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SIBERIAN MINING GROUP COMPANY LIMITED

西伯利亞礦業集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1142)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

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 2020, together with the comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

| | <i>Notes</i> | 2020 <i>HK\$’000</i> | 2019 <i>HK\$’000</i> |
|--|--------------|--------------------------------|-------------------------|
| Turnover | 4 | 1,194,065 | 647,951 |
| Cost of sales | | (1,184,857) | (643,370) |
| Gross profit | | 9,208 | 4,581 |
| Other income | 4 | 544 | 103 |
| Other gains and losses | 4 | (1,343,117) | 71,715 |
| Selling and distribution costs | | (2,265) | (1,094) |
| Administrative and other expenses | | (24,252) | (19,317) |
| Other expenses | 4 | (139,612) | (107,502) |
| Share of results of a joint venture | | — | (204) |
| Finance costs | 5 | (9,685) | (9,230) |
| Loss before income tax | 6 | (1,509,179) | (60,948) |
| Income tax | 7 | (314) | 806 |
| Loss for the year | | (1,509,493) | (60,142) |

* For identification purpose only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)**For the year ended 31 March 2020*

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------------------|--------------|---------------------------------------|-------------------------|
| Attributable to: | | | |
| Owners of the Company | 8 | (1,475,433) | (61,730) |
| Non-controlling interests | | (34,060) | 1,588 |
| | | <u>(1,509,493)</u> | <u>(60,142)</u> |
| Loss per share | | | |
| Basic (Hong Kong cents) | 10 | <u>(116)</u> | <u>(5)</u> |
| Diluted (Hong Kong cents) | 10 | <u>(116)</u> | <u>(5)</u> |

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

For the year ended 31 March 2020

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Loss for the year | (1,509,493) | (60,142) |
| Other comprehensive income for the year, net of tax: | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences on translation of financial statements of foreign operations | <u>(34,174)</u> | <u>(69,615)</u> |
| Total comprehensive expense for the year, net of tax | <u>(1,543,667)</u> | <u>(129,757)</u> |
| Attributable to: | | |
| Owners of the Company | <u>(1,506,142)</u> | (124,414) |
| Non-controlling interests | <u>(37,525)</u> | <u>(5,343)</u> |
| | <u>(1,543,667)</u> | <u>(129,757)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

| | Notes | 2020 HK\$'000 | 2019 HK\$'000 |
|---|-----------|--------------------|--------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 6,981 | 14,397 |
| Other intangible assets | 13 | 138,970 | 479,729 |
| Exploration and evaluation assets | 14 | 1,098,295 | 2,271,689 |
| Right-of-use assets | 15 | 884 | — |
| | | <u>1,245,130</u> | <u>2,765,815</u> |
| Current assets | | | |
| Trade receivables | 16 | 13,519 | 22,859 |
| Prepayments for acquisition of property, plant and equipment | | — | 1,310 |
| Other receivables, deposits and prepayments | | 21,820 | 7,690 |
| Asset classified as held for sale | 17 | — | 4,061 |
| Cash and cash equivalents | 18 | 6,380 | 1,747 |
| | | <u>41,719</u> | <u>37,667</u> |
| Current liabilities | | | |
| Other payables, accrued expenses and trade deposit received | | 37,470 | 20,869 |
| Interest-bearing borrowings | 19 | 19,812 | 7,953 |
| Amount due to shareholders | 20(a)&(b) | 2,551 | 2,374 |
| Amount due to a related company | 20(e) | 6,369 | — |
| Purchase consideration payable for additional acquisition | 21 | 3,307 | 3,349 |
| Lease liabilities | 22 | 831 | — |
| Convertible note payables | 23 | 3,591,498 | 3,591,498 |
| | | <u>3,661,838</u> | <u>3,626,043</u> |
| Net current liabilities | | <u>(3,620,119)</u> | <u>(3,588,376)</u> |
| Total assets less current liabilities | | <u>(2,374,989)</u> | <u>(822,561)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 March 2020*

| | <i>Notes</i> | 2020 HK\$'000 | 2019 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Non-current liabilities | | | |
| Amount due to shareholders | 20(d) | 33,994 | 134,124 |
| Interest-bearing borrowings | 19 | 104,825 | 60,166 |
| Promissory notes payables | 24 | 15,600 | 15,600 |
| Provision for close down, restoration and environmental costs | 25 | 1,245 | 1,470 |
| Lease liabilities | 22 | 43 | — |
| Deferred tax liabilities | 26 | 3,295 | 4,777 |
| | | <hr/> | <hr/> |
| | | 159,002 | 216,137 |
| | | <hr/> | <hr/> |
| NET LIABILITIES | | (2,533,991) | (1,038,698) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| CAPITAL AND RESERVES | | | |
| Share capital | 27 | 290,034 | 241,695 |
| Reserves | | (2,807,148) | (1,301,041) |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | (2,517,114) | (1,059,346) |
| Non-controlling interests | | (16,877) | 20,648 |
| | | <hr/> | <hr/> |
| CAPITAL DEFICIENCIES | | (2,533,991) | (1,038,698) |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 Hong Kong 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 the holding of 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 2020 were approved for issue by the Board of Directors on 30 June 2020.

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.

2. BASIS OF PREPARATION (Continued)

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

During the year, the Group incurred total comprehensive expense of HK\$1,543,667,000 (2019: HK\$129,757,000) and, as at 31 March 2020, the Group's current liabilities exceeded its current assets by approximately HK\$3,620,119,000 (2019: HK\$3,588,376,000) and there was a capital deficiency of HK\$2,533,991,000 (2019: HK\$1,038,698,000) as at 31 March 2020. 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.

As described more fully in Note 23, 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 the conversion of 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 ("**Gold Ocean**") (now known as "Solidarity Partnership") and China Panda Limited ("**China Panda**") (now known as "Golden China Circle Holdings Company Limited") (the "**Transfers**") remain the subject of ongoing litigations 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 shares issuance aforementioned were cancelled and reversed *ab initio* and the Company's number of issued shares was reverted to 1,208,475,523 shares.

China Panda and Gold Ocean on 18 June 2020 have confirmed to the Company their willingness to further extend the maturity date of the CN to 31 December 2022 (including the related interests thereof).

2. BASIS OF PREPARATION *(Continued)*

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

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

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

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, the holding company of the controlling shareholder and the related companies of that holding company to provide continuous financial support to the Group. The loan facility will provide funding to the Group of up to approximately US\$135,559,769 (approximately HK\$1,057,366,198) for the 18 months period commencing on 23 June 2020.
- (ii) As set out in Note 19, with regard to Other Loan 2, the lender has agreed not to demand for repayment for the amount due before 31 January 2022. In the opinion of the Directors, a further extension can be obtained when necessary.
- (iii) As set out in Note 19, with regard to Other Loan 3, the lender has agreed not to demand for repayment for the amount due before 31 January 2022. In the opinion of the Directors, a further extension can be obtained when necessary.
- (iv) As set out in note 24, with regard to promissory notes, the promissory notes holder has agreed not to demand for repayment of the amount due before 31 January 2022. In the opinion of the Directors, a further extension can be obtained when necessary.
- (v) As set out in Note 20(d), with regard to amounts due to a shareholder, the shareholder agreed not to demand for repayment of the amount due before 31 January 2022.
- (vi) 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 30.
- (vii) 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.

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 2019, 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.

- Amendments to HKFRSs: Annual Improvements to HKFRSs 2015 – 2017 Cycle
- HKFRS 16: Leases
- HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments
- Amendment to HKAS 19: Plan amendment, Curtailment or Settlement
- Amendment to HKFRS 9: Prepayment Features with Negative Compensation
- Amendments to HKAS 28: Investments in Associates and Joint Ventures

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.

Effect of adoption of HKFRS 16

The Group has adopted HKFRS 16 retrospectively from 1 April 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 April 2019.

Adjustments recognised on adoption of HKFRS 16

The following table shows the adjustments for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided.

| Consolidated statement of financial position (extract) | 31 March 2019 As originally presented HK\$’000 | Effect on adoption of HKFRS 16 HK\$’000 | 1 April 2019 Restated HK\$’000 |
|---|---|--|---|
| Non-current assets | | | |
| Right-of-use assets | — | 1,637 | 1,637 |
| Current asset | | | |
| Prepayments and other deposits | 2,719 | (23) | 2,696 |
| Current liabilities | | | |
| Lease liabilities | — | (901) | (901) |
| Non-current liabilities | | | |
| Lease liabilities | — | (713) | (713) |

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

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

Effect of adoption of HKFRS 16 (Continued)

Adjustments recognised on adoption of HKFRS 16 (Continued)

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 ranged from 2.13% to 10.13%.

| | <i>HK\$’000</i> |
|---|---------------------|
| Operating lease commitments disclosed as at 31 March 2019 | 1,666 |
| Less: Leases committed but not yet commenced as at 1 April 2019 | <u>(1,597)</u> |
| Opening leases commitments of leases commenced as at 1 April 2019 | <u><u>69</u></u> |
| Discounted using the lessee’s incremental borrowing rate of at the date of initial application | 1,614 |
| Less: Short-term leases recognised on a straight-line basis as expense | <u>—</u> |
| Lease liabilities recognised as at 1 April 2019 | <u><u>1,614</u></u> |
| Of which are | |
| Current lease liabilities | 901 |
| Non-current lease liabilities | <u>713</u> |
| | <u><u>1,614</u></u> |

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019.

