October 2018, the Company and holders of not less than 75% in aggregate principal amount of the Original Notes amended the Note Instrument Constituting the Secured Convertible Notes in the Principal Amount of US$443,070,000 Due on the Date falling Five Years after the Date of the Issue of the Convertible Notes dated 3 April 2013 (the "**Original Note Instrument**") constituting the Original Notes, pursuant to Condition 14 of the Original Note Instrument, by entering into the Amended and Restated Note Instrument Constituting Convertible Notes in the Principal Amount of US$400,390,000 (the "**Amended Note Instrument**"). In consequence of such amendment, the Amended Note Instrument amends, superseded and replaced the Original Note Instrument in its entirety, and the convertible notes reconstituted under Amended Note Instrument (the "**Amended Notes**") replace the Original Notes in their entirety.

The principal changes made by the Amended Note Instrument to the Original Note Instrument were as follows:

1. The principal amount of the notes has been updated to a reduced principal amount of US$400,390,000 to reflect conversions of and adjustments to the Original Notes since their original issuance.

2. The maturity date of the Original Notes was five years after the date of issue of the Original Notes, or 3 April 2018. The Amended Note Instrument extended the maturity date of the Notes to the date falling one year after the date of the Amended Note Instrument without interest, or 19 October 2019.

3. The Original Note Instrument gave holders of the Original Notes the right to require conversion of the Original Notes. The Amended Note Instrument granted holders of the Amended Notes, as well as the Company, to require conversion of the Amended Notes.

4. The Original Notes were secured by certain share charges as provided in condition 6 thereunder. Pursuant to the Amended Note Instrument, the parties have agreed to release and discharge such share charges immediately after execution of the Amended Note Instrument.

5. Condition 14 of the Original Note Instrument provided that the terms and conditions of the Original Note Instrument may be amended by agreement in writing between the Company and the noteholders holding in aggregate not less than 75% in outstanding principal amount of the Original Notes. The Amended Note Instrument provided that the terms and conditions of the Amended Note Instrument may be amended by agreement in writing between the Company and noteholders holding in aggregate not less than 65% in outstanding principal amount of the Amended Notes.

6. Certain provisions under the Original Note Agreement requiring the approval of the noteholders thereunder (including the appointment of a Calculation Agent as defined thereunder, and other provisions for the protection of noteholders), have been amended to require the approval of noteholders holding in aggregate not less than 65% in outstanding principal amount of the Amended Notes.

21. CONVERTIBLE NOTE PAYABLES *(Continued)*

(i) Convertible note *(Continued)*

All other material terms of the Original Notes, including the conversion price thereunder of HK$48, remained unchanged.

Immediately following the Amended Note Instrument becoming effective, the Company exercised its right to require conversion of US$340,390,000 in principal amount of the notes, by delivering conversion notices to all the noteholders.

The conversion of the notes thereby effected resulted in the issuance of 55,313,376 Conversion Shares, and left US$60,000,000 in principal amount of the Amended Notes outstanding.

On 22 October 2018, the Company announced that it had exercised its rights under the Amended Note Instrument to require conversion of US$340,390,000 (equivalent to approximately HK$2,655,042,000) in the principal amount of the Amended Notes at a conversion price of HK$48 per Conversion Share, by delivering conversion notices to all noteholders.

The Company on 22 October 2018 allotted 55,313,376 Conversion Shares, of which 27,656,688 Conversion Shares were allotted to China Panda Limited, 14,640,844 Conversion Shares were allotted to Gold Ocean and 13,015,844 Conversion Shares were allotted to Daily Loyal Limited, and relevant share certificates have been issued in name of each of them accordingly. The Conversion Shares rank pari passu with all the existing Shares at the date of allotment and issue and among themselves in all respects.

The outstanding principal amount of the Amended Notes after the conversion was US$60,000,000 (equivalent to approximately HK$468,000,000).

