



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)



# 2021

## INTERIM REPORT

\*For identification purpose only

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Lee Jaeseong (*Chairman*)  
Mr. Im Jonghak

### Independent Non-executive Directors

Ms. Chen Dai  
Mr. Kwok Kim Hung Eddie  
Mr. Leung Yau Wan John

## COMPANY SECRETARY

Ms. Tsang Man Maan

## AUTHORISED REPRESENTATIVES

Mr. Lee Jaeseong  
Ms. Tsang Man Maan

## AUDIT COMMITTEE

Mr. Kwok Kim Hung Eddie (*Chairman*)  
Ms. Chen Dai  
Mr. Leung Yau Wan John

## REMUNERATION COMMITTEE

Ms. Chen Dai (*Chairman*)  
Mr. Kwok Kim Hung Eddie  
Mr. Leung Yau Wan John

## NOMINATION COMMITTEE

Mr. Lee Jaeseong (*Chairman*)  
Ms. Chen Dai  
Mr. Kwok Kim Hung Eddie  
Mr. Leung Yau Wan John

## AUDITOR

UniTax Prism (HK) CPA Limited

## PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation  
Limited

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## HKEX STOCK CODE

1142

## WEBSITE

<http://siberian.todayir.com>

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



UniTax Prism (HK) CPA Limited 尤尼泰·柏淳(香港)會計師事務所有限公司  
Units 1903A -1905, 19/F, No. 8 Observatory Road, Tsim Sha Tsui, Hong Kong  
香港九龍尖沙咀天文臺道8號19樓1903A-1905室

**TO THE BOARD OF DIRECTORS OF  
SIBERIAN MINING GROUP COMPANY LIMITED**  
*(Incorporated in Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim condensed consolidated financial statements of Siberian Mining Group Company Limited (the “**Company**”) and its subsidiaries set out on pages 4 to 50, which comprise the interim condensed consolidated statement of financial position as at 30 September 2021 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and other explanatory notes.

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BASIS

As at 30 September 2021, the Group had net current liabilities and net liabilities of approximately HK\$3,597,997,000 and HK\$1,911,659,000 respectively. These conditions, along with other matters as set forth in note 2 to the condensed 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 of the Company 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 condensed 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 31 to the condensed 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.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## CONCLUSION

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

**UniTax Prism (HK) CPA Limited**

*Certified Public Accountants*

**Lee Kwok Lun**

Practising Certificate Number: P06294

Hong Kong

30 November 2021

The board (the “Board”) of directors (the “Directors” and each a “Director”) of Siberian Mining Group Company Limited (the “Company”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2021 together with the comparative figures as follows:

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

For the six months ended 30 September 2021

	Note	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Revenue</b>	5	<b>527,710</b>	575,166
Cost of sales		<b>(524,173)</b>	(570,892)
Gross profit		<b>3,537</b>	4,274
Other income	7	<b>1,241</b>	226
Other gains and losses	8	<b>193,621</b>	(234,995)
Selling and distribution costs		<b>(1,326)</b>	(1,419)
Administrative expenses		<b>(5,992)</b>	(9,538)
Other expenses		<b>(114,062)</b>	(34,410)
Finance costs	9	<b>(5,817)</b>	(3,986)
<b>Profit (loss) before income tax</b>		<b>71,202</b>	(279,848)
Income tax (expense) credit	11	<b>(2,979)</b>	16
<b>Profit (loss) for the period</b>	10	<b>68,223</b>	(279,832)
<b>Profit (loss) for the period attributable to:</b>			
Owners of the Company		<b>46,186</b>	(283,130)
Non-controlling interests		<b>22,037</b>	3,298
		<b>68,223</b>	(279,832)
<b>Profit (loss) for the period</b>		<b>68,223</b>	(279,832)
<b>Other comprehensive income (expenses) for the period:</b>			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of financial statements from functional currencies to presentation currencies		<b>13,030</b>	(654)
<b>Total comprehensive income (expense) for the period</b>		<b>81,253</b>	(280,486)
<b>Total comprehensive income (expense) for the period attributable to:</b>			
Owners of the Company		<b>57,899</b>	(283,620)
Non-controlling interests		<b>23,354</b>	3,134
		<b>81,253</b>	(280,486)
<b>Earnings (loss) per share</b>			
Basic (HK\$)	13	<b>0.32</b>	(0.96)
Diluted (HK\$)	13	<b>0.30</b>	(0.96)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Note	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	16,772	15,243
Right-of-use assets	15	1,010	1,104
Intangible assets	16	379,577	258,398
Exploration and evaluation assets	17	1,493,653	1,538,201
Rental deposits	19	313	188
		<b>1,891,325</b>	1,813,134
<b>Current assets</b>			
Trade receivables	18	13,915	12,264
Other receivables	19	131,357	16,391
Cash and cash equivalents		2,667	2,145
		<b>147,939</b>	30,800
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	20	54	68
Other payables		21,773	19,522
Contract liabilities	21	1,076	576
Interest-bearing borrowings	22	121,019	21,466
Amounts due to shareholders	23	2,816	2,728
Purchase consideration payable for additional acquisition	24	3,322	3,316
Lease liabilities	15	916	694
Convertible notes payables	25	3,591,498	3,591,498
Income tax payable		3,462	198
		<b>3,745,936</b>	3,640,066
<b>Net current liabilities</b>		<b>(3,597,997)</b>	(3,609,266)
<b>Total assets less current liabilities</b>		<b>(1,706,672)</b>	(1,796,132)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Note	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Amounts due to shareholders	23	138,927	136,192
Interest-bearing borrowings	22	46,578	40,780
Promissory notes payables	26	15,600	15,600
Provision for close down, restoration and environmental costs	27	1,495	1,347
Lease liabilities	15	108	429
Deferred tax liabilities		2,279	2,453
		204,987	196,801
<b>NET LIABILITIES</b>		<b>(1,911,659)</b>	(1,992,933)
<b>CAPITAL AND RESERVES</b>			
Share capital	28	290,034	290,034
Reserves		(2,220,557)	(2,278,477)
Equity attributable to owners of the Company		(1,930,523)	(1,988,443)
Non-controlling interests		18,864	(4,490)
<b>CAPITAL DEFICIENCIES</b>		<b>(1,911,659)</b>	(1,992,933)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Other reserve	Equity-settled share option reserve	Capital reserve	Accumulated losses	Sub-total		
	HK\$'000 (Note 28)	HK\$'000	HK\$'000	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000 (Note a)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2020 (Audited)	290,034	1,956,517	(65,223)	322,366	47	23,860	(5,044,715)	(2,517,114)	(16,877)	(2,533,991)
(Loss) profit for the period	—	—	—	—	—	—	(283,130)	(283,130)	3,298	(279,832)
Other comprehensive expenses for the period	—	—	(490)	—	—	—	—	(490)	(164)	(654)
Total comprehensive (expenses) income for the period	—	—	(490)	—	—	—	(281,130)	(283,620)	3,134	(280,486)
Waiver of interest on early settlement of amounts due to a shareholder	—	—	—	—	—	11	—	11	—	11
As at 30 September 2020 (Unaudited)	290,034	1,956,517	(65,713)	322,366	47	23,871	(5,327,845)	(2,800,723)	(13,743)	(2,814,466)
As at 1 April 2021 (Audited)	290,034	1,956,517	(61,160)	322,366	47	23,884	(4,520,131)	(1,988,443)	(4,490)	(1,992,933)
Profit for the period	—	—	—	—	—	—	46,186	46,186	22,037	68,223
Other comprehensive income for the period	—	—	11,713	—	—	—	—	11,713	1,317	13,030
Total comprehensive income for the period	—	—	11,713	—	—	—	46,186	57,899	23,354	81,253
Waiver of interest on early settlement of amounts due to a shareholder (Note 23 (e))	—	—	—	—	—	21	—	21	—	21
As at 30 September 2021 (Unaudited)	290,034	1,956,517	(49,447)	322,366	47	23,905	(4,473,945)	(1,930,523)	18,864	(1,911,659)

Notes:

- At the end of reporting period, capital reserve of the Group represented: (i) the amount of interest charged on amount due to a shareholder of the Company that was waived as a result of early partial settlement on the principal loan due to the shareholder, which was accounted for as capital contributions from an equity participant of the Company for the prior periods; and (ii) the difference between the carrying amount of the Modified PN (as defined hereinbelow) discharged and the fair value of the new ordinary shares of the Company issued as consideration for the early partial settlements of the Modified PN. This difference was accounted for as a contribution from an equity participant of the Company for the prior period.
- Other reserve represented the excess of the share of the carrying value of the subsidiary's net assets acquired from the non-controlling interests of a subsidiary over the fair value of the consideration paid on the completion date of the acquisition and the subsequent adjustment to the consideration recognised by the Group upon fulfillment of certain conditions as set out in Note 24.
- At the end of reporting period, the equity-settled share option reserve represented the fair value of the outstanding share options of the Company at the respective grant dates.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Net cash inflow from operating activities	14	3,523
Net cash outflow from investing activities	(107,286)	—
Net cash inflow (outflow) from financing activities	106,192	(2,669)
Net (decrease) increase in cash and cash equivalents	(1,080)	854
Cash and cash equivalents at beginning of the period	2,145	6,380
Effect on foreign exchange rate changes	1,602	1,833
Cash and cash equivalents at end of the period	2,667	9,067
Analysis of the balance of the cash and cash equivalents		
Cash and bank balances	2,667	9,067

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Siberian Mining Group Company Limited was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of 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 registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of principal place of business of the Company is Units A & B, 15/F, Chinaweal Centre, 414-424 Jaffe Road, Causeway Bay, Hong Kong.