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

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

Effect of adoption of HKFRS 16 (Continued)

Adjustments recognised on adoption of HKFRS 16 (Continued)

The recognised right-of-use assets relate to the following types of assets:

| | 31 March 2020 HK\$'000 | 1 April 2019 <i>HK\$'000</i> |
|---------------------------|---|---------------------------------|
| Properties leases | 884 | 1,637 |
| Total right-of-use assets | 884 | 1,637 |

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the use of recognition exemption to lease with a remaining lease term of less than 12 months at 1 April 2019;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17.

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

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

Effect of adoption of HKFRS 16 (Continued)

Adjustments recognised on adoption of HKFRS 16 (Continued)

(ii) The Group’s leasing activities and how these are accounted for

Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before the adoption of the standard, leases of premises were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as right-of-use assets with the corresponding liabilities at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the lease liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

Effect of adoption of HKFRS 16 (Continued)

Adjustments recognised on adoption of HKFRS 16 (Continued)

(ii) The Group’s leasing activities and how these are accounted for (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(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:

| | |
|---|---|
| Amendment to HKAS 1 and HKAS 8 Conceptual Framework for Financial Reporting | Definition of Material ¹ Revised Conceptual Framework for Financial Reporting ¹ |
| Amendments to HKFRS 3 | Definition of a Business ¹ |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7 | Interest Rate Benchmark Reform ¹ |
| HKFRS 17 | Insurance Contracts ² |
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture ³ |
| Amendment to HKFRS 16 | COVID-19 Related Rent Concessions ⁴ |

¹ Effective for annual periods beginning on or after 1 January 2020 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 the period beginning on or after 1 June 2020.

The new standard is mandatory for financial years commencing on or after 1 January 2020. At this stage, the Group does not intend to adopt the standard before its effective date.

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

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

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

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Turnover | | |
| Gasoline trading | 1,194,065 | 642,320 |
| Trading of mineral resources and commodities | — | 5,631 |
| | <u>1,194,065</u> | <u>647,951</u> |
| Other income | | |
| Bank interest income | 280 | 11 |
| Sundry income | 264 | 92 |
| | <u>544</u> | <u>103</u> |
| Other gains and losses | | |
| (Impairment loss)/Reversal of impairment loss on other intangible assets (<i>Note 13</i>) | (165,322) | 130,432 |
| Impairment loss on property, plant and equipment (<i>Note 12 & 13</i>) | (7,785) | (18) |
| Impairment loss on exploration and evaluation assets (<i>Note 14</i>) | (1,170,703) | (58,699) |
| Disposal of interests in joint venture | 693 | — |
| | <u>(1,343,117)</u> | <u>71,715</u> |
| Other expenses | | |
| Amortisation of other intangible assets — mining right (<i>Note 13</i>) | 139,612 | 107,502 |
| | <u>139,612</u> | <u>107,502</u> |

5. FINANCE COSTS

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Interest expenses on | | |
| Loan from third parties | 8,987 | 3,315 |
| Loan from shareholders | 584 | 5,843 |
| Loan from a related party | 19 | — |
| Lease liabilities | 46 | — |
| | <u>9,636</u> | <u>9,158</u> |
| Bank charges | 49 | 72 |
| | <u>9,685</u> | <u>9,230</u> |

6. LOSS BEFORE INCOME TAX

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loss before income tax is arrived at after charging/(crediting):— | | |
| Employees benefit expenses (excluding directors' emoluments):— | | |
| Salaries and wages | 3,968 | 6,362 |
| Pension fund contributions | 328 | 284 |
| | <u>4,296</u> | <u>6,646</u> |
| Amortisation of other intangible assets-mining right (<i>Note 13</i>) | 139,612 | 107,502 |
| Depreciation | | |
| — Property, plant and equipment | 56 | 63 |
| — Right-of-use assets | 1,138 | — |
| Auditor's remuneration | | |
| — Group | 1,570 | 1,600 |
| — Overseas subsidiaries | 139 | 116 |
| Provision for close down, restoration and environmental costs (<i>Note 25</i>) | 41 | 138 |
| Minimum lease payments in respect of premises under operating leases | 56 | 1,799 |
| Interest expenses on lease liabilities | 46 | — |
| Net exchange losses | 4,266 | 1,408 |
| Cost of inventories sold | 1,184,857 | 643,370 |
| | <u>1,184,857</u> | <u>643,370</u> |

7. INCOME TAX

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Group: | | |
| Current – Hong Kong Charge for the year | — | — |
| Current – Russia and other overseas | 1,087 | 81 |
| Deferred tax (<i>Note 26</i>) | (773) | (887) |
| | 314 | (806) |

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:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Loss before income tax expenses | (1,509,179) | (60,948) |
| Tax credit calculated at the weighted average statutory tax rate | (249,155) | (10,379) |
| Tax effect of expenses not deductible for taxation purposes | 251,395 | 25,089 |
| Tax effect of income not taxable for taxation purposes | (1,490) | (14,960) |
| Tax effect of unrecognised temporary difference | (654) | (884) |
| Tax effect of tax losses not recognised | 218 | 451 |
| Tax effect of prior year's unrecognised tax losses utilised this year | — | (108) |
| Tax exempted | — | (15) |
| Income tax charge/(credit) for the year | 314 | (806) |

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 2020 includes a loss of HK\$1,475,433,000 (2019: HK\$61,730,000) 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 2020 (2019: 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:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|-----------------------------|
| Loss | | |
| Loss attributable to the owners of the Company, used in the basic and diluted loss per share | <u><u>(1,475,433)</u></u> | <u><u>(61,730)</u></u> |
| | Number of shares | |
| | 2020 | 2019 |
| Shares | | |
| Weighted average number of ordinary shares for basic and diluted loss per share | <u><u>1,271,870,960</u></u> | <u><u>1,208,475,523</u></u> |

11. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the directors, the chief operating decision makers 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:

11. SEGMENT INFORMATION (Continued)

- (i) Mining segment comprises holding mining and exploration rights of coal mines in Russia.
- (ii) Mineral resources, commodities and other trading segment comprises the business of gasoline and the related products 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 2020 and 2019.

For the year ended 31 March 2020

| | Mining <i>HK\$’000</i> | Mineral resources, commodities and other trading <i>HK\$’000</i> | Consolidated total <i>HK\$’000</i> |
|---|---------------------------|---|--|
| Reportable segment revenue | | | |
| Revenue from external customers | — | 1,194,065 | 1,194,065 |
| Reportable segment profit/(loss) | (1,493,216) | 6,376 | (1,486,840) |
| Impairment loss | | | |
| on other intangible assets | (165,322) | — | (165,322) |
| Impairment loss on property, plant and equipment | (7,785) | — | (7,785) |
| Impairment loss on exploration and evaluation assets | (1,170,703) | — | (1,170,703) |
| Depreciation of property, plant and equipment | (46) | (10) | (56) |
| Depreciation of right-of-use assets | (934) | (204) | (1,138) |
| Amortisation of other intangible assets | (139,612) | — | (139,612) |
| Reportable segment assets | 1,247,059 | 38,054 | 1,285,113 |
| Additions to non-current assets | 3,660 | 453 | 4,113 |
| Reportable segment liabilities | (41,088) | (32,327) | (73,415) |

11. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

For the year ended 31 March 2019

| | Mining <i>HK\$'000</i> | Mineral resources, commodities and other trading <i>HK\$'000</i> | Consolidated total <i>HK\$'000</i> |
|---|---------------------------|---|--|
| Reportable segment revenue | | | |
| Revenue from external customers | — | 647,951 | 647,951 |
| Reportable segment profit/(loss) | (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) |
| 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 | <u>(42,319)</u> | <u>(26,533)</u> | <u>(68,852)</u> |

11. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Revenue | | |
| Reportable segment revenue and consolidated revenue | <u>1,194,065</u> | <u>647,951</u> |
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Loss before income tax | | |
| Reportable segment loss | (1,486,840) | (38,980) |
| Other gains and losses | 757 | 2 |
| Unallocated corporate expenses | (13,411) | (12,536) |
| Share of results of joint venture | — | (204) |
| Finance costs | (9,685) | (9,230) |
| Consolidated loss before income tax | <u>(1,509,179)</u> | <u>(60,948)</u> |
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Assets | | |
| Reportable segment assets | 1,285,113 | 2,797,780 |
| Unallocated corporate assets | 1,736 | 5,702 |
| Consolidated total assets | <u>1,286,849</u> | <u>2,803,482</u> |
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Liabilities | | |
| Reportable segment liabilities | (73,415) | (68,852) |
| Unallocated corporate liabilities | (3,747,425) | (3,773,328) |
| Consolidated total liabilities | <u>(3,820,840)</u> | <u>(3,842,180)</u> |

11. SEGMENT INFORMATION (Continued)

(b) Geographical information

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

| | Revenue from external customers | | Specific non-current assets | |
|--------|------------------------------------|-------------------------|-----------------------------|-------------------------|
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Russia | — | — | 1,244,882 | 2,765,768 |
| Korea | 1,194,065 | 647,951 | 248 | 47 |
| | <u>1,194,065</u> | <u>647,951</u> | <u>1,245,130</u> | <u>2,765,815</u> |

(c) Information about major customers

For the year ended 31 March 2020, the five customers of the mineral resources, commodities and other trading segment with revenue of HK\$84,928,000, HK\$82,656,000, HK\$65,366,000, HK\$55,002,000 and HK\$49,781,000, respectively, each contributed to a range from 4% to 7% of the Group's revenue.