On 20 May 2019, the Company announced in relation to, amongst other things, the amendments of the terms and conditions of the convertible notes (the "**Amendments**"), the partial conversion of the convertible notes (the "**Conversion**"), the issuance of conversion shares pursuant to the Conversion (the "**Conversion Shares**") and the cancellation agreement entered into by the Company on 16 May 2019 reversing the Amendments and the Conversion ("**Cancellation Agreement**").

Pursuant to the Cancellation Agreement, the Amendments and all transactions carried out pursuant thereto, including the Conversion, would be reversed and cancelled *ab initio*. As a result, the total number of issued shares of the Company would with immediate effect revert to 1,208,475,523 ordinary shares.

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 Ravia using the Hull model at the date of issue, and there was no change in the fair value of convertible note (2018: No change in the fair value of convertible note). The effective interest rate of the liability component of the Third Convertible Note was 12.01%.

	At 31 March 2019	At 31 March 2018
Expected volatility	**Nil**	20.41%
Expected life	**Nil**	0.01 years
Risk-free rate	**Nil**	0.72%
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		
	Liabilities component	**Derivative component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 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 and 1 April 2018	3,591,498	—	3,591,498
Imputed interest charged during the year *(Note 5)*	—	—	—
At 31 March 2019	**3,591,498**	**—**	**3,591,498**

22. PROMISSORY NOTES PAYABLES

	2019	2018
	HK$'000	*HK$'000*
At beginning of the year, and 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, an 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.

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

The Three PN Holders subsequently converted all the Modified PN 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, no imputed interest was charged to profit or loss. The remaining outstanding Modified PN is classified as non-current liabilities and carried on the amortised cost basis until extinguished on redemption. As at the end of the reporting period, the carrying amount of the Modified PN was HK$15,600,000 (2018: HK$15,600,000).

On 10 June 2019, the remaining promissory notes holder of the Modified PN agreed to extend the maturity date of the promissory notes to 31 December 2020.

23. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**1,528**	1,474
Provision during the year *(Note 6)*	**138**	62
Exchange realignments	**(196)**	(8)
At end of year	**1,470**	1,528

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

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

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 cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, coal mines and land development areas, whether operating, closed or sold, (ii) the extent of required clean-up efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites.

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

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:

	HK$'000
At 1 April 2017	6
Charge to the consolidated financial statements	6,408
Exchange realignments	76
At 31 March 2018 and 1 April 2018	6,490
Charge to the consolidated financial statements	(887)
Exchange realignments	(826)
At 31 March 2019	**4,777**

At 31 March 2019, the Group had unused tax losses of HK$28,232,000 (2018: HK$59,290,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2019 and 2018 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 2019 and 2018.

25. SHARE CAPITAL

	Number of shares		Nominal value	
	2019	2018	**2019**	2018
			HK$'000	*HK$'000*
Authorised:				
Ordinary shares of HK$0.2 each				
(2018: HK$0.2 each)	**5,000,000,000**	5,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
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 respect. Please also refer to Notes 21, 28(b) and (a) in relation to the issuance of 55,313,376 Conversion Shares at HK$48 per share on 22 October 2018, and the subsequent cancellation of the issuance of such Conversion Shares on 20 May 2019 such that the 55,313,376 Conversion Shares were cancelled and void *ab initio* (i.e. cancelled as from day one, 22 October 2018).

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, will remain in force for a period of 10 years from that date.

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

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

The offer of a grant of share options may be accepted for a period of 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercisable period of the share options granted is determined by the Directors, 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 2012 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 2019:

	Number of shares issuable under options outstanding						
Name or category of participant	At 1/4/2018	Exercised during the year	Lapse during the year	At 31/3/2019	Date of grant of share options	Exercisable period	Exercise price of share options
							HK$
Employees and consultants other than directors							
— In aggregate	440,000	—	(440,000)	—	30/01/2012	30/01/2012 to 29/01/2022	0.355
	440,000	—	(440,000)	—			

26. SHARE OPTION SCHEME *(Continued)*

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

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 shares issuable under options outstanding				Date of grant of share options	Exercisable period	Exercise price of share options
	At 1/4/2017	Exercised during the year	Lapse during the year	At 31/3/2018			*HK$*
Employees and consultants other than directors							
— In aggregate	440,000	—	—	440,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	440,000	—	—	440,000			

Note:

There were no share options outstanding at the end of the year. The exercise price of share options outstanding at the end of the last year was HK$0.355 and their weighted average remaining contractual life at end of last year was 3.83 years.