The Company engages in investment holding. The principal activities of its principal subsidiaries are engaged in holding mining and exploration rights of coal mines in the Russia Federation (“**Russia**”) and trading of diesel, gasoline and other products in the Republic of Korea (“**Korea**”).

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong dollars (“**HKD**”) while that of the subsidiaries established in the Russia and Korea are Russian rubles (“**RUB**”) and South Korean won (“**KRW**”) respectively. For the purpose of presenting the condensed consolidated interim financial statements, the Company and its subsidiaries adopted HKD as its presentation currency, which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2021 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

### Going concern assumptions

As at 30 September 2021, the Group’s current liabilities exceeded its current assets by approximately HK\$3,597,997,000 (31 March 2021: HK\$3,609,266,000) and there was a capital deficiency of approximately HK\$1,911,659,000 (31 March 2021: HK\$1,992,933,000). 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 25, 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 amounts 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### Going concern assumptions *(Continued)*

The application by the Company to 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 Limited ("**Gold Ocean**") (now known as Solidarity Partnership) and China Panda Limited ("**China Panda**") (now known as Golden China Circle Holdings Company Limited ("**Golden China**")) (the "**Transfers**") remained the subject of ongoing litigations under the High Court actions HCA 1071/2017 and HCA 2501/2017. In the meantime, the Transfers remained registered on the Company's register of noteholders, and had not been reversed or cancelled.

In consequence, the Company entered into a cancellation agreement whereby amendments and shares conversion and shares issuance aforementioned were cancelled and reversed *ab initio* and the Company's number of issued shares was reverted to the original status before the shares conversion.

On 18 June 2020, Golden China and Solidarity Partnership had agreed with the Company in written confirmation on their willingness to further extend the maturity date of the CN to 31 December 2022 (including the related interests thereof).

The Directors currently continue to exercise cost control in administrative and other expenses by further streamlining the Group's operations to improve the operating and financial position of the Group.

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

- (i) Executed various loan facilities agreements with different independent third parties, to provide continuous financial support to the Group. The total loans facilities will provide funding to the Group of up to approximately US\$95,646,000 (equivalent to approximately HK\$746,038,000) for the 18 months period commencing on 22 June 2021.
- (ii) As set out in Note 22, with regard to Other Loans 1, 3 and 4, the lenders have agreed not to demand for repayment for the amounts due before 31 January 2023. In the opinion of the Directors, a further extension can be obtained when necessary.
- (iii) As set out in Note 22, with regard to Other Loans 2, 5 and 6, the lenders have agreed not to demand for repayment for the amount due before 30 November 2022. In the opinion of the Directors, a further extension can be obtained when necessary.
- (iv) As set out in Note 26, with regard to promissory notes payables, the promissory notes holder has agreed not to demand for repayment of the amount due before 31 January 2023. In the opinion of the Directors, a further extension can be obtained when necessary.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### Going concern assumptions *(Continued)*

- (v) As set out in Notes 23 (c) and (d), with regard to amounts due to shareholders, the shareholders agreed not to demand for repayment of the amounts due before 31 January 2023.

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 condensed consolidated interim financial statements on a going concern basis.

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

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost convention, as modified for certain financial instruments, which are carried at fair value.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated annual financial statements for the year ended 31 March 2021.

## 4. APPLICATION OF AMENDMENTS TO HONG KONG REPORTING STANDARDS ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	COVID-19 Related Rent Concessions
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021

The application of the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. REVENUE

Revenue represents revenue arising from sales of diesel, gasoline and other products. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
Sales of diesel	395,167	445,271
Sales of gasoline	123,857	113,064
Sales of others	8,686	16,831
	527,710	575,166

## 6. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Directors have chosen to organise the Group around differences in products and services. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- (i) Mining segment — Holding mining and exploration rights of coal mines in Russia; and
- (ii) Trading segment — Sales of diesel, gasoline and other products in Korea

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

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. SEGMENT INFORMATION *(Continued)*

### Segment revenue and results (Unaudited)

The following is an analysis of the Group's revenue and results by operating segments:

*For the period ended 30 September 2021*

	Mining HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	—	527,710	527,710
Segment profit	61,444	3,929	65,373
Unallocated gain on disposal of financial assets at fair value through profit or loss			15,452
Unallocated corporate expenses			(3,806)
Unallocated finance costs			(5,817)
Profit before income tax			71,202

*For the period ended 30 September 2020*

	Mining HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	—	575,166	575,166
Segment (loss) profit	(274,180)	2,630	(271,550)
Unallocated corporate expenses			(4,312)
Unallocated finance costs			(3,986)
Loss before income tax			(279,848)

There were no inter-segment sales for both periods.

Segment results mainly represented profit (loss) before taxation earned by each segment, excluding expenses of corporate functions, other income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. SEGMENT INFORMATION *(Continued)*

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

#### Segment assets

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Mining	<b>1,890,953</b>	1,813,860
Trading	<b>147,034</b>	28,530
Total segment assets	<b>2,037,987</b>	1,842,390
Corporate and other assets	<b>1,277</b>	1,544
Total assets	<b>2,039,264</b>	1,843,934

#### Segment liabilities

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Mining	<b>41,799</b>	41,423
Trading	<b>130,633</b>	25,407
Total segment liabilities	<b>172,432</b>	66,830
Corporate and other liabilities	<b>3,778,490</b>	3,770,037
Total liabilities	<b>3,950,922</b>	3,836,867

For the purposes of monitoring segment performance and allocating resources between segments:

- (i) All assets are allocated to operating segment, other than unallocated other receivables, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- (ii) All liabilities are allocated to operating segments, other than unallocated other payables, income tax payables, interest-bearing borrowings, amounts due to shareholders and a related company, convertible notes payables, promissory notes payables, deferred tax liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. SEGMENT INFORMATION *(Continued)*

### Other segment information

The following table presents revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the six months ended 30 September 2021 and 2020.

#### For the six months ended 30 September 2021

	Mining HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	Consolidated total HK\$'000 (Unaudited)
<b>Amounts included in the measure of segment profit or loss or segments assets:</b>			
Additions to non-current assets	555	214	769
Depreciation of property, plant and equipment	(11)	(124)	(135)
Depreciation of right-of-use assets	(401)	(94)	(495)
Amortisation of intangible assets	(114,062)	—	(114,062)
Reversal of impairment loss on intangible assets	222,090	—	222,090
Impairment loss on exploration and evaluation assets	(45,705)	—	(45,705)
Reversal of impairment loss on trade and other receivables	—	1,784	1,784

#### For the six months ended 30 September 2020

	Mining HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	Consolidated total HK\$'000 (Unaudited)
<b>Amounts included in the measure of segment profit or loss or segments assets:</b>			
Depreciation of property, plant and equipment	(16)	(5)	(21)
Depreciation of right-of-use assets	(450)	(87)	(537)
Amortisation of intangible assets	(34,410)	—	(34,410)
Reversal of impairment loss on intangible assets	71,618	—	71,618
Reversal of impairment loss on property, plant and equipment	4,621	—	4,621
Impairment loss on exploration and evaluation assets	(311,234)	—	(311,234)

### Geographical information

The Group's operations are located in Hong Kong, Russia and Korea.

Information about the Group's revenue from external customers is presented based on the location of the operations.

Information about the Group's non-current assets is presented based on the geographical location of these assets.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. SEGMENT INFORMATION *(Continued)*

### Geographical information *(Continued)*

#### Revenue from external customers

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Korea	527,710	575,166

#### Non-current assets

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
	Hong Kong	746
Russia	1,888,886	1,810,622
Korea	1,380	1,257
	1,891,012	1,812,946

Non-current assets excluded rental deposits.