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.

12. PROPERTY, PLANT AND EQUIPMENT

| | Construction in progress <i>HK\$'000</i> | Freehold land <i>HK\$'000</i> | Furniture and fixture <i>HK\$'000</i> | Equipment <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|-------------------------------------|---|------------------------------|--------------------------------------|--------------------------|
| Cost | | | | | | |
| At 1 April 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) |
| | <u>12,693</u> | <u>1,554</u> | <u>154</u> | <u>232</u> | <u>182</u> | <u>14,815</u> |
| At 31 March 2019 | 12,693 | 1,554 | 154 | 232 | 182 | 14,815 |
| Additions | 2,006 | — | 5 | 5 | — | 2,016 |
| Disposals | — | — | (2) | — | — | (2) |
| Written-off | — | — | (5) | (32) | — | (37) |
| Exchange realignments | (2,566) | (274) | (21) | (4) | (32) | (2,897) |
| | <u>12,133</u> | <u>1,280</u> | <u>131</u> | <u>201</u> | <u>150</u> | <u>13,895</u> |
| At 31 March 2020 | 12,133 | 1,280 | 131 | 201 | 150 | 13,895 |
| Accumulated depreciation and impairment | | | | | | |
| At 1 April 2018 | — | — | 129 | 108 | 189 | 426 |
| Charge for the year (<i>Note 6</i>) | — | — | 16 | 28 | 19 | 63 |
| Impairment loss (<i>Note 4</i>) | 16 | 2 | — | — | — | 18 |
| Written back on disposal | — | — | (16) | (6) | — | (22) |
| Exchange realignments | (16) | (2) | (14) | — | (35) | (67) |
| | <u>—</u> | <u>—</u> | <u>115</u> | <u>130</u> | <u>173</u> | <u>418</u> |
| At 31 March 2019 | — | — | 115 | 130 | 173 | 418 |
| Charge for the year (<i>Note 6</i>) | — | — | 19 | 29 | 8 | 56 |
| Impairment loss (<i>Note 4</i>) | 7,042 | 743 | — | — | — | 7,785 |
| Written back | — | — | (7) | (32) | — | (39) |
| Exchange realignments | (1,137) | (120) | (17) | (1) | (31) | (1,306) |
| | <u>5,905</u> | <u>623</u> | <u>110</u> | <u>126</u> | <u>150</u> | <u>6,914</u> |
| At 31 March 2020 | 5,905 | 623 | 110 | 126 | 150 | 6,914 |
| Net carrying amount | | | | | | |
| At 31 March 2020 | <u>6,228</u> | <u>657</u> | <u>21</u> | <u>75</u> | <u>—</u> | <u>6,981</u> |
| At 31 March 2019 | <u>12,693</u> | <u>1,554</u> | <u>39</u> | <u>102</u> | <u>9</u> | <u>14,397</u> |

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 <i>HK\$ '000</i> |
|---|---|
| Cost | |
| At 1 April 2018 | 1,728,706 |
| Exchange realignments | (221,184) |
| | <hr/> |
| At 31 March 2019 and 1 April 2019 | 1,507,522 |
| Exchange realignments | (265,722) |
| | <hr/> |
| At 31 March 2020 | 1,241,800 |
| | <hr/> |
| Accumulated amortisation and impairment losses | |
| At 1 April 2018 | 1,206,564 |
| Charge for the year (<i>Note 6</i>) | 107,502 |
| Reversal of impairment loss (<i>Note 4</i>) | (130,432) |
| Exchange realignments | (155,841) |
| | <hr/> |
| At 31 March 2019 and 1 April 2019 | 1,027,793 |
| Charge for the year (<i>Note 6</i>) | 139,612 |
| Impairment loss (<i>Note 4</i>) | 165,322 |
| Exchange realignments | (229,897) |
| | <hr/> |
| At 31 March 2020 | 1,102,830 |
| | <hr/> |
| Net carrying amount | |
| At 31 March 2020 | 138,970 |
| | <hr/> <hr/> |
| At 31 March 2019 | 479,729 |
| | <hr/> <hr/> |

Mining right

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

In performing the impairment test for current year, the Directors of the Company have engaged Ravia Global Appraisal Advisory Limited (“**Ravia**”), 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 18 years up to 2037 (2019: a period of 15 years up to 2033) with the first year of production taken to be from year 2027 (2019: first year of production from year 2023) based on the Directors' current best estimated production plan.
- (ii) Cost of production (including royalties) on average is taken as 53.06% (2019: 46.08%) of revenue.
- (iii) The post-tax discount rate applied to the cash flow projection is 23.91% (2019: post-tax discount rate of 22.40%).
- (iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (2019: increment of 3% p.a.), which is in line with the comparable market information.
- (v) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show a decrease of approximately 15% (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 2020 is taken to be 1.00 US\$ to 78.42 RUB (2019: 1.00 US\$ to 65.63 RUB).
- (vii) The inflation rate on operating costs is 3% p.a. (2019: 3% p.a.)
- (viii) The Group is able to renew the relevant licence for the mining right upon its existing expiry date.

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

The Directors of the Company are of the opinion that based on the valuation, the mining right was impaired by HK\$165,322,000 (2019: reversal of impairment loss of HK\$130,432,000) compared with its carrying amount as at 31 March 2020. The impairment loss is mainly attributable to the net effects of change of expected first year of coal production, the decrease of the relevant coal prices, the depreciation of Russian Rubles to US Dollars, the increase in cost of production and the increase in post-tax discount rate during the current year as compared to previous year.

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 2020. Impairment loss of HK\$7,785,000 (2019: HK\$18,000) (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 <i>HK\$'000</i> |
|--------------------------------------|---------------------------------|
| Cost | |
| At 1 April 2018 | 3,644,289 |
| Additions | 3,209 |
| Exchange realignments | (4,053) |
| | <hr/> |
| At 31 March 2019 and 1 April 2019 | 3,643,445 |
| Additions | — |
| Exchange realignments | (5,387) |
| | <hr/> |
| At 31 March 2020 | 3,638,058 |
| | <hr/> |
| Accumulated impairment losses | |
| At 1 April 2018 | 1,313,275 |
| Impairment loss (Note 4) | 58,699 |
| Exchange realignments | (218) |
| | <hr/> |
| At 31 March 2019 and 1 April 2019 | 1,371,756 |
| Impairment loss (Note 4) | 1,170,703 |
| Exchange realignments | (2,696) |
| | <hr/> |
| At 31 March 2020 | 2,539,763 |
| | <hr/> |
| Net carrying amount | |
| At 31 March 2020 | 1,098,295 |
| | <hr/> <hr/> |
| At 31 March 2019 | 2,271,689 |
| | <hr/> <hr/> |

14. EXPLORATION AND EVALUATION ASSETS *(Continued)*

Exploration and evaluation assets are considerations paid for the acquisition of the exploration and mining rights located adjacent to the Lapichevskaya Mine.

The 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 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 of disposal to be its recoverable amount. The recoverable amount is derived by using a DCF analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating the exploration and evaluation asset’s fair value.

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

- (i) Cash flow projection is determined for a period of 12 years up to 2031 (2019: a period of 11 years up to 2029) with the first year of production taken to be from year 2022 (2019: first year of production from year 2020) based on the Directors’ current best estimated production plan.
- (ii) The post-tax discount rate applied to the cash flow projection is 23.91% (2019: 22.40%).
- (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 decrease of approximately 15% (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. (2019: 3% p.a.), which is in line with the comparable market information.
- (v) The exchange rate for US\$ to RUB with reference to the approximate spot rate as of 31 March 2020 is taken to be 1.00 US\$ to 78.42 RUB (2019: 1.00 US\$ to 65.63 RUB).
- (vi) The inflation rate on operating costs is 3% p.a. (2019: 3% p.a.).

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

The Directors of the Company are of the opinion that based on the valuation, the exploration and evaluation asset was impaired by HK\$1,170,703,000 (2019: HK\$58,699,000) compared with its carrying value as at 31 March 2020. The impairment loss is mainly attributable to the net effects of change of expected first year of coal production, decrease 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.

14. EXPLORATION AND EVALUATION ASSETS (Continued)

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

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

15. RIGHT-OF-USE ASSETS

| | 2020 HK\$'000 | 2019 HK\$'000 |
|--------------------------|------------------|------------------|
| At beginning of the year | 1,637 | — |
| Additions | 460 | — |
| Depreciation (note 6) | (1,138) | — |
| Exchange realignments | (75) | — |
| | <hr/> | <hr/> |
| At the end of the year | 884 | — |

16. 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 granted to trade customers and no interest is charged.

| | 2020 HK\$'000 | 2019 HK\$'000 |
|------------------------------------|------------------|------------------|
| Trade receivables | 13,519 | 22,859 |
| Less: Allowance for doubtful debts | — | — |
| | <hr/> | <hr/> |
| | 13,519 | 22,859 |

Included in the Group's accounts receivables are debtors (see below for aged analysis) which are past due as at the end of each reporting period for which the Group have not provided for allowance of doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right to offset against any amounts owed by the Group to the counterparty. The average age of these receivables is 7 days (2019: 15 days).