The total number of share options outstanding as at 31 March 2019 was zero (2018: 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$Nil (2018: HK$Nil).

At 31 March 2019, the Company had no (2018: 440,000) share issuable under option granted under the Old Scheme, representing zero percent (2018: 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 2019, result in the issue of zero (2018: 440,000) additional ordinary shares of HK$0.2 (2018: HK$0.2) each of the Company, additional share capital of HK$Nil (2018: HK$88,000) and additional share premium of approximately HK$Nil (2018: HK$68,000) (before issue expense). In addition, amount attributable to the related share options of HK$Nil (2018: HK$47,000) would be transferred from equity-settled share option reserve to the share premium account.

26. SHARE OPTION SCHEME *(Continued)*

Valuation of share options

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

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

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

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

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

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

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

The offer of a grant of share options may be accepted for a period of 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercisable period of the share options granted is determined by the Directors. 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 New 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 2019 and 2018, no option has been granted under the New Scheme since the adoption date to the date of this announcement.

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.

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 2019, 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 2019, the outstanding amount of the Third Claim is US$238,000 (approximately HK$1,856,400), which had also been fully provided for since 31 March 2013.

27. LITIGATIONS *(Continued)*

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

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 of their shares in the Company and/or exercising their voting rights under those shares.

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

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

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

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

HCA 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 certain parties, including the Company. The plaintiff is seeking various orders on the 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.

27. LITIGATIONS *(Continued)*

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

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

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 (the "**Restrictive Court Order On Zhi Charles**"). Pursuant to such Restrictive Court Order On Zhi Charles, the Court ordered that, inter alia, (i) 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 Restrictive Court Order On Zhi Charles and the reasons therefor, and (ii) a stay be granted on certain legal actions against the Company by Zhi Charles. Hence, there has been a stay of all further proceedings as against the Company in action HCA 584 of 2016.

As announced by the Company on 5 May 2017, the Company obtained a bankruptcy order against Zhi Charles on 26 April 2017 under bankruptcy number HCB 5395 of 2016 (the "**Bankruptcy Order Against Zhi Charles**"). 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, 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.

Hearing for strike out application by the Company has 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 certain parties, including the Company. The plaintiff is seeking various orders on the 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, pursuant to the Restrictive Court Order On Zhi Charles under action number HCMP 443 of 2015, and hence, 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 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 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, unless permitted by the Official Receiver. Hence, there was no substantial development on this legal action since April 2017.

27. LITIGATIONS *(Continued)*

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

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 certain parties, including the Company. The plaintiff is seeking various orders on the 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.

As announced by the Company on 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 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, unless permitted by the Official Receiver.

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 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 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.

As announced by the Company on 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 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, unless permitted by the Official Receiver.

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

27. LITIGATIONS *(Continued)*

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

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 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 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 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 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, unless permitted by the Official Receiver.

Strike out application by the two 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 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.

As announced by the Company on 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 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, unless permitted by the Official Receiver.

Hearing for strike out application by the two existing Directors 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 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. 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 announcement by the Company on 19 June 2017, the Company obtained a bankruptcy order against Kim Sungho on 7 June 2017 under bankruptcy number HCB 377 of 2017 (the "**Bankruptcy Order Against Kim Sungho**"). 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, 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.

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

HCA 3148 of 2016

As announced by the Company on 14 December 2016, the Company received on 1 December 2016 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 3148 of 2016 to certain parties, including the Company and 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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 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, unless permitted by the Official Receiver.

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 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 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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 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, unless permitted by the Official Receiver.

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.

