



E&P Global Holdings Limited 能源及能量環球控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 1142)

2022 INTERIM REPORT



CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Ms. Chen Dai
Mr. Leung Yau Wan John
Mr. Kwok Kim Hung Eddie
(retired on 28 September 2022)

COMPANY SECRETARY

Mr. Tang Siu Fung Calvin

AUTHORISED REPRESENTATIVES

Mr. Lee Jaeseong
Mr. Tang Siu Fung Calvin

AUDIT COMMITTEE

Ms. Chen Dai
Mr. Leung Yau Wan John
Mr. Kwok Kim Hung Eddie (*Chairman*)
(retired on 28 September 2022)

REMUNERATION COMMITTEE

Ms. Chen Dai (*Chairman*)
Mr. Leung Yau Wan John
Mr. Kwok Kim Hung Eddie
(retired on 28 September 2022)

NOMINATION COMMITTEE

Mr. Lee Jaeseong (*Chairman*)
Ms. Chen Dai
Mr. Leung Yau Wan John
Mr. Kwok Kim Hung Eddie
(retired on 28 September 2022)

AUDITOR

CCTH CPA Limited (appointed on 14 November 2022)
UniTax Prism (HK) CPA Limited
(retired on 28 September 2022)

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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

HKEX STOCK CODE

1142

WEBSITE

<http://enp.todayir.com>

The board (the “Board”) of directors (the “Directors” and each a “Director”) of E&P Global Holdings 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 2022 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 2022

| | Note | 2022 (Unaudited) HK\$'000 | 2021 (Unaudited) HK\$'000 |
|---|------|---------------------------------|---------------------------------|
| Revenue | 5 | 632,663 | 527,710 |
| Cost of sales | | (626,603) | (524,173) |
| Gross profit | | 6,060 | 3,537 |
| Other income | 7 | 8,204 | 1,241 |
| Other gains and losses | 8 | 934,015 | 193,621 |
| Selling and distribution costs | | (1,777) | (1,326) |
| Administrative expenses | | (8,543) | (5,992) |
| Other expenses | | (241,422) | (114,062) |
| Finance costs | 9 | (4,972) | (5,817) |
| Profit before income tax | 10 | 691,565 | 71,202 |
| Income tax credit (expense) | 11 | 1,701 | (2,979) |
| Profit for the period | | 693,266 | 68,223 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 688,956 | 46,186 |
| Non-controlling interests | | 4,310 | 22,037 |
| | | 693,266 | 68,223 |
| Profit for the period | | 693,266 | 68,223 |
| Other comprehensive income for the period: | | | |
| <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 | | 71,372 | 13,030 |
| Total comprehensive income for the period | | 764,638 | 81,253 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | 753,087 | 57,899 |
| Non-controlling interests | | 11,551 | 23,354 |
| | | 764,638 | 81,253 |
| Earnings per share | | | |
| Basic (HK\$) | 13 | 4.75 | 0.32 |
| Diluted (HK\$) | 13 | 4.55 | 0.30 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

| | Note | 30 September 2022 (Unaudited) HK\$'000 | 31 March 2022 (Audited) HK\$'000 |
|---|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 21,552 | 14,702 |
| Right-of-use assets | 15 | 340 | 656 |
| Investment property | | 29,403 | — |
| Intangible assets | 16 | 260,486 | 171,891 |
| Exploration and evaluation assets | 17 | 1,932,653 | 1,254,707 |
| Deposit paid for acquisition of property, plant and equipment | | — | 3,037 |
| Rental deposits | 19 | 299 | 316 |
| | | 2,244,733 | 1,445,309 |
| Current assets | | | |
| Trade receivables | 18 | 4,996 | 10,779 |
| Other receivables | 19 | 13,554 | 10,501 |
| Cash and cash equivalents | | 3,429 | 3,052 |
| | | 21,979 | 24,332 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | 20 | 1 | 287 |
| Other payables | 21 | 24,583 | 22,992 |
| Contract liabilities | 22 | 3,664 | 591 |
| Interest-bearing borrowings | 23 | 34,327 | 13,333 |
| Amounts due to shareholders | 24 | 38,330 | 37,940 |
| Purchase consideration payable for additional acquisition | 25 | 3,349 | 3,339 |
| Lease liabilities | 15 | 301 | 667 |
| Promissory notes payables | 27 | 15,600 | 15,600 |
| Convertible notes payables | 26 | 3,591,498 | 3,591,498 |
| Income tax payable | | 397 | 891 |
| | | 3,712,050 | 3,687,138 |
| Net current liabilities | | (3,690,071) | (3,662,806) |
| Total assets less current liabilities | | (1,445,338) | (2,217,497) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