16. TRADE RECEIVABLES (Continued)

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

| | 2020 HK\$'000 | 2019 <i>HK\$'000</i> |
|-------------------------------|--------------------------------|-------------------------|
| Neither past due nor impaired | <u>13,519</u> | <u>22,859</u> |

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

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

| | 2020 HK\$'000 | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| At beginning of year | — | — |
| Impairment loss/reversal of impairment loss recognised during the year | <u>—</u> | <u>—</u> |
| At end of year | <u>—</u> | <u>—</u> |

17. ASSET CLASSIFIED AS HELD FOR SALE

| | 2020 HK\$'000 | 2019 <i>HK\$'000</i> |
|----------------------------------|--------------------------------|-------------------------|
| Non-current asset held for sales | | |
| Investment in joint venture | <u>—</u> | <u>4,061</u> |

On 10 June 2019, the Group disposed the equity interest in joint venture to an independent third party at a consideration of RMB4,000,000 (approximately HK\$4,515,800). The cancellation agreement on such disposal was entered into by the Company on 21 November 2019 and hence the disposal transaction carried out had been reversed and cancelled.

On 22 November 2019, the Group disposed the equity interest in joint venture to another independent third party at a higher consideration of US\$700,000 (approximately HK\$5,460,000).

17. ASSET CLASSIFIED AS HELD FOR SALE (Continued)

Details of the Group's joint venture at the end of the reporting period was as follows:

| Name of company | Principal activities | Place of incorporation/ operation | Proportion of ownership interest and voting right held by the Group | |
|--|----------------------|--------------------------------------|---|-----------|
| | | | 31/03/2020 | 31/3/2019 |
| 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 was accounted for using the equity method in these consolidated financial statements.

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Current assets | — | 2,204 |
| Current liabilities | — | (1,172) |
| | <u>—</u> | <u>1,032</u> |
| Revenue | <u>—</u> | <u>17</u> |
| Loss and total comprehensive expenses for the year | <u>—</u> | <u>(1,547)</u> |
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Net asset of joint venture | <u>—</u> | <u>10,153</u> |
| Proportion of the Group's ownership interest in the joint venture | <u>—</u> | <u>40%</u> |
| Carrying amount of the Group's interest in the joint venture | <u>—</u> | <u>4,061</u> |

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represents cash at banks which 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.

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Cash and cash equivalents were denominated in: | | |
| Russian Ruble (“ RUB ”) | 166 | 738 |
| Korean Won (“ KRW ”) | 4,811 | 33 |
| United States Dollars (“ US\$ ”) | 7 | 6 |
| Hong Kong Dollars (“ HK\$ ”) | 1,396 | 970 |
| Total | 6,380 | 1,747 |

19. INTEREST-BEARING BORROWINGS

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------------------------|--------------------------------|-------------------------|
| Other loan 1 (<i>Note a</i>) | — | 4,508 |
| Other loan 2 (<i>Note b</i>) | 28,561 | 28,561 |
| Other loan 3 (<i>Note c</i>) | 76,264 | — |
| Other loan 4 (<i>Note d</i>) | 19,812 | 21,497 |
| Other loan 5 (<i>Note e</i>) | — | 3,445 |
| Other loan 6 (<i>Note f</i>) | — | 10,108 |
| | 124,637 | 68,119 |
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Carrying amount repayable:— | | |
| Within one year or on demand | 19,812 | 7,953 |
| Over one year | 104,825 | 60,166 |
| | 124,637 | 68,119 |

19. INTEREST-BEARING BORROWINGS (Continued)

Note:

- a. During the year 2019, the aggregate amount of HK\$9,468,000 (“**Previous Other Loan 1**”) was bearing interest at 5% per annum and repayable upon maturity or on demand.

On 5 July 2018, part of Previous Other Loan 1 amounting to HK\$4,960,000 (including interest payable) was assigned to an independent third party.

As at 31 March 2019, the remaining unsettled Previous Other Loan 1 in aggregate amount of HK\$4,508,000 was due to the independent third party (“**Other Loan 1**”).

During the year 2020, Other Loan 1 (including interest payable) had been fully settled.

- b. During the year 2020, the aggregate amount of HK\$28,561,000 (2019: HK\$28,561,000) (“**Other Loan 2**”) was bearing interest at 5%-6% per annum and repayable on demand. The lender had agreed to extend the repayment date to 31 January 2022.
- c. In the previous year, the amount of HK\$89,084,000 (“**Pervious Other Loan 3**”) was due to a shareholder and bearing interest at 5.5%-10% per annum and repayable after 1 year from the date of drawdown or on demand.

On 9 January 2020, part of Previous Other Loan 3 amounting to HK\$21,000,000 has been repaid. As at 31 March 2020, the remaining un settle Pervious Other Loan 3 in aggregate amount of 68,084,000 was due to the lender.

During the year 2020, the lender was considered as an independent third party of the Company. Therefore, the outstanding amounts were classified as interest-bearing borrowings.

During the year 2020, agreements were entered into with the same independent third party for new loans in the amount of HK\$6,620,000 and US\$200,000 (equivalent to approximately HK\$1,560,000) which bear interest at 5.5% per annum and repayable after 1 year from the date of drawdown or on demand.

During the year 2020, the aggregate amount of HK\$76,264,000 (“**Other Loan 3**”) was bearing interest at 5.5%-6% per annum and repayable after 1 year from the date of drawdown or on demand. The lender had agreed to extend the repayment date of all loans (including new addition loans) to 31 January 2022.

- d. During the year 2020, the aggregate amount of KRW3,120,000,000 (equivalent to approximately HK\$19,812,000) (2019: HK\$21,497,000) (“**Other Loan 4**”) was bearing interest at 4.6 % per annum and repayable after 12 months from the date of drawdown or on demand.
- e. During the year 2020, the loan amount (“**Other Loan 5**”) in aggregate amount of KRW500,000,000 (equivalent to approximately HK\$3,445,000 (including interest payable)) had been fully settled.
- f. During the year 2020, Other Loan 6 in aggregate amount of HK\$10,108,000 (including interest payable) had been fully settled.

20. AMOUNT DUE TO A RELATED PARTY/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 2020, the amount due to a shareholder amounting to HK\$2,323,000 (2019: HK\$2,146,000) was unsecured, bears interest at the weighted average effective interest rate of 10% per annum and repayable upon maturity or on demand.
- (c) In previous year, the amount due to a shareholder was bearing interest at 5.5%-10% per annum and repayable after 1 year from the date of drawdown or on demand. During the year 2020, the lender, who was classified as amount due to a shareholder in 2019, was considered as an independent third party of the Company.
- (d) The amount due to a shareholder totaling HK\$33,994,000 (2019: HK\$34,010,000), 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 January 2022.
- (e) During the year 2020, a new loan amount of KRW1,000,000,000 (equivalent to approximately HK\$6,369,000) was obtained from a related company, which was unsecured bearing interest at 4.6 % per annum and repayable after 12 months from the date of drawdown or on demand.

21. PURCHASE CONSIDERATION PAYABLE FOR ADDITIONAL ACQUISITION

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

In prior year, the Group has recognised US\$1,300,000 (equivalent to approximately HK\$10,140,000) of the 4th Adjusted Consideration as purchase consideration payable for the acquisition of additional 30% equity interest in Lapi. The Group’s share of the 4th Adjusted Consideration in the amount of HK\$9,126,000 was debited directly to other reserve in equity. The Group settled an aggregate amount of US\$873,400 (equivalent to approximately HK\$6,813,000) of the 4th Adjusted Consideration, the remaining balance of the 4th Adjusted Consideration is US\$426,600 (equivalent to approximately HK\$3,307,000 (2019: HK\$3,349,000)).

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

22. LEASE LIABILITIES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-------------------------|-------------------------|-------------------------|
| Total lease liabilities | 874 | — |
| Less: current portion | 831 | — |
| | <hr/> | <hr/> |
| Non-current portion | 43 | — |
| | <hr/> <hr/> | <hr/> <hr/> |

The Group leases various offices and oil storage premises use right under lease agreements. The majority of lease liabilities is denominated in HKD. No arrangement has been entered into for variable lease payment.

During the year, the Group's operating lease rental payments relating to a short term lease of HK\$56,000 (Note 6) have been recognised as expenses and included in 'operating lease rentals of premises'.

23. 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.

23. CONVERTIBLE NOTE PAYABLES (Continued)

(i) Convertible note (Continued)

The New Technical Expert reported a slightly different estimate of the probable coal reserves in the open pit mining area in Lot 2 of the Mine and, as a 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 HK\$3,455,946,000) to US\$431,190,000 (equivalent to approximately HK\$3,363,282,000) and accordingly, the principal amount of US\$412,270,000 (equivalent to approximately HK\$3,215,706,000) of the Third Convertible Note held by Daily Loyal Limited would also be reduced by US\$11,880,000 (equivalent to approximately HK\$92,664,000) to US\$400,390,000 (equivalent to approximately HK\$3,123,042,000). Daily Loyal Limited agrees not to request for any compensation from any of the other parties for such reduction.