## 7. OTHER INCOME

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest income	213	215
Rental income	18	11
Others	1,010	—
	1,241	226

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Reversal of impairment loss on intangible assets	222,090	71,618
Reversal of impairment loss on property, plant and equipment	—	4,621
Impairment loss on exploration and evaluation assets	(45,705)	(311,234)
Reversal of impairment loss on trade and other receivables	1,784	—
Gains on disposal of financial assets at fair value through profit or loss	15,452	—
	<b>193,621</b>	<b>(234,995)</b>

## 9. FINANCE COSTS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest expenses on:		
— Loan from third parties	3,176	3,548
— Loan from shareholders	2,623	316
— Loan from a related party	—	102
— Lease liabilities	18	20
	<b>5,817</b>	<b>3,986</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 10. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging the following items:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Employee benefits expenses</b>		
Directors' emoluments	390	384
Salaries and wages	1,490	1,429
Pension fund contribution	99	115
	<b>1,979</b>	1,928
Amortisation for intangible assets — mining rights (included in other expenses)	114,062	34,410
Depreciation		
— Property, plant and equipment	135	21
— Right-of-use assets	495	537
Auditor's remuneration	299	400
Provision for close down, restoration and environmental cost	56	70
Net exchange losses	—	744
Cost of inventories recognised as an expense	524,173	570,892

## 11. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Korea corporation tax — current period	3,258	392
Deferred tax	(279)	(408)
	<b>2,979</b>	(16)

Notes:

- No Hong Kong profits tax and Russia profits tax has been provided for the periods ended 30 September 2021 and 2020 as the Hong Kong and Russia subsidiaries of the Group have no assessable profits subject to Hong Kong profits tax and Russia profits tax purposes in the current and prior periods.
- Taxation for the Russia and Korea subsidiaries are similarly charged at the appropriate current rates of 20% of taxation ruling in the relevant countries.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

## 13. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Earnings (loss):</b>		
Profit (loss) attributable to owners of the Company, used in the basic and diluted earnings (loss) per share	46,186	(283,130)
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	145,017,062	145,017,062
Effect of dilutive potential ordinary shares: Adjustments for convertible notes payables	6,506,338	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	151,523,400	145,017,062

## 14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired certain property, plant and equipment of HK\$769,000 (six months ended 30 September 2020: Nil).

## 15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (i) Right-of-use assets

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Building	1,010	1,104

Right-of-use assets of HK\$1,010,000 (31 March 2021: HK\$1,104,000) represented leases of buildings. The lease terms are generally ranged from 1 to 2 years.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

### (ii) Lease liabilities

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Non-current	108	429
Current	916	694
	<b>1,024</b>	1,123
Amounts payable under lease liabilities		
Within one year	916	694
After one year but within two years	108	429
	<b>1,024</b>	1,123
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(916)</b>	(694)
Amount due for settlement after 12 months	<b>108</b>	429

### (iii) Amount recognised in profit or loss

	Six months ended 30 September 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Depreciation of right-of-use assets		
— Building	495	537
Interest expense on lease liabilities	18	20

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. INTANGIBLE ASSETS

	Mining rights HK\$'000
<b>Cost</b>	
At 1 April 2020 (Audited)	1,241,800
Exchange realignments	54,381
At 31 March 2021 and 1 April 2021 (Audited)	1,296,181
Exchange realignments	86,303
<b>At 30 September 2021 (Unaudited)</b>	<b>1,382,484</b>
<b>Accumulated amortisation and impairment loss</b>	
At 1 April 2020 (Audited)	1,102,830
Charge for the year	89,363
Reversal of impairment loss	(204,534)
Exchange realignments	50,124
At 31 March 2021 and 1 April 2021 (Audited)	1,037,783
Charge for the period	114,062
Reversal of impairment loss	(222,090)
Exchange realignments	73,152
<b>At 30 September 2021 (Unaudited)</b>	<b>1,002,907</b>
<b>Carrying values</b>	
<b>At 30 September 2021 (Unaudited)</b>	<b>379,577</b>
At 31 March 2021 (Audited)	258,398

### Mining rights

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

In performing the impairment test for current period, the Directors 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 of disposal and its value in use. Given the current development status of the mining right, the Directors have determined the fair value less costs of disposal to be its recoverable amount. The recoverable amount is derived by using a discounted cash flow (“**DCF**”) analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating the mining right’s fair value.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. INTANGIBLE ASSETS *(Continued)*

### Mining rights *(Continued)*

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

- (i) Cash flow projection is determined for a period of 18 years up to 2038 (31 March 2021: a period of 18 years up to 2038) with the first year of production taken to be from year 2028 (31 March 2021: first year of production from year 2028) based on the Director's current best estimated production plan.
- (ii) Cost of production (including royalties) on average is taken as 34.19% (31 March 2021: 44.22%) of revenue.
- (iii) The post-tax discount rate applied to the cash flow projection is 27.67% (31 March 2021: post-tax discount rate of 23.26%).
- (iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2021: increment of 3% p.a.), which is in line with the comparable market information.
- (v) During the period, due to the increase in demand of coal in overseas, the Group changed its parameter adopted in the valuation technique used to estimate the recoverable amount from domestic coal sales price to export coal sales price. In the DCF, export coal sales prices used in current period and domestic coal sales prices used in prior period are determined with reference to current market information of the respective valuation dates, which show an increase of approximately 7.89% to 73.91% (depends on different type of coals) when compared to that of 31 March 2021.
- (vi) The exchange rate for USD to RUB with reference to the approximate spot rate as of 30 September 2021 is taken to be US\$1.00 to RUB72.70 (31 March 2021: US\$1.00 to RUB75.55).
- (vii) The inflation rate on operating costs is 3% p.a. (31 March 2021: 3% p.a.).
- (viii) The Group is able to renew the relevant licence for the mining right upon its existing expiry date.

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

The Directors of the Company are of the opinion that based on the valuation, the mining right was evaluated upward. It thus would result in a reversal of impairment loss of approximately HK\$222,090,000 (31 March 2021: reversal of impairment loss of approximately HK\$204,534,000) compared with its carrying amount as at 30 September 2021. The reversal of impairment loss is mainly attributable to the net effects of the increase of the relevant coal prices due to adoption of export coal price rather than domestic coal price, the appreciation of RUB to USD, the decrease in cost of production and the increase in post-tax discount rate during the current period as compared with that of 31 March 2021.

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 not impaired compared with their recoverable amounts as at 30 September 2021. No impairment loss (31 March 2021: reversal of impairment loss of approximately HK\$6,964,000) was recognised for property, plant and equipment associated with the mining right during the current period.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16. INTANGIBLE ASSETS *(Continued)*

### Mining rights *(Continued)*

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

Intangible asset	Location	Expiry Date
<b>Mining rights</b>		
Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russia	1 July 2025

## 17. EXPLORATION AND EVALUATION ASSETS

	Total HK\$'000
<b>Cost</b>	
At 1 April 2020 (Audited)	3,638,058
Exchange realignments	1,102
At 31 March 2021 and 1 April 2021 (Audited)	3,639,160
Exchange realignments	1,750
<b>At 30 September 2021 (Unaudited)</b>	<b>3,640,910</b>
<b>Accumulated impairment losses</b>	
At 1 April 2020 (Audited)	2,539,763
Reversal of impairment loss	(439,435)
Exchange realignments	631
At 31 March 2021 and 1 April 2021 (Audited)	2,100,959
Impairment loss recognised	45,705
Exchange realignments	593
<b>At 30 September 2021 (Unaudited)</b>	<b>2,147,257</b>
<b>Carrying values</b>	
<b>At 30 September 2021 (Unaudited)</b>	<b>1,493,653</b>
At 31 March 2021 (Audited)	1,538,201

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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 17. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

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

- (i) Cash flow projection is determined for a period of 12 years up to 2032 (31 March 2021: a period of 12 years up to 2032) with the first year of production taken to be from year 2023 (31 March 2021: 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 26.58% (31 March 2021: 26.85%) of revenue.
- (iii) The post-tax discount rate applied to the cash flow projection is 27.67% (31 March 2021: post-tax discount rate of 23.26%).
- (iv) The Directors have assumed the average increment in coal sales prices to be 3% p.a. (31 March 2021: increment of 3% p.a.), which is in line with the comparable market information.
- (v) During the period, due to the increase in demand of coal in overseas, the Group changed its parameter adopted in the valuation technique used to estimate the recoverable amount from domestic coal sales price to export coal sales prices. In the DCF, export coal sales prices used in current period and domestic coal sales prices used in prior period are determined with reference to current market information of the respective valuation dates, which show an increase of approximately 7.89% to 73.91% (depends on different type of coals) when compared to that of 31 March 2021.
- (vi) The exchange rate for USD to RUB with reference to the approximate spot rate as of 30 September 2021 is taken to be US\$1.00 to RUB72.70 (31 March 2021: US\$1.00 to RUB75.55).
- (vii) The inflation rate on operating costs is 3% p.a. (31 March 2021: 3% p.a.).