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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 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, unless permitted by the Official Receiver.

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

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.

27. LITIGATIONS *(Continued)*

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

HCA 3324 of 2016 *(Continued)*

The Company took out a strike out application and there was no substantial development on this legal action since July 2017.

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. 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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 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, unless permitted by the Official Receiver.

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 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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 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, unless permitted by the Official Receiver.

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.

27. LITIGATIONS *(Continued)*

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

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. 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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 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, unless permitted by the Official Receiver.

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

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). The plaintiff is seeking various declaratory reliefs against the defendants in respect of, inter alia, certain technical report issued to the Company.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 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, unless permitted by the Official Receiver.

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 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.

27. LITIGATIONS *(Continued)*

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

HCA 1071 of 2017 *(Continued)*

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 would not fill in the date of the document. Besides, Daily Loyal was of the view that the validity of the Undated Amendment Agreement was contrary to the Additional Agreement entered into by it with Cordia Global Limited ("**Cordia**"), Choi Sungmin, Grandvest International Limited (a subsidiary of the Company) and the Company on 22 August 2016.

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

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

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.

27. LITIGATIONS *(Continued)*

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

HCA 1071 of 2017 *(Continued)*

The Company filed the defence and counterclaim on 18 July 2017. The plaintiff 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 in respect of its alleged demand for repayment.

Daily Loyal on 6 March 2019 filed its amended Statement of Claim, the Company in response filed its amended defence and counterclaim on 22 March 2019, and Daily Loyal then filed its amended reply and defence to counterclaim on 22 May 2019. Parties to this legal action had exchanged the signed witness statements on 5 June 2019. In view of the current situation and based on the documents presently made available to the Company, it is expected that this legal case is unlikely to progress to trial until mid-2020 at the earliest.

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. 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 is considering to 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 existing Director of the Company are taking legal advice in respect of such legal action and are considering to take out a strike out application in due course.

27. LITIGATIONS *(Continued)*

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

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 sued as a nominal defendant only.

The Company filed the defence on 11 January 2018. Daily Loyal (as the defendant) filed the defence and counterclaim on 9 February 2018. The plaintiffs filed the reply and defence to counterclaim of Daily Loyal on 12 June 2018.

Daily Loyal made its counterclaim in February 2018 to certain parties, including the Company, but such counterclaim was not served to the Company within the statutory stipulated time period. Only in February 2019, Daily Loyal attempted to serve its counterclaim to the Company, which is more than 14 months out of time and is thus in contravention of the Rules of the High Court. The Company has applied to the Court for dismissal of Daily Loyal's counterclaim for abuse of process, and the Court declined to grant Daily Loyal an extension of time for its counterclaim pending the outcome of the Company's dismissal application.

Given all the anticipated necessary legal procedures ahead and in view of the current situation and based on the documents presently made available to the Company, it is expected that this legal case is unlikely to progress to trial until mid-2020 at the earliest.

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 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.

As announced by the Company on 5 May 2017, pursuant to the Bankruptcy Order Against Zhi Charles under bankruptcy number HCB 5395 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, unless permitted by the Official Receiver.

Grandvest International Limited is taking legal advice in respect of such legal action by Zhi Charles, 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 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.

As announced by the Company on 19 June 2017, pursuant to the Bankruptcy Order Against Kim Sungho under bankruptcy number HCB 377 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, unless permitted by the Official Receiver.

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

HCA 2520 of 2018

As announced by the Company on 2 November 2018, the Company received on 26 October 2018 a writ of summons issued by Daily Loyal Limited ("**Daily Loyal**") (as the plaintiff) in the Court of First Instance of the High Court of Hong Kong under action number HCA 2520 of 2018 to certain parties, including the Company. The plaintiff is seeking various declaratory reliefs and orders against the defendants in respect of, inter alia, the transfers of convertible notes, the amendments of convertible note instrument and the conversion notices as disclosed in the Company's announcement on 19 October 2018, and the conversion shares as disclosed in the Company's announcement on 22 October 2018.