On 13 April 2017, the Company announced that Daily Loyal and the Company entered into 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 (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 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.

23. CONVERTIBLE NOTE PAYABLES *(Continued)*

(i) **Convertible note** *(Continued)*

Daily Loyal also alleged that (i) the placing and issue of new Shares by the Company as announced by the Company on 24 October 2016; (ii) the placing and issue of new shares by the Company as announced by the Company on 24 January 2017; and (iii) the issue of new shares upon loan capitalizations as announced by the Company on 20 February 2017 were conducted without the prior consent or authorization of Daily Loyal and were in breach of a convertible note agreement (the “**Convertible Note Agreement**”) dated 3 April 2013 between the Company and Cordia in relation to the Third Convertible Note. Details are disclosed in Note 29 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, 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 to Gold Ocean. The Company registered the transfer of such notes in the Register of Noteholders of the Company.

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, supersedes 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.

23. CONVERTIBLE NOTE PAYABLES *(Continued)*

(i) Convertible note *(Continued)*

The principal changes made by the Amended Note Instrument to the Original Note Instrument are 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 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), were amended to require the approval of noteholders holding in aggregate not less than 65% in outstanding principal amount of the Amended Notes.

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 had resulted in the issuance of 55,313,376 Conversion Shares, and left US\$60,000,000 in principal amount of the Amended Notes outstanding.

23. CONVERTIBLE NOTE PAYABLES (Continued)

(i) Convertible note (Continued)

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, 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 were issued in name of each of them accordingly. The Conversion Shares ranked *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 issued share capital of the Company would with immediate effect revert to 1,208,475,523 ordinary shares.

(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 (2019: 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 2020 | At 31 March 2019 |
|-------------------------|------------------|------------------|
| Expected volatility | Nil | Nil |
| Expected life | Nil | Nil |
| Risk-free rate | Nil | Nil |
| 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.

23. CONVERTIBLE NOTE PAYABLES (Continued)

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

| | Convertible notes | | Total HK\$'000 |
|---|--------------------------------------|-------------------------------------|-------------------|
| | Liabilities component HK\$'000 | Derivative component HK\$'000 | |
| At 1 April 2018 | 3,591,498 | — | 3,591,498 |
| Imputed interest charged during the year | — | — | — |
| At 31 March 2019 and 1 April 2019 | 3,591,498 | — | 3,591,498 |
| Imputed interest charged during the year | — | — | — |
| At 31 March 2020 | 3,591,498 | — | 3,591,498 |

24. PROMISSORY NOTES PAYABLES

| | 2020 HK\$'000 | 2019 HK\$'000 |
|---|------------------|------------------|
| At beginning of the year, at the end of year and included in non-current liabilities | <u>15,600</u> | <u>15,600</u> |

In prior years, three unsecured promissory notes in the aggregate principal amount of US\$35,000,000 (equivalent to approximately HK\$273,000,000) (“**Modified PN**”) were issued by the Company to Cordia, a shareholder of the Company, 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 amount 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.

24. PROMISSORY NOTES PAYABLES (Continued)

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 apply 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 (2019: HK\$15,600,000).

On 4 June 2020, the remaining promissory notes holder of the Modified PN agreed to extend the maturity date of the promissory notes to 31 January 2022.

25. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| At beginning of year | 1,470 | 1,528 |
| Provision during the year (<i>Note 6</i>) | 41 | 138 |
| Exchange realignments | (266) | (196) |
| | <hr/> | <hr/> |
| At end of year | <u>1,245</u> | <u>1,470</u> |

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 years, 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.

26. DEFERRED TAXATION

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

| | <i>HK\$'000</i> |
|---|----------------------------|
| At 1 April 2018 | 6,490 |
| Charge to the consolidated financial statements (<i>Note 7</i>) | (887) |
| Exchange realignments | (826) |
| | <hr/> |
| At 31 March 2019 and 1 April 2019 | 4,777 |
| Charge to the consolidated financial statements (<i>Note 7</i>) | (773) |
| Exchange realignments | (709) |
| | <hr/> |
| At 31 March 2020 | <u><u>3,295</u></u> |

At 31 March 2020, the Group had unused tax losses of HK\$28,232,000 (2019: HK\$28,232,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2020 and 2019 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 2020 and 2019.

27. SHARE CAPITAL

| | Number of shares | | Nominal value | |
|--|------------------------------------|-----------------------------|--------------------------------|-------------------------|
| | 2020 | 2019 | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| Authorised: | | | | |
| Ordinary shares of HK\$0.2 each (2019: HK\$0.2 each) | <u><u>5,000,000,000</u></u> | <u><u>5,000,000,000</u></u> | <u><u>1,000,000</u></u> | <u><u>1,000,000</u></u> |
| Issued and fully paid: | | | | |
| At beginning of year | <u>1,208,475,523</u> | <u>1,208,475,523</u> | <u>241,695</u> | <u>241,695</u> |
| Issue of shares upon new placement (<i>Note (ii)</i>) | <u>241,695,104</u> | <u>—</u> | <u>48,339</u> | <u>—</u> |
| At end of year | <u><u>1,450,170,627</u></u> | <u><u>1,208,475,523</u></u> | <u><u>290,034</u></u> | <u><u>241,695</u></u> |

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

Note:

- (i) Please also refer to Note 23 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).
- (ii) On 30 December 2019, an aggregate of 241,695,104 new ordinary shares at nominal value of HK\$0.2 each were issued by way of a placing at a subscription price of HK\$0.2 each to the then independent third party. The aggregate nominal value was HK\$48,339,000. The aggregate consideration was approximately HK\$48,339,000 which was credited to share capital. The net proceeds were utilised for the repayment of loans and general working capital of the Group.

28. 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.

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.

28. 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 2020:

| Name or category of participant | Number of shares | | | | Date of grant of share options | Exercisable period | Exercise price of share options HK\$ |
|--|------------------|---------------------------|-----------------------|--------------|--------------------------------|--------------------|---|
| | At 1/4/2019 | Exercised during the year | Lapse during the year | At 31/3/2020 | | | |
| Employees and consultants other than directors | | | | | | | |
| — In aggregate | — | — | — | — | — | — | — |
| | — | — | — | — | | | |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | | | |

The following were the movements of share options outstanding under the Old Scheme during the year ended 31 March 2019:

| Name or category of participant | Number of shares | | | | Date of grant of share options | Exercisable period | Exercise price of share options HK\$ |
|--|------------------|---------------------------|-----------------------|--------------|--------------------------------|--------------------------|---|
| | At 1/4/2018 | Exercised during the year | Lapse during the year | At 31/3/2019 | | | |
| 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) | — | | | |
| | <u>440,000</u> | <u>—</u> | <u>(440,000)</u> | <u>—</u> | | | |

28. SHARE OPTION SCHEME (Continued)

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

Note:

There were no share options outstanding at the end of pervious year and the year.

The total number of share options outstanding as at 31 March 2020 was zero (2019: Nil) 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 (2019: HK\$Nil).

At 31 March 2020, the Company had no (2019: Nil) share issuable under option granted under the Old Scheme, representing zero percent (2019: Nil) 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 2020, result in the issue of zero (2019: Nil) additional ordinary shares of HK\$0.2 (2019: HK\$0.2) each of the Company, additional share capital of HK\$Nil (2019: HK\$Nil) and additional share premium of approximately HK\$Nil (2019: HK\$Nil) (before issue expense). In addition, amount attributable to the related share options of HK\$Nil (2019: HK\$Nil) would be transferred from equity-settled share option reserve to the share premium account.

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 |

28. SHARE OPTION SCHEME *(Continued)*

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 years ended 31 March 2020 and 2019, no option has been granted under the New Scheme since the adoption date to the date of this announcement.

29. LITIGATIONS

(i) The Company/Its Subsidiary as the Defendant

Legal Proceedings Taken By Former Shareholders of a Russian Subsidiary

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

29. LITIGATIONS *(Continued)*

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

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

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

The Group and the Second Claimant entered into an amicable agreement dated 11 July 2013 to settle the Second Claim by three instalments. In February 2014, US\$100,000 (approximately HK\$780,000) was paid. The Second Claimant threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the remaining outstanding amount of the Second Claim. As of 31 March 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 was US\$238,000 (approximately HK\$1,856,400), which had also been fully provided for since 31 March 2013.

HCA 672 of 2013

As announced by the Company on 30 April 2013, Cordia Global Limited (“**Cordia**”) on 23 April 2013 issued a writ of summons in the High Court of Hong Kong (HCA 672 of 2013) against certain parties (including certain shareholders of the Company) and the Company. Cordia also took out an inter parties 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).