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (ii), (iii), (v) and (vi) mentioned above, other major assumptions used in the DCF analysis in current period, such as estimated production volumes, operation costs structure and relevant taxation rate, remained within more or less the same range when compared with that of 31 March 2021.

The Directors of the Company are of the opinion that based on the valuation, there was an impairment loss of approximately HK\$39,730,000 (31 March 2021: reversal of impairment loss of approximately HK\$439,435,000) compared with its carrying value as at 30 September 2021. The impairment loss is mainly attributable to the net effects of the increase of the relevant coal prices due to adoption of export coal price rather than domestic coal price, the appreciation of RUB to USD, the decrease in cost of production and the increase in post-tax discount rate during the current period as compared with that of 31 March 2021.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 17. EXPLORATION AND EVALUATION ASSETS *(Continued)*

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

Exploration and evaluation assets	Location	Expiry Date
Lapichevskaya Mine-2	"Kemerovo district" and "Kemerovo city" municipal Formations of Kemerovo region, Russia	31 October 2035

## 18. TRADE RECEIVABLES

Trade receivables at the end of each reporting period comprise amounts receivable from third parties.

The Group does not have specific credit term granted to trade customers and no interest is charged. The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the respective recognition dates, at the end of the reporting period.

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0 to 90 days	13,516	12,261
91 to 180 days	399	3
	<b>13,915</b>	12,264

## 19. OTHER RECEIVABLES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Advance payments	3,374	4,401
Deposits	313	1,009
Other receivables	1,195	759
Other loan receivables	7,299	8,910
Receivables from sales of financial assets (Note)	118,235	—
Prepayments	1,254	1,500
	<b>131,670</b>	16,579
Less: Rental deposits classified as non-current assets	(313)	(188)
<b>Current portion included in other receivables</b>	<b>131,357</b>	16,391

Note: As at 30 September 2021, an amount of HK\$118,235,000 (31 March 2021: Nil) was related to receivable from the sales of certain shares of a Korean company listed on the Korea Securities Dealers Automated Quotation.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 20. TRADE PAYABLES

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

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
0 to 30 days	<b>54</b>	68

The average credit period on purchase of goods is from 30 days to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit time frame.

## 21. CONTRACT LIABILITIES

	<b>30 September 2021 HK\$'000 (Unaudited)</b>	31 March 2021 HK\$'000 (Audited)
Advances from customers	<b>1,076</b>	576

In general, the Group receives certain percentage of the contract sum as advance payment from the customers upon signing of the sales contracts.

Revenue recognised during the period ended 30 September 2021 that was included in the contract liabilities as at 30 September 2021 was approximately HK\$576,000 (2020: HK\$2,963,000). There was no revenue recognised in the current period that related to performance obligations that were satisfied in prior period.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 22. INTEREST-BEARING BORROWINGS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Other loan 1 (Note a)	28,561	28,561
Other loan 2 (Note b)	20,498	21,466
Other loan 3 (Note c)	15,017	9,219
Other loan 4 (Note d)	3,000	3,000
Other loan 5 (Note e) — Secured	53,874	—
Other loan 6 (Note f) — Secured	46,647	—
	<b>167,597</b>	62,246
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	121,019	21,466
After one year but within two years	46,578	40,780
	<b>167,597</b>	62,246
Carrying amount of repayable within one year and amounts shown under current liabilities	121,019	21,466
Amounts shown under non-current liabilities	46,578	40,780
	<b>167,597</b>	62,246

### Notes:

- (a) As at 30 September 2021, the aggregate amount of approximately HK\$28,561,000 (31 March 2021: HK\$28,561,000) ("**Other Loan 1**") was unsecured, bearing interest at 5%-6% per annum and repayment on demand. The lender had agreed to extend the repayment date to 31 January 2023.
- (b) During the period ended 30 September 2021, the amount of KRW3,120,000,000 (equivalent to approximately HK\$20,498,000 (31 March 2021: HK\$21,466,000)) ("**Other Loan 2**") was bearing interest at 4.6% per annum and repayable after 12 months from the date of drawdown or on demand. The lender had agreed to extend the repayment date to 30 November 2022.
- (c) As at 31 March 2021, the aggregate amount of approximately HK\$9,219,000 was bearing interest at 5% per annum and repayable after 12 months from the date of drawdown or on demand. The lender had agreed to extend the repayment date to 31 January 2023.

During the period ended 30 September 2021, agreements were entered into with the same independent third party for new loans in the aggregate amount of approximately HK\$5,797,000 which bearing interest at 5% per annum respectively and repayable after 1 year from the date of drawdown or on demand.

As at 30 September 2021, the aggregate loan amount of HK\$15,017,000 ("**Other Loan 3**") was due to the lender.

- (d) During the period ended 30 September 2021, a loan amount of HK\$3,000,000 (31 March 2021: HK\$3,000,000) ("**Other Loan 4**") was unsecured bearing interest at 5% per annum and repayable after 1 year from the date of drawdown or on demand. The lender had agreed to extend the repayment date to 31 January 2023.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 22. INTEREST-BEARING BORROWINGS *(Continued)*

Notes (Continued):

- (e) During the period ended 30 September 2021, new loans in aggregate amount of KRW9,300,000,000 (equivalent to approximately HK\$61,101,000) were obtained from an independent third party which were secured, bearing interest at 9.6% per annum and repayable after 3 months from the date of drawdown or on demand.

During the period ended 30 September 2021, part of the said loans amounting to KRW1,100,000,000 (equivalent to approximately HK\$7,227,000) was repaid.

As at 30 September 2021, the remaining unsettled loans in aggregate amount of KRW8,200,000,000 (equivalent to approximately HK\$53,874,000) ("**Other Loan 5**") were due to the lender. The lender had agreed to extend the repayment date to 30 November 2022.

- (f) During the period ended 30 September 2021, a new loan with amount of KRW8,000,000,000 (equivalent to approximately HK\$52,560,000) was obtained from an independent third party which was secured, bearing interest at 9.6% per annum and repayable after 3 months from the date of drawdown or on demand.

During the period ended 30 September 2021, part of the said loan amounting to KRW900,000,000 (equivalent to approximately HK\$5,913,000) was repaid.

As at 30 September 2021, the remaining unsettled loan in amount of KRW7,100,000,000 (equivalent to approximately HK\$46,647,000) ("**Other Loan 6**") was due to the lender. The lender had agreed to extend the repayment date to 30 November 2022.

## 23. AMOUNTS DUE TO SHAREHOLDERS

- (a) As at 30 September 2021, the amount due to a shareholder amounting to HK\$228,000 (31 March 2021: HK\$228,000) was unsecured, interest free and repayable on demand.

- (b) As at 30 September 2021, the amount due to a shareholder amounting to approximately HK\$2,588,000 (31 March 2021: HK\$2,500,000) was unsecured, bearing interest at the weighted average effective interest rate of 10% per annum and repayable upon maturity or on demand.

- (c) As at 30 September 2021, the amount due to a shareholder amounting to approximately HK\$104,234,000 (31 March 2021: HK\$101,730,000) was unsecured, bearing interest at the weighted average effective interest rate of 5%-6% per annum and repayable upon maturity or on demand. The shareholder had agreed to extend the repayment date to 31 January 2023.

- (d) As at 30 September 2021, the amount due to a shareholder totaling approximately HK\$34,693,000 (31 March 2021: HK\$34,462,000), which is unsecured and bearing 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 2023.

- (e) During the period, Cordia had agreed to waive a portion of the interest charged US\$2,700 (equivalent to approximately HK\$21,000) (31 March 2021: US\$3,000 (equivalent to approximately HK\$24,000)) on the amount due in view of the early settlement on the principal loan due to Cordia. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company in the current period.

- (f) During the period ended 30 September 2021, the lender, who was classified as a shareholder of the Company in previous period, was considered as an independent third party of the Company. Therefore, the outstanding amount of HK\$3,000,000 was reclassified as interest bearing borrowing. Details are shown in Note 22(d).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 24. 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 would be settled in two stages upon the fulfilment of the certain conditions as follows: (i) an amount of US\$4,095,300 (equivalent to approximately HK\$31,943,000) when the Group obtained the New Exploration and Mining Licence (the "**3rd Adjusted Consideration**") and (ii) an amount of US\$1,300,000 (equivalent to approximately HK\$10,140,000) which would only be payable as and when the Group obtained the confirmation from the relevant tax authority in Russia of the taxation liabilities of Lapi (the "**4th Adjusted Consideration**").