As announced by the Company on 23 November 2018, 27 November 2018 and 24 December 2018, respectively, Daily Loyal in contravention of the Rules of the High Court failed to file and serve its Statement of Claim on the Company within the statutory stipulated time period and accordingly the Company took out an application to dismiss the legal action. Daily Loyal subsequently applied to the Court for an extension of time of 28 days to file its Statement of Claim, but the Court granted Daily Loyal an extension of time of 14 days. However, Daily Loyal failed to file its Statement of Claim within the extended time and, instead applied for a further extension of time of 21 days. The High Court granted Daily Loyal a further extension of time of 21 days subject to an "unless order", meaning that unless Daily Loyal filed and served its Statement of Claim by 9 January 2019, the Action would automatically be dismissed.

Daily Loyal eventually filed and served its Statement of Claim on 9 January 2019.

The Company will defend vigorously and has already filed its defence.

27. LITIGATIONS *(Continued)*

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

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

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

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

On 15 April 2010, the Company commenced civil proceedings (HCA 706 of 2010) against these three former executive directors to claim damages in the total sum of approximately HK$18,980,000. Mediation was conducted with a view to settling the matter as required under the Civil Justice Reform. Although it was the opinion from the Senior Counsel that an amicable settlement would be preferred for the purposes 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.

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)*

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.

Second mediation was conducted on 18 September 2018, but no settlement arrangement could be reached. The case management conference hearing was scheduled on 8 May 2019. Upon hearing on 8 May 2019, the case management conference hearing was adjourned to 15 August 2019.

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.

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 ("**Newborn Global**") (formerly known as "HASS Natural Resources Limited") 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 HASS Natural Resources Limited ("**HASS**") in 2013 to engage HASS 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 HASS under such agreement and damages for misrepresentation from both HASS and Tso.

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

28. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, certain lenders have agreed to further extend the due dates of the loans (and the related interests payables where applicable) to 31 December 2020. Please refer to Note 2(b) for more information.

(b) As disclosed in the Company's announcement dated 16 May 2019, inter alia, the Board approved a cancellation agreement (the "**Cancellation Agreement**") on 16 May 2019 reversing (i) the amendments (the "**Amendments**") to the terms of the Third Convertible Note executed on 19 October 2018 (as disclosed in the Company's announcement dated 19 October 2018); and (ii) the partial conversion (the "**Conversion**") of US$340,000,000 (equivalent to approximately HK$2,655,042,000) in the principal amount of the Third Convertible Note resulting in the issuance of conversion shares of 55,313,376 ordinary shares (the "**Conversion Shares**") at a conversion price of HK$48 per Conversion Share on 22 October 2018 (as disclosed in the Company's announcement dated 22 October 2018), and on the same day after trading hours, the Company entered into the Cancellation Agreement with the other parties to the Amendments.

(c) As disclosed in the Company's announcement dated 20 May 2019, pursuant to the Cancellation Agreement, the Amendments and all transactions carried out pursuant thereto, including the Conversion, would be reversed and cancelled *ab initio*, and with effect from 20 May 2019, the issuance of the Conversion Shares, consisting of 55,313,376 ordinary shares of the Company, was cancelled and reversed *ab initio*, and hence the Conversion Shares were cancelled and void *ab initio*.

28. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(d) On 10 June 2019, the Company entered into a sale and purchase agreement with a creditor of the Company, pursuant to which the Company would sell and the creditor would buy at a consideration of RMB4 million (equivalent to approximately HK$4,515,800) the Company's 40% capital investment in the PRC joint venture company, "上海惟奉教育科技有限公司" ("Shanghai Weifeng Education and Technology Co., Ltd" for identification purpose only), which is engaging in direct operation and franchise of English kindergartens in the PRC. Completion took place on 10 June 2019 when the Company received the full amount of the consideration from the creditor by off setting the same equivalent amount of approximately HK$4,515,800 against the loan principal amounts due by the Company to the creditor.

(e) On 24 June 2019, 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$34.3 million (approximately HK$267,540,000).