| | Note | 30 September 2022 (Unaudited) HK\$'000 | 31 March 2022 (Audited) HK\$'000 |
|---|------|---|---|
| Non-current liabilities | | | |
| Amounts due to shareholders | 24 | 120,100 | 112,151 |
| Interest-bearing borrowings | 23 | 48,965 | 48,965 |
| Provision for close down, restoration and environmental costs | 28 | 1,987 | 1,305 |
| Lease liabilities | 15 | 40 | — |
| Deferred tax liabilities | | 1,020 | 2,170 |
| | | 172,112 | 164,591 |
| NET LIABILITIES | | (1,617,450) | (2,382,088) |
| CAPITAL AND RESERVES | | | |
| Share capital | 29 | 290,034 | 290,034 |
| Reserves | | (1,905,588) | (2,658,675) |
| Equity attributable to owners of the Company | | (1,615,554) | (2,368,641) |
| Non-controlling interests | | (1,896) | (13,447) |
| CAPITAL DEFICIENCIES | | (1,617,450) | (2,382,088) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

| | 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 29) | HK\$'000 | HK\$'000 | HK\$'000 (Note b) | HK\$'000 | HK\$'000 (Notes a(i) and (ii)) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| 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 | — | — | — | — | — | 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) |
| As at 1 April 2022 (Audited) | 290,034 | 1,956,517 | (97,911) | 322,366 | 47 | 23,936 | (4,863,630) | (2,368,641) | (13,447) | (2,382,088) |
| Profit for the period | — | — | — | — | — | — | 688,956 | 688,956 | 4,310 | 693,266 |
| Other comprehensive income for the period | — | — | 64,131 | — | — | — | — | 64,131 | 7,241 | 71,372 |
| Total comprehensive income for the period | — | — | 64,131 | — | — | — | 688,956 | 753,087 | 11,551 | 764,638 |
| As at 30 September 2022 (Unaudited) | 290,034 | 1,956,517 | (33,780) | 322,366 | 47 | 23,936 | (4,174,674) | (1,615,554) | (1,896) | (1,617,450) |

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 in Note 27) 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 25.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
|--|---------------------------------|---------------------------------|
| Operating activities | | |
| Profit before income tax | 691,565 | 71,202 |
| Adjustments for: | | |
| Amortisation of other intangible assets | 241,422 | 114,062 |
| Depreciation of property, plant and equipment | 136 | 135 |
| Depreciation of right-of-use assets | 445 | 495 |
| Reversal of impairment loss on trade and other receivables | (1,185) | (1,784) |
| Gain on disposal of property, plant and equipment | (90) | — |
| Gains on disposal of financial assets at fair value through profit or loss | — | (15,452) |
| Finance costs | 4,972 | 5,817 |
| Interest income | (119) | (213) |
| Provision for close down, restoration and environmental cost | 45 | 56 |
| (Reversal of impairment loss) Impairment loss on exploration and evaluation assets | (672,254) | 45,705 |
| Reversal of impairment loss on intangible assets | (260,486) | (222,090) |
| Operating cash flows before working capital changes | 4,451 | (2,067) |
| Decrease (increase) in trade receivables | 5,711 | (1,397) |
| Decrease in deposit paid for acquisition of property, plant and equipment | 3,314 | — |
| (Increase) Decrease in deposits and other receivables | (4,328) | 4,138 |
| Decrease in trade payables | (265) | (11) |
| Increase in contract liabilities | 3,451 | 545 |
| Decrease in other payables | (5) | (724) |
| Cash generated from operating activities | 12,329 | 484 |
| Income tax paid | (756) | (451) |
| Interest paid | (12) | (19) |
| Net cash inflow from operating activities | 11,561 | 14 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
|--|---------------------------------|---------------------------------|
| Investing activities | | |
| Purchase of property, plant and equipment | (1,109) | (769) |
| Purchase of right-of-use assets | (125) | — |
| Purchase of investment property | (29,403) | — |
| Acquisition of financial assets at fair value through profit or loss | — | (106,517) |
| Proceeds from disposal of property, plant and equipment | 155 | — |
| Interest received | 119 | — |
| Net cash used in investing activities | (30,363) | (107,286) |
| Financing activities | | |
| Interest received | — | 213 |
| Repayment of lease liabilities | (463) | (511) |
| Proceeds from borrowings | 26,578 | 119,458 |
| Loans received from shareholders | 5,409 | 323 |
| Repayment of loan from shareholders | — | (151) |
| Repayment of borrowings | (3,562) | (13,140) |
| Proceeds from lease liabilities | 129 | — |
| Net cash from financing activities | 28,091 | 106,192 |
| Net increase (decrease) in cash and cash equivalents | 9,289 | (1,080) |
| Cash and cash equivalents, at beginning of the period | 3,052 | 2,145 |
| Effect of foreign exchange rate changes | (8,912) | 1,602 |
| Cash and cash equivalents, at the end of the period | 3,429 | 2,667 |
| Analysis of the balance of the cash and cash equivalents Cash and bank balances | 3,429 | 2,667 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