29. LITIGATIONS *(Continued)*

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

HCA 672 of 2013 (Continued)

As further announced by the Company on 14 May 2015, the parties therein applied to the Court to discharge the Injunction Order and it was approved by the Court on 11 May 2015. In other words, the 3rd defendant (Keystone Global Co., Ltd.), the 4th defendant (Master Impact Inc.), the 6th defendant (Skyline Merit Limited), the 7th defendant (Park Seung Ho), the 8th defendant (Kim Chul) and the 9th defendant (Wonang Industries Co., Ltd.) therein 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 was 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. Nevertheless, the Company is in the process of liaising with Cordia in an attempt to ask Cordia to discontinue such legal action against 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 was 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.

As announced by the Company on 29 June 2016, Zhi Charles was 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 therefore, 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 Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

It was subsequently understood by the Company that such legal action had been dismissed by Mr. Justice Lam Vice-President in Chambers since 31 August 2017.

29. LITIGATIONS *(Continued)*

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

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 was 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.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

The Company is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, the Company will ask the Trustee to discontinue such legal action.

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 was 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.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

The Company is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, the Company will ask the Trustee to discontinue such legal action.

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 former Directors of the Company. For avoidance of doubt, the Company was not a defendant in such action. The plaintiff was 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.

29. LITIGATIONS *(Continued)*

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

HCA 2137 of 2016 *(Continued)*

As announced by the Company on 13 February 2017, the plaintiff wholly discontinued his actions against a former Director of the Company in HCA 2137 of 2016.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

The solicitor acting for the former Director is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, the solicitor will ask the Trustee to discontinue such legal action.

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 former Directors of the Company. For avoidance of doubt, the Company was not a defendant in such action. The plaintiff was 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.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

The solicitor acting for the two former Directors is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, the solicitor will ask the Trustee to discontinue such legal action.

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 one existing Director of the Company. For avoidance of doubt, the Company was not a defendant in such action. The plaintiff was seeking various orders on the defendants in respect of, inter alia, the Company's audit reports of 2013, 2014 and 2015.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

29. LITIGATIONS *(Continued)*

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

HCA 2397 of 2016 (Continued)

The solicitor acting for the existing Director is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, the solicitor will ask the Trustee to discontinue such legal action.

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 was 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.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

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 former Directors of the Company. The plaintiff was 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 former Directors of the Company in the legal action HCA 3148 of 2016.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

29. 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 one existing Director of the Company. The plaintiff was seeking various declaratory reliefs against the defendants in respect of, inter alia, certain accounting information and certain valuation reports used by the Company.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

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 a former Director of the Company. The plaintiff was 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 former Director of the Company in the legal action HCA 3190 of 2016.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

29. LITIGATIONS *(Continued)*

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

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 was seeking various declaratory reliefs against the defendants in respect of, inter alia, certain alleged transfers of funds.

The Company took out a strike out application. By a court order dated 9 June 2020, it was ordered that such legal action as against the Company be dismissed.

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 was 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.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

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 were 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.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

29. LITIGATIONS *(Continued)*

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

HCMP 701 of 2017 (Continued)

The solicitor acting for the Company and Grandvest International Limited is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the solicitor will ask the Official Receiver to discontinue such legal action.

The Company and Grandvest International Limited are in the process of also taking out a summons to strike out such legal action raised by Cho Seong Woo, Kim Kyungsoo, Lim Hang Young and Joung Jong Hyun.

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 was 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.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company will ask the Official Receiver to discontinue such legal action.

HCA 1050 of 2017

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

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

Grandvest International Limited is in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, Grandvest International Limited will ask the Official Receiver to discontinue such legal action.

29. LITIGATIONS *(Continued)*

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

HCA 1071 of 2017

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

As announced by the Company on 13 April 2017, Daily Loyal and the Company entered into the undated Amendment Agreement, among other things, to (i) extend the maturity dates of the Outstanding Third Convertible Note for at least another two years before the Outstanding Third Convertible Note becomes 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 (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) was 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 had been rescinded.

29. LITIGATIONS *(Continued)*

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

HCA 1071 of 2017 (Continued)

As announced by the Company on 16 June 2017, the Company received a letter from Daily Loyal's legal advisers on 9 June 2017. In that letter, Daily Loyal alleged that it had sold the Outstanding Third Convertible Note as to an aggregate principal amount of US\$103,000,000 (approximately HK\$803,400,000) and therefore it currently held the Outstanding Third Convertible Note as to a principal amount of US\$297,390,000 (approximately HK\$2,319,642,000) (the "**Alleged Current Outstanding Amount**"). Further, Daily Loyal also demanded the Company to (i) repay the Alleged Current Outstanding Amount within 14 days from 9 June 2017; (ii) pay any interest accrued in full; and (iii) indemnify Daily Loyal for all costs and expenses incurred, among other things, for collection of the Alleged Current Outstanding Amount and the enforcement of the Convertible Note Agreement. The primary ground relied upon by Daily Loyal was that the Company did not obtain its prior consent or authorization in the previous placing and issue of new Shares and the issue of new Shares upon loan capitalizations, that was one of Daily Loyal's allegations set out in the announcement of 12 May 2017.

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 report, 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.

As announced by the Company on 3 October 2019, the Court on 19 September 2019 directed that an application by Daily Loyal to have HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018 heard together and tried by the same judge (the "**Consolidation Applications**") be adjourned for directions on 21 October 2019. As directed by the Court, substantive hearing of the Consolidation Applications originally set down for 28 February 2020 was adjourned to 21 May 2020 due to general adjournment of court proceedings under the COVID-19 situation. At the hearing of 21 May 2020, it was ordered by the Court that the three legal actions (i.e. HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018) be heard together by the same judge.

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-2021 at the earliest.

29. LITIGATIONS *(Continued)*

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

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 was seeking various declaratory reliefs against the defendants in respect of, inter alia, the Third Convertible Note issued by the Company.

The Company is in the process of taking out a summons to strike out such legal action.

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 a former 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 and the two subsidiaries of the Company on 22 May 2020 took out a summons to strike out such legal action. Upon the hearing of the Court on 30 June 2020, it was ordered that such legal action as against the Company and its two subsidiaries be dismissed.

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 were 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 was 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 was thus in contravention of the Rules of the High Court. The Company 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.

29. LITIGATIONS *(Continued)*

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

HCA 2501 of 2017 (Continued)

As announced by the Company on 3 October 2019, further to an earlier notice of discontinuance filed on 24 June 2019, the Company received an order of the High Court sealed on 25 September 2019, pursuant to which leave was granted to China Panda Limited and Gold Ocean to wholly discontinue the original action in HCA 2501/2017 (“**HCA 2501/2017 (Original Action)**”). Notwithstanding the discontinuance of HCA 2501/2017 (Original Action), the counterclaim of Daily Loyal Limited against China Panda Limited, Gold Ocean and the Company in HCA 2501/2017 (“**HCA 2501/2017 (Counterclaim)**”), which also involved similar issues and disputes over the ownership of the Third Convertible Note, is still ongoing. Separately, the Court on 19 September 2019 directed that an application by Daily Loyal to have HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018 heard together and tried by the same judge (the “**Consolidation Applications**”) be adjourned for directions on 21 October 2019. As directed by the Court, substantive hearing of the Consolidation Applications originally set down for 28 February 2020 was adjourned to 21 May 2020 due to general adjournment of court proceedings under the COVID-19 situation. At the hearing of 21 May 2020, it was ordered by the Court that the three legal actions (i.e. HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018) be heard together by the same judge.

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-2021 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 was seeking various declarations against these fourth parties in respect of, inter alia, the HASS Report on the Company’s Russian coal mines.

Subsequent to the Bankruptcy Order Against Zhi Charles, the Trustee in Bankruptcy so appointed is now the trustee of the property of Zhi Charles and his property including all things in action has vested in the Trustee.

Grandvest International Limited is in the process of liaising with the Trustee. If the Trustee indicates not to proceed with the legal action, Grandvest International Limited will ask the Trustee to discontinue such legal action.

29. 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 was seeking various declarations against those 10 parties in respect of, inter alia, the HASS Report on the Company's Russian coal mines.

Subsequent to the Bankruptcy Order Against Kim Sungho, the Official Receiver is now the trustee of the property of Kim Sungho and his property including all things in action has vested in the Official Receiver.

The Company and Grandvest International Limited are in the process of liaising with the Official Receiver. If the Official Receiver indicates not to proceed with the legal action, the Company and Grandvest International Limited will ask the Official Receiver to discontinue such legal action.

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 was 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.

29. LITIGATIONS *(Continued)*

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

HCA 2520 of 2018 (Continued)

As announced by the Company on 3 October 2019, the Court on 19 September 2019 directed that an application by Daily Loyal to have HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018 heard together and tried by the same judge (the “**Consolidation Applications**”) be adjourned for directions on 21 October 2019. As directed by the Court, substantive hearing of the Consolidation Applications originally set down for 28 February 2020 was adjourned to 21 May 2020 due to general adjournment of court proceedings under the COVID-19 situation. At the hearing of 21 May 2020, it was ordered by the Court that the three legal actions (i.e. HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018) be heard together by the same judge.

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-2021 at the earliest.

(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.

29. LITIGATIONS *(Continued)*

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

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

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

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.

29. 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)

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 subsequent hearings, the case management conference hearing was adjourned to 15 August 2019 and further adjourned to 3 January 2020. Eventually, the pre-trial review hearing has been fixed to be heard on 26 April 2022 and the trial hearing has been fixed to be heard from 5 July 2022 to 20 July 2022.