(f) On 24 June 2019, 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$48 million (approximately HK$374,400,000).

(g) On 25 June 2019, the Company entered into a loan facility agreement with a shareholder, 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 shareholder could provide financial support to the Company up to US$18 million (approximately HK$140,400,000).

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

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 2019 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 2019, the Group incurred a loss attributable to owners of the Group of HK$61,730,000 and, as at 31 March 2019, the Group had net current liabilities of approximately HK$3,588,376,000 and net liabilities of approximately HK$1,038,698,000. 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 2019, the Group recorded a total turnover of HK$647.95 million (2018: HK$2.97 million), representing an increase of approximately 21,716.5% as compared to last corresponding year. The significant increase in turnover from trading of gasoline and related petroleum products and services in the Korean market directly contributed to such increase in turnover for the year under review.

As mentioned in the Company's 2018 Interim Report, the Group would focus on the development of gasoline trading in the Korean Market. Since the starting of gasoline trading in September 2018, in just about nine months, the Group achieved remarkable results in enhancing the turnover. During the year under review, the Group recorded a turnover of HK$642.32 million (2018: nil) from trading of gasoline and related petroleum products and services, and a turnover of HK$5.63 million (2018: HK$2.40 million) from trading of integration module, while no turnover was recorded for trading of paper for newspaper printing (2018: HK$0.57 million).

Other Income

Other income during the year under review mainly represented interest income of HK$0.01 million (2018: nil) from bank deposits, and other sundry income of HK$0.09 million (2018: HK$0.12 million). Other income of last corresponding year also included a small net exchange gain of HK$0.05 million.

Other Gains and Losses

During the year under review, (i) the reversal of impairment loss on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) amounted to HK$130.43 million (2018: HK$93.95 million) mainly due to the net effects of increase in post-tax discount rate, increase in coal sales prices of certain types of coals and depreciation of Russian Rubles to US Dollars; and (ii) the impairment loss on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) amounted to HK$58.70 million (2018: HK$69.43 million) also mainly due to increase in post-tax discount rate, increase in coal sales prices of certain types of coals and depreciation of Russian Rubles to US Dollars.

Selling and Distribution Costs

The increase in selling and distribution costs from HK$0.07 million to HK$1.09 million was in line with the increase in turnover in gasoline trading.

Administrative and Other Expenses

During the year under review, total administrative and other expenses dropped from HK$21.05 million to HK$19.32 million, as legal and professional fees decreased from HK$6.57 million to HK$4.77 million due to certain major legal proceedings involving the Company experienced sluggish development during the year. Staff costs (excluding directors' remuneration) increased to HK$6.29 million (2018: HK$4.91 million), as more employees were recruited by the Group to cope with the expansion of gasoline trading in Korea. The depreciation of Russian Rubles to US Dollars resulted in a net exchange loss of HK$1.41 million (2018: net exchange gain of HK$0.05 million). Rent and rates reduced from HK$1.95 million to HK$1.80 million partly due to the relocation of Hong Kong Office to a lower rental office building at Causeway Bay and with a smaller floor area.

Other Expenses

During the year under review, other expenses represented the amortization of other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) of HK$107.50 million (2018: 97.58 million) and the increase was in line with the increased valuation of these other intangible assets during the year.

Finance Costs

During the year under review, total finance costs decreased substantially to HK$9.23 million (2018: HK$410.76 million) mainly resulted from the net effects of (i) no more imputed interest of the Third Convertible Note after 3 April 2018 (2018: HK$404.39 million); and (ii) increase in loan interests to HK$9.16 million (2018: HK$6.31 million) due to increase in interest bearing loans.

Loss Before Income Tax

For the year ended 31 March 2019, the loss before income tax of the Group was HK$60.95 million (2018: HK$504.72 million), representing a decrease of approximately 87.9%. The decrease of loss is mainly attributable to the combined effects of the aforementioned factors.