In prior year, the Group has recognised US\$1,300,000 (equivalent to approximately HK\$10,140,000) of the 4th Adjusted Consideration as purchase consideration payable for the acquisition of additional 30% equity interest in Lapi. The Group's share of the 4th Adjusted Consideration in the amount of HK\$9,126,000 was debited directly to other reserve in equity. The Group settled an aggregate amount of US\$873,400 (equivalent to approximately HK\$6,813,000) of the 4th Adjusted Consideration, the remaining balance of the 4th Adjusted Consideration is US\$426,600 (equivalent to approximately HK\$3,322,000 (31 March 2021: HK\$3,316,000)).

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

## 25. CONVERTIBLE NOTES PAYABLES

### Convertible notes

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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 25. CONVERTIBLE NOTES PAYABLES *(Continued)*

### Convertible notes *(Continued)*

The New Technical Expert reported a slightly different estimate of the probable coal reserves in the open-pit mining area in Lot 2 of the Mine and, as a result, prior year adjustments on the Third Convertible Note were made to restate the balance in the respective years concerned, being approximately 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 agreed not to request for any compensation from any of the other parties for such reduction.

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

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 31 in relation to legal action HCA 1071 of 2017.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 25. CONVERTIBLE NOTES PAYABLES *(Continued)*

### Convertible notes *(Continued)*

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 had 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 amended, superseded and replaced the Original Note Instrument in its entirety, and the convertible notes reconstituted under Amended Note Instrument (the “**Amended Notes**”) replace the Original Notes in their entirety.

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

1. The principal amount of the notes had 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 25. CONVERTIBLE NOTES PAYABLES *(Continued)*

### Convertible notes *(Continued)*

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 at that time, 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 (as defined hereinbelow), and left US\$60,000,000 in principal amount of the Amended Notes outstanding.

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

The Company on 22 October 2018 allotted 55,313,376 Conversion Shares, of which 27,656,688 Conversion Shares were allotted to China Panda, 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 the original status before the shares conversion.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 25. CONVERTIBLE NOTES PAYABLES *(Continued)*

### Measurement of convertible notes

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 (31 March 2021: No change in the fair value of convertible note). The effective interest rate of the liability component of the Third Convertible Note was 12.01% (31 March 2021: 12.01%).

	At 30 September 2021 (Unaudited)	At 31 March 2021 (Audited)
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.

### Movement of the different components of the convertible notes

	Liabilities component HK\$'000	Derivative component HK\$'000	Total HK\$'000
As at 1 April 2020 (Audited)	3,591,498	—	3,591,498
Imputed interest charged during the year	—	—	—
As at 31 March 2021 and 1 April 2021 (Audited)	3,591,498	—	3,591,498
Imputed interest charged during the period	—	—	—
<b>As at 30 September 2021 (Unaudited)</b>	<b>3,591,498</b>	<b>—</b>	<b>3,591,498</b>

## 26. PROMISSORY NOTES PAYABLES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
At the beginning of the period/year and at the end of period/year	15,600	15,600

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 26. PROMISSORY NOTES PAYABLES *(Continued)*

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

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

On 20 February 2017, certain loan capitalisation agreements were signed with the two PN holders. Pursuant to the agreement, the two PN holders had 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 period, no imputed interest was charged to profit or loss. The remaining outstanding Modified PN is classified as non-current liabilities and carried on the amortised cost basis until extinguished on redemption. As at the end of the reporting period, the carrying amount of the Modified PN was HK\$15,600,000 (31 March 2021: HK\$15,600,000).

On 15 June 2021, the remaining promissory notes holder of the Modified PN agreed to extend the maturity date of the promissory notes to 31 January 2023.

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

	<b>Total</b> HK\$'000
At 1 April 2020 (Audited)	1,245
Provision during the year	48
Exchange realignments	54
At 31 March 2021 and 1 April 2021 (Audited)	1,347
Provision during the period	56
Exchange realignments	92
<b>At 30 September 2021 (Unaudited)</b>	<b>1,495</b>

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Under the existing Russian law, the Directors 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 the Directors 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.

## 28. SHARE CAPITAL

	Number of shares		Nominal value	
	30 September 2021 (Unaudited)	31 March 2021 (Audited)	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$2.00 each	500,000,000	500,000,000	1,000,000	1,000,000
Issued and fully paid:				
At the beginning of period/year	145,017,062	1,450,170,627	290,034	290,034
Share consolidation (Note)	—	(1,305,153,565)	—	—
At the end of period/year	145,017,062	145,017,062	290,034	290,034

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

Note: Effective from 24 April 2020, every ten issued and unissued ordinary shares of the Company of nominal value of HK\$0.20 each were consolidated into one consolidated ordinary share of nominal value of HK\$2.00 each.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 29. CAPITAL COMMITMENTS

Details of the capital expenditure contracted for but not provided in the condensed consolidated interim financial statements are as follows:

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Exploration related contracts	115	—

## 30. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save for those related party transactions disclosed elsewhere in the condensed consolidated interim financial statements, details of transactions between the Group and other related parties are disclosed below.

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

Name of Company	Relationship	Nature of transaction	Six months ended 30 September	
			2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cordia Global Limited	Shareholder	Interest expenses thereto	202	202
First Glory Limited	Shareholder	Interest expenses thereto	89	89
Space Hong Kong Enterprise Limited	Shareholder	Interest expenses thereto	2,332	—

- (b) Compensation of key management personnel of the Group:

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Directors' remuneration</b>		
— Executive directors	180	125
— Independent non-executive directors	210	259
	<b>390</b>	<b>384</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. 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 (equivalent to approximately HK\$5,252,520) (the “**First Claim**”) in relation to the sale and purchase of 30% equity interest in Lapi in 2009. The Russian Court in August 2012 passed a judgment in favour of the First Claimant. The Group had fully provided for the full amount of the First Claim in the financial statements for the 6 months ended 30 September 2012. By three partial payments, the Group fully settled the First Claim in November 2013, and the case was thus resolved.

In March 2013, the other two former shareholders of Lapi, namely, Demeshonok Konstantin Yur’evich (the “**Second Claimant**”) and Kochkina Ludmila Dmitrievna (the “**Third Claimant**”) submitted their claims to the Russian Court for their respective shares in the final 4th stage payment in relation to the sale and purchase of 30% equity interest in Lapi in 2009. The Second Claimant claimed US\$288,600 (equivalent to approximately HK\$2,251,080) (the “**Second Claim**”) and the Third Claimant claimed US\$338,000 (equivalent to 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 (equivalent to approximately HK\$780,000) was paid. The Second Claimant threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the remaining outstanding amount of the Second Claim. As of 30 September 2021, the outstanding amount of the Second Claim is US\$188,600 (equivalent to 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 (equivalent to approximately HK\$780,000) was paid. The Third Claimant also threatened to foreclose the shareholdings in Lapi as the Group delayed in settlement of the remaining outstanding amount of the Third Claim. As of 30 September 2021, the outstanding amount of the Third Claim was US\$238,000 (equivalent to 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 and the Company. Cordia also took out an inter partes summons to seek, inter alia, an injunction against certain parties 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 partes summons, the High Court of Hong Kong granted an interim injunction restraining, among other things, certain shareholders of the Company from (a) disposing of or in any way dealing with, and (b) exercising voting rights of, their respective shares in the Company until further order (the “**Injunction Order**”).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. 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. The proceedings had 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.

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 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. LITIGATIONS *(Continued)*

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

#### **HCA 1195 of 2016** *(Continued)*

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, 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. As the Trustee has no objection to discontinue the legal action, the Company will proceed 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 an existing Director of the Company and Grandvest International Limited (a wholly-owned subsidiary 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 existing Director and Grandvest International Limited 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. LITIGATIONS *(Continued)*

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

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

As announced by the Company on 27 September 2016, the Company received on 20 September 2016 a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong under action number HCA 2397 of 2016 to certain parties, including an 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.

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 announced 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. 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 and the Company's proposed loan capitalizations transactions as disclosed in the Company's announcement of 1 December 2015.

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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. 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 an 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. 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.

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 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. LITIGATIONS *(Continued)*

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

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

As announced by the Company on 16 May 2017, the Company received on 2 May 2017 originating summons issued by Kim Sungho, Cho Seong Woo, Kim Kyungsoo, Lim Hang Young and Joung Jong Hyun (as the plaintiffs) in the High Court of Hong Kong under action number HCMP 701 of 2017 on 27 March 2017 to certain parties, including the Company 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.