E&P Global Holdings 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 related petroleum products and services in the Republic of Korea (“**Korea**”).

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 September 2022 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 (the “**Listing Rules**”) on the Stock Exchange.

Going concern assumptions

As at 30 September 2022, the Group’s current liabilities exceeded its current assets by approximately HK\$3,690,071,000 (31 March 2022: HK\$3,662,806,000) and there was a capital deficiency of approximately HK\$1,617,450,000 (31 March 2022: HK\$2,382,088,000). 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 26, 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 (now becoming 5,531,337 new shares in the Company at HK\$480 per share after the share consolidation of the Company being effective from 24 April 2020).

NOTES TO THE 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\$106,920,000 (equivalent to approximately HK\$833,976,000) for the 18 months period commencing in June 2022.
- (ii) As set out in Note 23, with regard to Other Loan 1, Other Loan 3 and Other Loan 4, the lenders have agreed not to demand for repayment for the amounts due before 31 January 2024. In the opinion of the Directors, a further extension can be obtained when necessary.
- (iii) As set out in Note 24(c), with regard to amounts due to shareholders of the Company (the "**Shareholders**"), one of the Shareholders agreed not to demand for repayment of the amounts due before 31 January 2024.
- (iv) The Company has obtained additional loan facilities sufficient to support the continual normal operation of the Group for at least 12 months after the period end date. For details, please refer to Note 45 of 2022 annual report of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

Going concern assumptions *(Continued)*

With the successful implementation of the measures and funding and financial support obtained as set out above, in the opinion of the Directors, the Group will have sufficient funds to satisfy its future working capital and other financial commitments as and when they fall due. Accordingly, the Directors are of the view that it is appropriate to prepare the condensed consolidated financial statements for the six months ended 30 September 2022 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 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 financial statements have been prepared on the historical cost convention, as modified for certain financial instruments and investment property, which are carried at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2022 except for the accounting polices changes as set out in Note 4.

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

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2022.

| | |
|-----------------------|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment: Proceeds before Intended Use |
| Amendments to HKAS 37 | Provision, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 cycle |

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 financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE

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

| | Six months ended 30 September | |
|--|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Disaggregated by major products | | |
| Sales of diesel | 494,129 | 395,167 |
| Sales of gasoline | 120,904 | 123,857 |
| Sales of other related petroleum products and services | 17,630 | 8,686 |
| | 632,663 | 527,710 |

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 related petroleum products and services 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 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 2022 (Unaudited)

| | Mining HK\$'000 | Trading HK\$'000 | Total HK\$'000 |
|--|--------------------|---------------------|-------------------|
| Segment revenue | — | 632,663 | 632,663 |
| Segment profit | 697,148 | 4,630 | 701,778 |
| Unallocated gain on disposal of financial assets at fair value through profit or loss | | | — |
| Unallocated corporate expenses | | | (5,241) |
| Unallocated finance costs | | | (4,972) |
| Profit before income tax | | | 691,565 |

For the period ended 30 September 2021 (Unaudited)

| | Mining HK\$'000 | Trading HK\$'000 | Total HK\$'000 |
|--|--------------------|---------------------|-------------------|
| 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 |

There were no inter-segment sales for both periods.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit of each segment without allocation of central administration costs, directors' emoluments and unallocated finance costs. This is the measure reported to the Directors with respect to the resource allocation and performance assessment.

NOTES TO THE 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

| | 30 September 2022 HK\$'000 (Unaudited) | 31 March 2022 HK\$'000 (Audited) |
|----------------------------|---|---|
| Mining | 2,214,166 | 1,443,025 |
| Trading | 50,509 | 25,406 |
| Total segment assets | 2,264,675 | 1,468,431 |
| Corporate and other assets | 2,037 | 1,210 |
| Total assets | 2,266,712 | 1,469,641 |

Segment liabilities

| | 30 September 2022 HK\$'000 (Unaudited) | 31 March 2022 HK\$'000 (Audited) |
|---------------------------------|---|---|
| Mining | 41,375 | 41,905 |
| Trading | 42,649 | 18,908 |
| Total segment liabilities | 84,024 | 60,813 |
| Corporate and other liabilities | 3,800,138 | 3,790,916 |
| Total liabilities | 3,884,162 | 3,851,729 |

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

- 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
- All liabilities are allocated to operating segments, other than unallocated other payables, interest-bearing borrowings, amounts due to shareholders, convertible notes payables, promissory notes payables and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

NOTES TO THE 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 2022 and 2021.