The Company would like to highlight that (i) the reversal of impairment loss of HK$130.43 million (2018: HK$93.95 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$58.70 million (2018: HK$69.43 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 gasoline and the related petroleum products and services was the prime contributor to the Group's turnover.

Coal Mining

Lot 1 and Lot 1 Extension underground mining and Lot 2 underground mining would be developed on an integrated basis due to their geographical proximity and also for the sake of achieving economy of scale. Since coal production on Lot 2 underground mining would be targeted only after 2020, naturally not much development 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.

In respect of open pit mining in certain area of Lot 2, the consulting firm, LLC "SibGeoProject", continued to fine tune the technical proposals and work on the mine design. Airborne photographic surface survey covering all licensed areas including both Lot 1 and Lot 2 started in May 2018 and was completed in August 2018. LLC "SibGeoProject" also continued to work on the State Environmental Expert Review (a certain kind of requested environmental impact assessment) and the preparation of TEO Conditions (TEO Conditions stands for Technical and Economic Justification of Conditions and is broadly equivalent to the Western pre-feasibility study) and the geological report for subsequent submission to GKZ (which is the State Committee of Reserves under the Russian Federation Ministry of National Resources) for expert review.

In respect of underground mining of Lot 2, the TEO Conditions and the geological report has been completed in February 2019. GKZ in Moscow approved the TEO Conditions and the geological report in March 2019, and the protocol of approval has also been obtained with the new balance of coal reserve being registered at GKZ.

Geographical

In the year under review, the Republic of Korea ("**Korea**") is the Group's sole market segment which accounted for 100% (2018: 100%) of the total revenue.

Joint Venture in Kindergarten Project

The PRC joint venture company, "上海惟奉教育科技有限公司" (English translation name "Shanghai Weifeng Education and Technology Co., Ltd" for identification purpose only) started to recruit employees and deployed resources steadily towards the commissioning of the first kindergarten.

PROSPECTS

Looking forward, the year ahead will remain challenging for the Group. Adverse impacts from possible trade wars initiated by the President of the United States of America would make the continuing recovery of global economy rather 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 and petroleum products prices.

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

Mineral Resources, Commodities and Other Trading

The Group will strengthen the gasoline trading by recruiting one more employee, target to open up new sources of suppliers and establish additional sales pipelines to enhance the customer base. In parallel, the Group will also strive to meet the needs of different customers looking for diversified products, and it will not hesitate to further diversify its trading business into other products when opportunities arise.

Coal Mining

In respect of open pit mining in certain area of Lot 2, LLC "SibGeoProject" will continue to fine tune the technical proposals, the mine design and technical specifications. In addition, LLC "SibGeoProject" is also assisting in State Environmental Expert Review (a certain kind of requested environmental impact assessment) and the preparation of TEO Conditions and the geological report for subsequent submission to GKZ for expert review. The Group has engaged LLC "Monitor 21" in July 2018 to conduct forestry survey using cameral interpretation method involving the acquisition of satellite images and analysis of specially protected forest areas and categories of protecting forests. It is expected that the forestry survey will be completed in July 2019 and the surveying documentation materials will be submitted for approval by local Russian government authorities, including the approval of changed boundaries of specially protected forest areas and green belt by the Federal Forestry Agency.

In respect of underground mining of Lot 2, the Group is proceeding with the work on technical design documentation for approval by the Central Committee for Solid Mineral Deposits Development of "Rosnedra" ("Rosnedra" is the Federal Agency for Subsoil Usage). With the completion of declaration of environmental impact assessment, and upon the granting of protocol and other necessary approvals, the Group will then start the mine construction design.

Joint Venture in Kindergarten Project

The PRC joint venture partner intends to establish more kindergartens in next year and thus requests further substantial financial resources injection, which the Company originally has not budgeted for. Given the existing kindergarten is still not making positive returns, the Company decided not to participate in such expansion plan, and thus on 10 June 2019, the Company disposed of its 40% capital investment in the kindergarten joint venture company at a consideration of RMB 4 million (equivalent to approximately HK$4,515,800).