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 was 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 has been dormant since March 2017 and by now it has largely been superseded by events. The Company is in the process of discontinuing the proceedings.

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.

29. LITIGATIONS *(Continued)*

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

HCA 51 of 2017 (Continued)

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 was therefore seeking the repayment of the sums made to HASS under such agreement and damages for misrepresentation from both HASS and Tso.

The action has been dormant since June 2017. The Company is in the process of discontinuing the proceedings.

HCMP 2169 of 2019

On 22 November 2019, the Company (as the plaintiff) issued an originating summons to Daily Loyal (as the defendant) in the High Court of Hong Kong under action number HCMP 2169 of 2019. The Company was seeking, inter alia, declarations that Daily Loyal had no right under condition 10.1(f) of the Note Instrument of the Third Convertible Note to object to the Company’s proposed share placing (the “**Placing**”) as disclosed in the Company’s announcement of 27 September 2019, or alternatively, Daily Loyal unreasonably withheld its consent to such share placing; and an order that Daily Loyal be restrained from exercising its purported right under such condition 10.1(f) to object to the proposed share placing, or any other future proposed issuances, consolidations or subdivisions of shares of the Company, including, but not limited to, making such objections to the Stock Exchange.

On 26 November 2019, the Company filed a summons to the High Court of Hong Kong under action number HCMP 2169 of 2019 seeking, inter alia, an interim injunction that Daily Loyal be restrained from exercising its purported right under such condition 10.1(f) to refuse consent and/or object to (a) the Company’s proposed share placing as announced in the Company’s announcement dated 27 September 2019; and (b) any future proposed issuances, consolidations or subdivisions of shares of the Company. Although an interim injunction was not granted upon hearing on 29 November 2019, the judge did appreciate that this case required resolving at the earliest opportunity and had fast-tracked the case by setting down the hearing of the originating summons itself (i.e. for final determination) for a hearing on 31 December 2019.

Before the 31 December 2019 hearing, the Company was granted the conditional listing approval by the Stock Exchange for the placing shares under the Placing on 17 December 2019. In view of such development, the interim injunction application (which was concerned solely with the Placing) had been overtaken by events, which rendered such application for an injunction entirely academic and thus both parties accepted that it put an end to the application for the interim injunction. In addition, both parties also accepted that there was no purpose in these proceedings going ahead at all. Hence, the Company had effectively withdrawn the originating summons on 31 December 2019.

30. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, certain legal actions against the Company were dismissed. Please refer to Note 29 for details of such legal cases.
- (b) Subsequent to the end of the reporting period, certain loans of US\$295,000 (approximately HK\$2,301,000) in total were granted to the Company.
- (c) 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 January 2022. Please refer to Note 2(b) for more information.
- (d) At the extraordinary general meeting of the Company held on 22 April 2020, the share consolidation (the “**Share Consolidation**”) of the Company in respect of every ten (10) issued and unissued shares of nominal value of HK\$0.20 each in the share capital of the Company be consolidated into one (1) consolidated share of nominal value of HK\$2.00 each was approved. The Share Consolidation took effect on 24 April 2020. In addition, with effect from 24 April 2020, the board lot size of the shares of the Company for trading on the Stock Exchange was changed from 10,000 shares (before the Share Consolidation) to 4,000 shares (after the Share Consolidation).
- (e) As announced by the Company on 23 April 2020, the conversion price of the Third Convertible Note was adjusted from HK\$48.00 per conversion share to HK\$480.00 per conversion share with effect from 24 April 2020 as a result of the completion of the Share Consolidation.
- (f) On 23 June 2020, the Company entered into a loan facilities agreement with the holding company of the controlling 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 holding company of the controlling shareholder could provide financial support to the Company up to approximately US\$3,314,240 (approximately HK\$25,851,072).
- (g) On 23 June 2020, the Company entered into a loan facilities 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 approximately US\$17,533,003 (approximately HK\$136,757,423).
- (h) On 23 June 2020, the Company entered into a loan facilities agreement with a related company of the holding company of the controlling 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 independent party could provide financial support to the Company up to approximately US\$9,932,657 (approximately HK\$77,474,725).
- (i) On 23 June 2020, the Company entered into a loan facilities agreement with a related company of the holding company of the controlling 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 independent party could provide financial support to the Company up to approximately US\$58,644,113 (approximately HK\$457,424,081).

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

- (j) On 23 June 2020, the Company entered into a loan facilities agreement with a related company of the holding company of the controlling 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 independent party could provide financial support to the Company up to approximately US\$9,526,424 (approximately HK\$74,306,107).
- (k) On 23 June 2020, the Company entered into a loan facilities 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 approximately US\$652,441 (approximately HK\$5,089,040).
- (l) On 23 June 2020, the Company entered into a loan facilities agreement with a related company of the holding company of the controlling 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 independent party could provide financial support to the Company up to approximately US\$4,214,556 (approximately HK\$32,873,537).
- (m) On 23 June 2020, the Company entered into a loan facilities 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 approximately US\$10,994,880 (approximately HK\$85,760,064).
- (n) On 23 June 2020, the Company entered into a loan facilities agreement with a related company of the holding company of the controlling 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 independent party could provide financial support to the Company up to approximately US\$3,629,365 (approximately HK\$28,309,047).
- (o) On 23 June 2020, the Company entered into a loan facilities 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 approximately US\$17,118,090 (approximately HK\$133,521,102).

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 2020 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 2020, the Group incurred a loss attributable to owners of the Group of HK\$1,475,433,000 and, as at 31 March 2020, the Group had net current liabilities of approximately HK\$3,620,119,000 and net liabilities of approximately HK\$2,533,991,000. 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 29 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 2020, the Group recorded a total turnover of HK\$1,194.07 million (2019: HK\$647.95 million), representing an increase of approximately 84.3% 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 2019 Interim Report, the Group would further strengthen the gasoline trading business in the Korean market. During the year under review, the Group recorded a turnover of HK\$1,194.07 million (2019: HK\$642.32 million) from trading of gasoline and related petroleum products and services, and no turnover was recorded for trading of integration module (2019: HK\$5.63 million).

Other Income

Other income during the year under review mainly represented interest income of HK\$0.28 million (2019: HK\$0.01 million) from bank deposits, and other sundry income of HK\$0.26 million (2019: HK\$0.09 million).

Other Gains and Losses

During the year under review, (i) the impairment loss on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) amounted to HK\$165.32 million (2019: reversal of impairment loss HK\$130.43 million) mainly due to the increase in post-tax discount rate, decrease in coal sales prices of certain types of coals, depreciation of Russian Rubles to US Dollars and the change in expected first year of coal production to 2027; 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\$1,170.70 million (2019: HK\$58.70 million) also mainly due to the increase in post-tax discount rate, decrease in coal sales prices of certain types of coals, depreciation of Russian Rubles to US Dollars and the change in expected first year of coal production to 2022.

Selling and Distribution Costs

The increase in selling and distribution costs from HK\$1.09 million to HK\$2.27 million was generally in line with the increase in turnover in gasoline trading.

Administrative and Other Expenses

During the year under review, total administrative and other expenses increased from HK\$19.32 million to HK\$24.25 million, mainly due to the net effects of (i) legal and professional fees increased from HK\$4.77 million to HK\$10.51 million as certain major legal proceedings were expediting and the Company raised a new legal action during the year; (ii) staff costs including pension fund contributions (excluding directors' remuneration) decreased to HK\$4.30 million (2019: HK\$6.65 million) as cost control took effects; (iii) the depreciation of Russian Rubles to US Dollars resulted in a net exchange loss of HK\$4.27 million (2019: HK\$1.41 million); (iv) rent and rates reduced from HK\$1.80 million to HK\$0.07 million in line with the adoption of the new accounting standards on leases of offices.

Other Expenses

During the year under review, increase in other expenses represented increase in 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) from HK\$107.50 million to HK\$139.61 million.

Finance Costs

During the year under review, total finance costs just increased slightly to HK\$9.69 million (2019: HK\$9.23 million) even though the amount of outstanding interest-bearing borrowings as at year end date increased, as certain interest-bearing loans were repaid during the year which helped to save interests payable.

Loss Before Income Tax

For the year ended 31 March 2020, the loss before income tax of the Group was HK\$1,509.18 million (2019: HK\$60.95 million), representing an increase of approximately 2,376.1%. The significant increase of loss is mainly attributable to the combined effects of the aforementioned factors.

The Company would like to highlight that (i) impairment loss of HK\$165.32 million (2019: reversal of impairment loss HK\$130.43 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\$1,170.70 million (2019: HK\$58.70 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.

The Group succeeded in obtaining more competitive pricing with stable supply of gasoline and related products for certain individual petrol stations. In addition, the Group conducted direct delivery as much as possible from oil refinery plants to petrol stations to minimize lead time and also the operating costs.

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 2022, 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 forestry survey was completed in July 2019 and the surveying documentation materials were 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 waiting for approval of the technical design documentation consulting and expert review which was submitted to the Central Committee for Solid Mineral Deposits Development of "Rosnedra" ("Rosnedra" is the Federal Agency for Subsoil Usage). Declaration of intent to construct the mine was made, and declaration on the environmental impact assessment was also completed. Since most Russian business is closed for uncertain period due to COVID-19 pandemic issues, the Company is still waiting for results.