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 will take 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. 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 (now it would become HK\$480 per share after the share consolidation becoming effective on 24 April 2020) 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. 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 (equivalent to 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 (equivalent to 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 as 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 (equivalent to 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 and this legal action is ready to be set down for trial.

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 late 2021 or early 2022 at the earliest.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. 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 will take out a summons to strike out such legal action.

#### **HCA 2077 of 2017**

As announced by the Company on 30 April 2021, Company on 20 April 2021 was purportedly served with a counterclaim in High Court Action No. 2077 of 2017 in which a company called Lucrezia Limited ("**Lucrezia**") claimed damages from the Company in respect of a dispute over a sale and purchase agreement between Gold Ocean (now known as "Solidarity Partnership") and Lucrezia for a promissory note in the amount of US\$3,751,282 (equivalent to approximately HK\$29,260,000) issued by the Company back in February 2013. Lucrezia first filed its counterclaim in the action against certain other parties on 28 March 2018 and it was not immediately clear why it had waited more than 3 years before joining the Company as a co-defendant to the counterclaim.

The Company is in the process of taking legal advice on such counterclaim made by Lucrezia.

#### **HCA 2079 of 2017**

The Company on 18 June 2021 was purportedly served with a counterclaim in High Court Action No. 2079 of 2017 in which a company called Token Century Limited ("**Token Century**") claimed damages from the Company in respect of a dispute over a sale and purchase agreement between Gold Ocean (now known as "Solidarity Partnership") and Token Century for a promissory note in the amount of US\$3,500,000 (equivalent to approximately HK\$27,300,000) issued by the Company back in February 2013. Token Century first filed its counterclaim in the action against certain other parties on 21 March 2018 and it was not immediately clear why it had waited more than 3 years before joining the Company as a co-defendant to the counterclaim.

The Company is in the process of taking legal advice on such counterclaim made by Token Century.

#### **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 (now known as "Golden China Circle Holdings Company Limited") (as the first plaintiff) and Gold Ocean (now known as "Solidarity Partnership") (as the second 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. LITIGATIONS *(Continued)*

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

#### *HCA 2501 of 2017 (Continued)*

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.

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 against China Panda Limited, Gold Ocean and the Company in HCA 2501/2017 ("**HCA 2501/2017 (Counterclaim)**"), which also involves 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.

The pleadings have been undergoing further amendment following an application by Daily Loyal to amend its defence and counterclaim. This legal case then enters the witness statement stage. 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 late 2021 or early 2022 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 first defendant and Tso Chi Ming (also known as Herman Tso) as the second 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. LITIGATIONS *(Continued)*

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

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

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.

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 would defend vigorously and has already filed its defence.

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 HCA2520/2018) be heard together by the same judge.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. LITIGATIONS *(Continued)*

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

#### *HCA 2520 of 2018 (Continued)*

The pleadings of this legal case have been completed and this legal case has entered the discovery and witness statement stage. 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 late 2021 or early 2022 at the earliest.

### (ii) The Company 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 would have no further adverse effects on the existing financial position of the Group.

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

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

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

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. LITIGATIONS *(Continued)*

### (ii) The Company as the Plaintiff *(Continued)*

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

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

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

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

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

Second mediation was conducted on 18 September 2018, but no settlement arrangement could be reached. The case management conference hearing was scheduled on 8 May 2019. Upon 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 first defendant and Herman Tso (also known as Tso Chi Ming) as the second 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 (equivalent to approximately HK\$3,455,946,000) as damages. Herman Tso in his defence statement made counter claims of US\$443,070,000 (equivalent to approximately HK\$3,455,946,000) 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 31. LITIGATIONS *(Continued)*

### (ii) The Company as the Plaintiff *(Continued)*

#### *HCA 51 of 2017*

As announced by the Company on 7 February 2017, the Company (as the plaintiff) commenced a legal action against Newborn Global Energy Limited (“**Newborn Global**”) (formerly known as “HASS Natural Resources Limited”) as the first defendant and Tso Chi Ming (also known as Herman Tso) (“**Herman Tso**”) as the second 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. Herman Tso was one of the directors of Newborn Global at all material times.

In such action, the Company pointed out, among other things, that Herman 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 Herman Tso.

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

## 32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, certain loan facilities of US\$306,000 (approximately HK\$2,386,800) and HK\$480,000 have been granted to the Company.
- (b) As announced by the Company on 18 November 2021, the Board proposed to change the English name of the Company from “Siberian Mining Group Company Limited” to “E&P Global Holdings Limited” and to adopt and register the Chinese name “能源及能量環球控股有限公司” as the new dual foreign name of the Company to replace its existing Chinese name of “西伯利亞礦業集團有限公司” which is currently used for identification purposes only. An extraordinary general meeting will be convened and held for the shareholders of the Company to consider and, if thought fit, approve the proposed change of company name.
- (c) Subsequent to the end of the reporting period, on 12 November 2021, a Korean subsidiary of the Company signed an agreement to terminate the share sale and purchase agreement signed on 10 September 2021, cancelling the sale of certain shares of a Korean company listed on the Korean Securities Dealers Automated Quotations by the subsidiary of the Company at a consideration of KRW19,996.13 million (approximately HK\$132.97 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Turnover

For the six months period ended 30 September 2021, the Group recorded a total turnover of approximately HK\$527.71 million (2020: HK\$575.17 million), representing a decrease of approximately 8.25% as compared to last corresponding period.

The Group's total turnover composed of sales of diesel of approximately HK\$395.17 million (2020: HK\$445.27 million), sales of gasoline of approximately HK\$123.86 million (2020: HK\$113.07 million) and sales of other related petroleum products and services of approximately HK\$8.68 million (2020: HK\$16.83 million). In terms of product mix, sales of diesel, sales of gasoline and sales of other related petroleum products and services accounted for approximately 74.88% (2020: 77.42%), 23.47% (2020: 19.66%) and 1.65% (2020: 2.92%), respectively, of total turnover of the Group. The decrease in sales of diesel was the prime cause for the decrease in total turnover for the period under review.

### Other Income

Other income during the period under review mainly represented net exchange gain, interest income from bank deposits and other sundry income of HK\$1.24 million (2020: HK\$0.23 million).

### Other Gains and Losses

During the period under review, (i) the reversal of impairment loss on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) amounted to approximately HK\$222.09 million (2020: HK\$71.62 million) mainly due to the net effects of increases in coal sales prices of certain types of coals due to the adoption of export coal prices rather than domestic coal prices, accordingly the decrease in average percentage of cost of production to revenue, increase in post-tax discount rate, appreciation of Russian Rubles to United States Dollars and the change in expected first year of coal production to 2028 (2020: first year of coal production in 2025); (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 approximately HK\$45.71 million (2020: HK\$311.23 million) mainly due to the net effects of increases in coal sales prices of certain types of coals due to the adoption of export coal prices rather than domestic coal prices, accordingly the decrease in average percentage of cost of production to revenue, increase in post-tax discount rate, appreciation of Russian Rubles to United States Dollars and the change in expected first year of coal production to 2023 (2020: first year of coal production in 2022); and (iii) gains on disposal of available for sale securities amounted to approximately HK\$15.45 million (2020: Nil).

### Selling and Distribution Costs

The selling and distribution costs decreased from HK\$1.42 million to HK\$1.33 million, which was generally in line with the decrease in total turnover during the period under review.

### Administrative Expenses

During the period under review, total administrative expenses amounted to approximately HK\$5.99 million (2020: HK\$9.54 million). The decrease was mainly due to the net effects of (i) decrease in legal and professional fees from approximately HK\$4.95 million to approximately HK\$1.97 million; (ii) no net exchange loss for the period under review mainly due to the appreciation of Russian Rubles to United States Dollars (2020: net exchange loss of approximately HK\$0.74 million); and (iii) staff costs including pension fund contributions (excluding directors remuneration) slightly increased to approximately HK\$1.59 million (2020: HK\$1.54 million).



# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Expenses

During the period under review, other expenses represented the amortization of intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) of approximately HK\$114.06 million (2020: HK\$34.41 million). The increase in carrying value of intangible assets in previous year end as of 31 March 2021 caused corresponding increase in the related amortization expense.

## Finance Costs

During the period under review, total finance costs increased to approximately HK\$5.82 million (2020: HK\$3.99 million), as the overall interest bearing outstanding loan amounts as of 30 September 2021 increased when comparing with the status as of 30 September 2020.