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 loan capitalizations and potential equity funding such as issuance of new shares under specific mandate and/or general mandate. 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, and may explore the possibility of possible conversion of a significant portion of convertible note and/or the possible extension of the maturity date.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had net current liabilities of HK$3,588.4 million (2018: HK$3,609.4 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 1.04% (2018: 0.43%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 5.85% (2018: 4.17%).

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$8.2 million (2018: net cash outflow of HK$1.0 million), while the total cash and cash equivalents decrease to HK$1.7 million (2018: decrease to HK$9.6 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 2019. Cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The management will continue to closely review the Group's financial resources in a cautious manner and explore opportunities in potential financial institutions financing and equity funding. The Company will take proactive actions to improve the liquidity and financial position of the Group by way of equity fund raising exercises including placement of new shares as well as other pre-emptive offers. The Company will closely monitor the market situation and take prompt actions when such opportunities arise. During the year, the Company has raised several loans of a total HK$24.9 million (2018: HK$8.8 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 will communicate with specific holders 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 holders 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 2019, the Group had capital commitments in respect of the exploration related contracts are HK$0.8 million (2018: HK$2.2 million) and no capital commitments in acquisition of property, plant and equipment (2018: Nil).

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 31 March 2019 or 31 March 2018.

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 2019, the Group had approximately 19 (2018: 19) 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 subsidized training programs 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 2019.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend in respect of the financial year ended 31 March 2019.

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 INEDs of the Company (Ms. Chen Dai and Mr. Lee Sungwoo) were unable to attend the 2018 annual general meeting of the Company held on 30 August 2018 due to other overseas commitments or other prior business engagements.

Non-compliance with Provisions of the Listing Rules

As disclosed in the announcement of the Company dated 19 October 2018, the Company and holders of not less than 75% in aggregate principal amount of the Third Convertible Note (the "**Original Notes**") had amended the note instrument constituting the Original Notes (the "**Original Note Instrument**"), by entering into an Amended and Restated Note Instrument Constituting Convertible Notes in the Principal Amount of US$400,390,000 (the "**Amended Note Instrument**"), and the Amended Note Instrument was intended to amend and replace the Original Note Instrument and to replace the Original Notes with the convertible notes reconstituted thereunder (the "**Amended Notes**"), and immediately thereafter, the Company had exercised its right under the Amended Note Instrument to require conversion of US$340,390,000 in principal amount of the Amended Notes, resulting in the allotment of 55,313,376 Conversion Shares and leaving US$60,000,000 in principal amount of the Amended Notes outstanding.

As disclosed in the announcements of the Company dated 22 October 2018, the Company allotted the 55,313,376 Conversion Shares. As disclosed in the announcement of the Company dated 23 October 2018, the Company requested a halt in the trading of its shares from 9:53 a.m. on 23 October 2018.

The Stock Exchange rejected the Company's application for approval of the amendments intended by the Amended Note Instrument (the "**Amendments**") and for approval for listing of the Conversion Shares issuable upon the partial conversion of the Amended Notes that followed (the "**Conversion**") because they did not comply with the following Listing Rules:—

(i) Listing Rule 28.05 and Guidance Letter GL80-15 which required the Company to apply for and obtain the Stock Exchange's prior approval for the Amendments; and

(ii) Listing Rules 8.20 and 13.26(1) which required the Company to apply for and obtain the Stock Exchange's prior approval for the issuance of the Conversion Shares.

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 already resigned in April 2018 and December 2018, respectively) confirmed that they have complied with the required standards as set out in the Model Code.

Audit Committee

During the year under review, 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 Ms. Chen Dai and Mr. Lee Sungwoo.

The annual results of the Group for the year ended 31 March 2019 have been reviewed by the Audit Committee.

AUDITOR

The consolidated financial statements for the year ended 31 March 2019 have been audited by JH CPA Alliance Limited ("**JH CPA**") who will retire and being eligible, offer itself for reappointment 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 2019 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 2019 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, 28 June 2019

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