Geographical

In the year under review, the Republic of Korea (“**Korea**”) is the Group’s sole market segment which accounted for 100% (2019: 100%) of the total revenue.

Joint Venture in Kindergarten Project

The PRC joint venture partner intended to establish more kindergartens in 2020 and thus requested further substantial financial resources injection, which the Company originally had not budgeted for. Given the kindergarten project was still not making positive returns, the Company decided not to participate in such expansion plan, and thus the Company during the year disposed of its 40% capital investment in the kindergarten joint venture company, and resulted in a small gain of HK\$0.69 million.

PROSPECTS

Looking forward, the year ahead will remain challenging for the Group. The threats from possible Sino-US trade wars still could not be dispelled at the moment and the sluggish growth in economy of Mainland China seems still lingering. On top of these, the outbreak of COVID-19 pandemic has caused shut down of major economic activities in quite a number of both developed and developing countries around the world. Thus the continuing recovery of global economy remained rather uncertain, which would make the Group’s mineral resources, commodities and other trading businesses rather challenging, and would also have impacts on the coal prices.

Based on the information current available on the recent development of the COVID-19 pandemic situation on the major geographical operations of the Group, the preliminary assessment of its impact might suggest that COVID-19 pandemic might not have significant adverse impacts on the Group’s gasoline trading business in Korea in terms of the operating margins and results, financial resources, cashflows and future operating plans. As already mentioned above, the possible slowdown in recovery of worldwide economy might have certain impacts on the trends of coal prices which might affect the future valuations of coal mining rights and exploration rights (which anyway will be non-cash items), and the future situations in Russia might also possibly affect the timing on certain application procedures, but up to this moment, the quantitative financial impacts on such are still too pre-matured to be measured.

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 further strengthen the gasoline trading by opening up new sources of suppliers and establish additional sales pipelines to enhance the customer base. This will help striving for more competitive pricing and thereby increasing the gross margin and further stabilizing the supply of gasoline and the related products. The Group will also strive to further minimize the lead time by improving the logistic from oil refinery plants to the petrol stations in a more efficient manner.

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

Open pit mining is characterized by shorter timeframes for mine infrastructure construction, lower capital expenditure requirements and relatively higher yields of coal ore extraction. However, open pit mining inherently will cause disruptive impacts to the environment due to the extensive excavation processes, which may completely eliminate the existing surface vegetation, destroy the genetic soil profile, displace or destroy wildlife and habitat, degrade air quality and to some extent permanently change the general topography of the area mined. Hence, in respect of open pit mining in certain area of Lot 2, the Group will strictly observe all the applicable environmental protection laws and regulations in Russia and cautiously evaluate the environmental impacts on the surrounding areas of the mines.

In respect of underground mining of Lot 2, as the technical design documentation is waiting for approval from the Central Committee for Solid Mineral Deposits Development of “Rosnedra” and declaration of environmental impact assessment will be completed. Also, upon the granting of protocol and other necessary approvals, the Group will then be able to move to the next step of making the mine construction design.

Due to the unexpected COVID-19 pandemic circumstances, the Group will take substantial time to move on to next procedures. Since almost all major businesses in Russia are halted for unpredictable periods, more time for administrative procedures in the local society will be inevitably required.

Complying with the Group’s vision, the Company will seek profits and make contributions to the community at the same time. The Group is seeking business profits as a way to obtain cooperation from the community for smooth development. Also, the Group will find out the best way to minimize the environmental impact on the development area environment, including land restoration which is followed by development.

Placing of Shares, Share Consolidation, Loan Capitalizations and The Third Convertible Note

As announced by the Company on 30 December 2019, the Company successfully issued 241,695,104 new shares at a placing price of HK\$0.20 per share under the general mandate in accordance with the placing agreement dated 27 September 2019. The net proceeds from the placing, after deducting expenses in connection with the placing from the gross proceeds of HK\$48.34 million, amounted to approximately HK\$47.07 million. The net price to the Company of each placing share was estimated to be approximately HK\$0.195 per placing share. The Company had used the net proceeds from the placing as intended mainly for repayment of loans amounted to HK\$43.95 million and the rest HK\$3.12 million as general working capital of the Group.

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of securities. Thus, the Board on its initiative proceeded with a share consolidation in order to comply with the trading requirements of the Listing Rules. At the extraordinary general meeting of the Company held on 22 April 2020, the share consolidation (the “**Share Consolidation**”) of the Company in respect of every ten (10) issued and unissued shares of nominal value of HK\$0.20 each in the share capital of the Company be consolidated into one (1) consolidated share of nominal value of HK\$2.00 each was approved. The Share Consolidation took effect on 24 April 2020. As announced by the Company on 23 April 2020, the conversion price of the Third Convertible Note was adjusted from HK\$48.00 per conversion share to HK\$480.00 per conversion share with effect from 24 April 2020 as a result of the completion of the Share Consolidation.

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 holders 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 2020, the Group had net current liabilities of HK\$3,620.12 million (2019: HK\$3,588.38 million). The Group’s current ratio, being a ratio of current assets to current liabilities, was 1.14% (2019: 1.04%) and the Group’s gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 9.89% (2019: 5.85%).

The Group generally finances its operations with internally generated cash flows, loans from a former 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 inflow of HK\$2.92 million (2019: net cash outflow of HK\$8.92 million), while the total cash and cash equivalents increased to HK\$6.38 million (2019: decreased to HK\$1.75 million) as at the end of reporting year.

The Directors will endeavour to further enhance the Group’s financial strengths so as to tackle the net current liabilities position of the Group as at 31 March 2020. 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\$14.55 million (2019: HK\$24.94 million) for the Group’s daily operation and the mine construction. In addition, the Company on 30 December 2019 completed the placing of 241,695,104 new shares at the placing price of HK\$0.20 per placing share under general mandate, and successfully raised net proceeds of approximately HK\$47.07 million from the placing.

In addition to the above measure to improve the liquidity of the Group, the Company also explores ways 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 29 to the financial statements.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no capital commitments in respect of the exploration related contracts (2019: HK\$0.8 million) and no capital commitments in acquisition of property, plant and equipment (2019: Nil).

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 31 March 2020 or 31 March 2019.

SHARE OPTION SCHEME

The Group has adopted a 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 2020, the Group had approximately 20 (2019: 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 2020.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend in respect of the financial year ended 31 March 2020.

CORPORATE GOVERNANCE

Corporate Governance Code

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

- (i) Under code provision A.6.7 of the CG Code, independent non-executive Directors ("**INEDs**") should attend the general meetings and develop a balanced understanding of the views of shareholders. However, three INEDs of the Company (Ms. Chen Dai, Mr. Kwok Kim Hung Eddie and Mr. Lee Sungwoo) were unable to attend the 2019 annual general meeting of the Company held on 7 November 2019 due to other overseas commitments or other prior business engagements.

Non-compliance with Provisions of the Listing Rules

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

- (i) The 2019 annual general meeting of the Company, originally intended to be held on or before 30 September 2019, was finally re-scheduled to 7 November 2019 as the Company needed more time to finalize the proposed placing of new shares under the general mandate granted at the 2018 annual general meeting of the Company. As a result, the Company was not able to timely comply with the provision under the Listing Rule 13.46(2)(b) in laying its annual financial statements for the year ended 31 March 2019 before its members at its 2019 annual general meeting within the period of six months after the end of the financial year to which the annual financial statements relate, i.e. to hold its 2019 annual general meeting on or before 30 September 2019.
- (ii) Since more time was needed to find the suitable candidate to act as the second authorized representative of the Company, thus the Company was not able to timely comply with the Listing Rule 2.11 in appointing and retaining at all times two authorized representatives of the Company. The Company on 21 February 2020 had appointed Ms. Tsang Oi Yin as the second authorized representative of the Company.
- (iii) Since more time was needed to find the suitable candidate to fill up the vacancy of the company secretary of the Company who could satisfy the requirements under the Listing Rule 3.28, thus the Company was not able to timely comply with the Listing Rule 8.17 in appointing a company secretary who could satisfy the Listing Rule 3.28. The Company on 21 February 2020 had appointed Ms. Tsang Oi Yin as the company secretary of the Company

Model Code for Securities Transactions by Directors

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

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 from 1 April 2019 to 20 February 2020, chaired by Mr. Kwok Kim Hung Eddie and the other members were Ms. Chen Dai and Mr. Lee Sungwoo. From 21 February 2020 to 31 March 2020, a new INED, Mr. Leung Yau Wan John, joined the Audit Committee making it consisted of four INEDs.

The annual results of the Group for the year ended 31 March 2020 have been reviewed by the Audit Committee.

AUDITOR

The consolidated financial statements for the year ended 31 March 2020 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 2020 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 2020 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
Lee Jaeseong
Chairman

Hong Kong, 30 June 2020

As at the date of this announcement, the Board consists of Mr. Lee Jaeseong and Mr. Im Jonghak as executive directors, and Ms. Chen Dai, Mr. Kwok Kim Hung Eddie, Mr. Lee Sungwoo and Mr. Leung Yau Wan John as independent non-executive directors.