## Profit Before Income Tax

For the six months period ended 30 September 2021, the profit before income tax of the Group was approximately HK\$71.20 million (2020: loss before income tax of HK\$279.85 million). The turnaround from loss to profit is mainly attributable to the combined effects of the aforementioned factors. The Company would like to highlight that the reversal of impairment loss of approximately HK\$222.09 million (2020: HK\$71.62 million) on other intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) and the impairment loss of approximately HK\$45.71 million (2020: HK\$311.23 million) on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) were just non-cash items arising from period end valuation exercises for accounting purposes, which would not affect the cashflow position of the Group.

## OPERATION REVIEW

### Trading

For the period under review, trading business of diesel, gasoline and the related petroleum products and services in Korea was the prime contributor to the Group's turnover.

With the continuous roll-out of COVID-19 vaccination programs in various countries, economic activities continued on the road of recovery but just in a bumpy manner. The raging Delta variant of COVID-19 pandemic however had been hindering the pace of recovery, as some countries had to resume the lock down and re-imposed border restrictions. COVID-19 pandemic continued to cause supply interruptions to major economic entities and led to fluctuations in major commodity prices, such as petroleum prices. The diesel and gasoline trading business in Korea had been experiencing similar repercussions and instability which on one hand witnessed the positive signs of gradually recovery but on the other hand felt the negative constraints from supply disturbance and working from home which impacted adversely the demand for diesel and gasoline due to reduced road transportation and road travelling.

Despite such unprecedented issues, the Group strived to well manage its diesel and gasoline trading business in Korea by (i) managing the timing of purchase and selling so as to get competitive prices for individual petrol stations; (ii) maintaining a stable supply of diesel and gasoline; (iii) minimizing the lead time and costs through direct delivery from oil refinery to petrol stations; and (iv) engaging with social media users (such as blog users) to enhance marketing efforts in search of more prospective customers.

### Coal Mining

Lot 1 and Lot 1 Extension underground mining plan was heading towards the first year of coal production in around 2028, the Group successfully consulted with experts in all aspects to find out the best way in causing the least adverse effects on environment, and was able to resolve related issues. Public hearings were held several times and the opinion of residents were listened and considered. By convincing that the mine business would revitalize regional economy and society, the Group was able to secure a basis for business.

# MANAGEMENT DISCUSSION AND ANALYSIS

In respect of open-pit mining in certain area of Lot 2, as the Group showed concern for the public and had been trying to consult with experts in all aspects to find out the best way in causing the least adverse effects on environment, such as experts coming from the field of the law, the environment and the economics. The Group reached its goal to come up with an integrated approach for environmental sustainability in development planning. Other than the Group's efforts in concern for the environment, the Group had been communicating with regional society personnel. The Group proved to them that the Group's business operation would not bring a significant adverse effect in regional environment, but rather, it would be a big step in enhancing regional economic growth.

In respect of underground mining of Lot 2, similarly, the Group listened to and considered regional society's opinion and concerned about possible environmental pollution. The Group similarly proved that the Group's business operation would not bring a significant adverse effect in regional environment, but instead, would assist in enhancing regional economic growth.

## Geographical

For the period under review, Korea was the Group's sole market segment which accounted for 100.00% (2020: 100.00%) of the total revenue.

## PROSPECTS

Looking forward, the year ahead will remain challenging for the Group. In the world economic outlook report released in October 2021, the IMF (International Monetary Fund) has reduced the global growth forecast for 2021 to 5.9% and the forecast for 2022 has remained stagnant at just 4.9%. Supply interruptions caused by COVID-19 pandemic seem lasting longer than originally expected due to continuous international sea freight delays, coupled with fluctuations in major commodity prices, such as petroleum and coal prices, the continuing long term recovery of global economy remained rather uncertain especially in the midst of Delta variant and the latest Omicron variant of COVID-19 pandemic, which would make the Group's diesel and gasoline trading business 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 very significant adverse impacts on the Group's trading business in Korea in terms of the operating margins and results, financial resources, cashflows and future operating plans. As already mentioned above, the ripple effects of COVID-19 pandemic 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), 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 of trading and coal mining, may also consider diversification into other business areas when opportunities arise.

## Trading

The Group will further strengthen the trading business in Korea by (i) continuously providing competitive prices for individual petrol stations; (ii) stabilizing supply at petrol stations; (iii) purchasing in larger volume during upcoming lowered petroleum tax period to draw more favourable margins; (iv) broadening customer base to find more petrol stations; (v) keeping trust-based business with customers; (vi) minimizing the lead time to help petrol stations replenish supplies as soon as possible; (vii) reducing cost of goods sold; (viii) operating more petrol stations; and (ix) continuing the engagement with prospective customers in online social media. The Group will consider finding a possible lot area for storage of diesel.

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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, the open-pit mining in certain area of Lot 2 will require more effort in preparing for the production than that of the underground mining, and the Group will focus more on its development plan. For a smooth start of the project, the Group will consistently cooperate with regional government and regional society. The Group is planning to construct auxiliary facilities of mining operation.

In respect of underground mining of Lot 2, similarly, before starting the project, the Group will consistently cooperate with regional government and regional society to show to them that the Group is open to hear their opinions and concerns on mining projects. Similarly, the Group is also planning to construct auxiliary facilities of mining operation.

## Placing of Shares, Loan Capitalizations and the Third Convertible Note

To further improve the financial position, the Company will strive to grasp opportunities in possible loan capitalizations and potential equity funding such as issuance of new shares under specific mandate and/or general mandate. In addition, the Company will try its best to maintain proper communications with the 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 30 September 2021, the Group had net current liabilities of HK\$3,598.00 million (31 March 2021: HK\$3,609.27 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 3.95% (31 March 2021: 0.85%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 12.51% (31 March 2021: 8.11%).

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

During the period under review, the Group recorded a net cash outflow of HK\$1.08 million (2020: inflow of HK\$0.85 million), while the total cash and cash equivalents increased to HK\$2.67 million (2020: increased to HK\$9.07 million) as at the end of reporting period.

The Company will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities of the Group as at 30 September 2021. Cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The Company will continue to closely review the Group's financial resources in a cautious manner and explore opportunities in potential financial institutions financing and equity funding. The Company will take proactive actions to improve the liquidity and financial position of the Group by way of equity fund raising exercises including placement of new shares as well as other pre-emptive offers. The Company will closely monitor the market situation and take prompt actions when such opportunities arise. During the period, the Company has raised several loans amounting to HK\$119.46 million (31 March 2021: HK\$17.8 million) in total for the Group's daily operation, the mines development and certain investment in convertible bonds.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## CAPITAL STRUCTURE

The capital of the Company comprises of ordinary shares and other reserves. As at 30 September 2021, the Company's issued share capital was HK\$290,034,000 (31 March 2021: HK\$290,034,000) and the number of issued ordinary shares was 145,017,062 shares of HK\$2.00 each (31 March 2021: 145,017,062 shares of HK\$2.00 each).

## EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's turnover, expenses, assets and liabilities are denominated in Hong Kong dollars ("HKD"), United States dollars ("USD"), Russia rubles ("RUB") and Korean won ("KRW"). The exchange rates of USD against HKD remained relatively stable during the period under review. Certain expenses of the Group are dominated in RUB and KRW which fluctuated in a relatively greater spread in the period. Therefore, shareholders of the Company 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 net exposures on amounts of revenue and expenses involved, the Group at present has no intention to hedge its exposures from foreign currency exchange rate risk involving RUB and KRW. However, the Group will constantly review exchange rate volatility and will consider using financial instruments for hedging when necessary.

## LITIGATIONS

During the period and up to the date of this report, the Group has been involved in a number of legal proceedings. Details of the litigations are set out in Note 31 to the condensed consolidated interim financial statements.

## CAPITAL COMMITMENTS

As at 30 September 2021, the Group had capital commitments in respect of the exploration related contracts amounting to HK\$0.12 million (31 March 2021: Nil) and no capital commitments in acquisition of property, plant and equipment (31 March 2021: Nil).

## PROPOSED CHANGE OF COMPANY NAME

As announced by the Company on 18 November 2021, the Company proposed to change the English name of the Company from "Siberian Mining Group Company Limited" to "E&P Global Holdings Limited" and to adopt and register the Chinese name "能源及能量環球控股有限公司" as the new dual foreign name of the Company to replace its existing Chinese name of "西伯利亞礦業集團有限公司" which is currently used for identification purposes only (the "**Change of Company Name**"). The proposed Change of Company Name is subject to two conditions of (i) the passing of a special resolution by the shareholders of the Company at the extraordinary general meeting to approve the proposed Change of Company Name; and (ii) the Registrar of Companies in the Cayman Islands granting approval for the proposed Change of Company Name. Subject to the satisfaction of the conditions set out hereinabove, the Change of Company Name will take effect from the date of entry of the new English name and the new dual foreign name in Chinese of the Company on the register of companies maintained by the Registrar of Companies in the Cayman Islands, in place of the existing English name of the Company, and the issuance of a certificate of incorporation on change of name.



# MANAGEMENT DISCUSSION AND ANALYSIS

## PLEDGE OF ASSETS

As of 30 September 2021, the outstanding aggregate loans of a Korean subsidiary of the Company amounting to approximately KRW15,300.00 million (approximately HK\$100.52 million) (31 March 2021: Nil) were secured by certain shares of a Korean company listed on the Korean Securities Dealers Automated Quotations. Save for the pledge of assets mentioned hereinabove, the Group had not pledged any of its assets for bank facilities or other loan facilities as at 30 September 2021 and 31 March 2021.

## MATERIAL ACQUISITION AND DISPOSAL

During the reporting period, in August 2021, a Korean subsidiary of the Company acquired certain convertible bonds of a Korean company listed on the Korean Securities Dealers Automated Quotations at an aggregate consideration of KRW17,641.08 million (approximately HK\$119.25 million), and after the conversion of the convertible bonds in August 2021, the resultant conversion shares of the Korean listed company were disposed of in September 2021 at a total consideration of KRW19,996.13 million (approximately HK\$132.97 million). Save for the material acquisition and disposal mentioned hereinabove, the Group was neither involved in any other significant investments, nor any material acquisitions and disposals of any subsidiaries or joint venture company.

## EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2021, the Group had approximately 15 (31 March 2021: 17) staff in Hong Kong, Russia and Korea. Remuneration policy is reviewed by the Directors periodically and is determined by reference to industry practice, company performance, and individual qualifications and performance. Remuneration packages comprised salary, commissions and bonuses based on individual performance. Share options may also be granted to eligible employees of the Group. Employees benefit plans provided by the Group include provident fund scheme, medical insurance and subsidised training and seminars.

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2021, none of the Directors or any of their associates or chief executives of the Company (as defined in the Listing Rules) had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required to be notified to the Company and the Stock Exchange pursuant to SFO (including interests which they are taken or deemed to have under SFO) or which are, pursuant to Section 352 of the SFO, entered in the register referred to therein or, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

### SHARE OPTION SCHEME

Pursuant to the share option scheme approved and adopted by the Company on 19 October 2002 (the "Old Scheme"), share options were granted to subscribe for shares in the Company in accordance with the terms of the Old Scheme. At the annual general meeting of the Company held on 31 August 2012, the shareholders of the Company approved the adoption of a new share option scheme (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 schemes. 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 detailed terms of the Old Scheme and the New Scheme were disclosed in the 2021 Annual Report of the Company.

During the six months ended 30 September 2021, no share option was granted under the New Scheme (2020: Nil). Since the date of adoption of the New Scheme to the date of this report, no option has been granted. As at 30 September 2021, there was no share option remained outstanding under the Old Scheme (2020: Nil) and the New Scheme (2020: Nil).

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2021, the register of interests in shares and short positions required to be kept by the Company under Section 336 of the SFO showed that the following persons (other than the Directors or chief executives of the Company) had disclosed to the Stock Exchange and/or the Company an interest of 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company.

#### (i) Long position in shares of HK\$2.00 each in the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Space Hong Kong Enterprise Limited (Note 1)	Beneficial owner	43,134,137	29.74%
Onface Co., Limited (Note 2)	Beneficial owner	24,169,510	16.67%
Lucrezia Limited (Note 3)	Beneficial owner	9,003,076	6.21%
Token Century Limited	Beneficial owner	8,400,000	5.79%
Kim Wuju	Beneficial owner	7,440,000	5.13%
HCMP SPC Ltd. (Note 1)	Interest in controlled corporation	43,134,137	29.74%
BSE CMP Value-up Private Equity Fund (Note 1)	Interest in controlled corporation	43,134,137	29.74%
Cheon Ji In M Partners Co Ltd (Note 1)	Interest in controlled corporation	43,134,137	29.74%
Park Kyung Hyun (Note 2)	Interest in controlled corporation	24,169,510	16.67%
Yang Xiaolian (Note 3)	Interest in controlled corporation	9,003,076	6.21%

Note 1: HCMP SPC Ltd. held approximately 67.78% interest in Space Hong Kong Enterprise Limited. HCMP SPC Ltd. was a 100% wholly-owned subsidiary company of BSE CMP Value-up Private Equity Fund. BSE CMP Value-up Private Equity Fund was in turn a 100% wholly-owned subsidiary company of Cheon Ji In M Partners Co Ltd. By virtue of the SFO, each of HCMP SPC Ltd., BSE CMP Value-up Private Equity Fund and Cheon Ji In M Partners Co Ltd is deemed to be interested in these 43,134,137 shares which Space Hong Kong Enterprise Limited has beneficial interest in.

Note 2: Park Kyung Hyun held approximately 96.2% interest in Onface Co., Limited. By virtue of the SFO, Park Kyung Hyun is deemed to be interested in these 24,169,510 shares which Onface Co., Limited has beneficial interest in.

Note 3: Yang Xiaolian held 100% interest in Lucrezia Limited. By virtue of the SFO, Yang Xiaolian is deemed to be interested in these 9,003,076 shares which Lucrezia Limited has beneficial interest in.

#### (ii) Long position in underlying shares of HK\$2.00 each in the Company

Name of shareholders	Capacity	Number of underlying shares held	Percentage of the shareholding
N/A	N/A	N/A	N/A

Save as disclosed above, no other party was recorded in the register of interests in shares and short positions kept pursuant to Section 336 of SFO as having an interest in 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company.

# OTHER INFORMATION

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

## CORPORATE GOVERNANCE

### Corporate Governance Code

During the period under review, the Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules except for the deviation as described below:

- (i) Under code provision A.6.7 of the CG Code, independent non-executive Directors ("**INEDs**") should attend the general meetings and develop a balanced understanding of the views of shareholders. However, one of the INEDs of the Company (Ms. Chen Dai) was unable to attend the extraordinary general meeting of the Company held on 13 May 2021 due to flight restriction under COVID-19 pandemic situation in the People's Republic of China. Similarly, one of the INEDs of the Company (Ms. Chen Dai) was also unable to attend the 2021 annual general meeting of the Company held on 14 September 2021 also due to flight restriction under COVID-19 pandemic situation in the People's Republic of China.
- (ii) Under code provision E1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. However, the Chairman of the Board of the Company (Mr. Lee Jaeseong) was unable to attend the 2021 annual general meeting of the Company held on 14 September 2021 due to flight restriction under COVID-19 pandemic situation in Korea.

## 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) In August 2021, a Korean subsidiary of the Company entered into certain agreements to purchase certain convertible bonds of a Korean company listed on the Korean Securities Dealers Automated Quotations (the "**Korean Listed Company**") at an aggregated consideration of approximately KRW17,641.08 million (approximately HK\$119.25 million) (the "**Acquisition Transaction**"). After conversion of the convertible bonds into shares of the Korean Listed Company (the "**Korean Conversion Shares**"), in September 2021, the Korean subsidiary of the Company entered into certain agreement to sell the Korean Conversion Shares at a consideration of approximately KRW19,996.13 million (approximately HK\$132.97 million) (the "**Disposal Transaction**"). The Acquisition Transaction and the Disposal Transaction each would have constituted a major transaction under Chapter 14 of the Listing Rules, which would have required the Company to publish announcements and seek shareholders' approval. However, the Acquisition Transaction and the Disposal Transaction took place without the knowledge of the Directors of the Company, and accordingly the Company was not able to comply with the relevant provisions under Chapter 14 of the Listing Rules in publishing announcements and seeking shareholders' approval. The Company is considering various remedial actions to rectify the compliance breaches.



## OTHER INFORMATION

### 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

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors of the Company, chaired by Mr. Kwok Kim Hung Eddie and the other members are Ms. Chen Dai and Mr. Leung Yau Wan John. The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2021 have been reviewed by the Audit Committee.

### DISCLOSURES ON CHANGES OF DIRECTOR’S INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Leung Yau Wan John was no longer a senior partner at Linkers CPA Limited from 1 August 2021.

### DIRECTOR’S INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group’s business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted as the end of the period or at any time during the period.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, during the period under review and up to the date of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

### REVIEW ON INTERIM RESULTS

The unaudited condensed consolidated interim results of the Group have been reviewed by the Company’s auditor, UniTax Prism (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of Entity” issued by the Hong Kong Institute of Certified Public Accountants, the report of which is included on pages 2 and 3 of this interim report.

By Order of the Board  
**Siberian Mining Group Company Limited**  
**Lee Jaeseong**  
*Chairman*

Hong Kong, 30 November 2021

Note: Should there be any discrepancies with the Chinese version of the report, the English version will prevail.