For the six months ended 30 September 2022

| | Mining HK\$'000 (Unaudited) | Trading HK\$'000 (Unaudited) | Consolidated total HK\$'000 (Unaudited) |
|--|-----------------------------------|------------------------------------|--|
| Amounts included in the measure of segment profit or loss or segments assets: | | | |
| Additions to non-current assets | — | 1,109 | 1,109 |
| Depreciation of property, plant and equipment | (6) | (130) | (136) |
| Depreciation of right-of-use assets | (362) | (83) | (445) |
| Amortisation of intangible assets | (241,422) | — | (241,422) |
| Reversal of impairment loss on intangible assets | 260,486 | — | 260,486 |
| Reversal of impairment loss on exploration and evaluation assets | 672,254 | — | 672,254 |
| Reversal of impairment loss on trade and other receivables | — | 1,185 | 1,185 |

For the six months ended 30 September 2021

| | Mining HK\$'000 (Unaudited) | Trading HK\$'000 (Unaudited) | Consolidated total HK\$'000 (Unaudited) |
|--|-----------------------------------|------------------------------------|--|
| Amounts included in the measure of segment profit or loss or segments assets: | | | |
| 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 |

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

Revenue from external customers

| | Six months ended 30 September | |
|-------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Korea | 632,663 | 527,710 |

Non-current assets

| | 30 September 2022 HK\$'000 (Unaudited) | | 31 March 2022 HK\$'000 (Audited) |
|-------|--|-----------|---|
| | Russia | 2,212,589 | |
| Korea | 31,845 | 1,802 | |
| | 2,244,434 | 1,441,956 | |

Non-current assets excluded rental deposits.

7. OTHER INCOME

| | Six months ended 30 September | |
|--------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Interest income | 119 | 213 |
| Sundry income | 34 | 18 |
| Net exchange gains | 8,051 | 1,010 |
| | 8,204 | 1,241 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER GAINS AND LOSSES

| | Six months ended 30 September | |
|--|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Reversal of impairment loss on intangible assets | 260,486 | 222,090 |
| Reversal of impairment loss (Impairment loss) on exploration and evaluation assets | 672,254 | (45,705) |
| Reversal of impairment loss on trade and other receivables | 1,185 | 1,784 |
| Gains on disposal of financial assets at fair value through profit or loss | — | 15,452 |
| Gain on disposal of property, plant and equipment | 90 | — |
| | 934,015 | 193,621 |

9. FINANCE COSTS

| | Six months ended 30 September | |
|---------------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Interest expenses on: | | |
| — Loan from third parties | 2,130 | 3,176 |
| — Loan from shareholders | 2,832 | 2,623 |
| — Lease liabilities | 10 | 18 |
| | 4,972 | 5,817 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging the following items:

| | Six months ended 30 September | |
|--|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Employee benefits expenses | | |
| Directors' emoluments | 390 | 390 |
| Salaries and wages | 1,999 | 1,490 |
| Pension fund contribution | 105 | 99 |
| | 2,494 | 1,979 |
| Amortisation for intangible assets — mining rights (included in other expenses) | 241,422 | 114,062 |
| Depreciation | | |
| — Property, plant and equipment | 136 | 135 |
| — Right-of-use assets | 445 | 495 |
| Auditor's remuneration | 279 | 299 |
| Provision for close down, restoration and environmental costs | 45 | 56 |
| Cost of inventories recognised as an expense | 626,603 | 524,173 |

11. INCOME TAX CREDIT (EXPENSE)

| | Six months ended 30 September | |
|-----------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Korea corporation tax | | |
| — current period | (454) | (3,258) |
| Deferred taxation | 2,155 | 279 |
| | 1,701 | (2,979) |

Notes:

- No Hong Kong profits tax and Russia profits tax has been provided for the periods ended 30 September 2022 and 2021 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 Russian and Korea subsidiaries are similarly charged at the appropriate current rates of 20% of taxation ruling in the relevant countries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (2021: Nil).

13. EARNINGS PER SHARE

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

| | Six months ended 30 September | |
|--|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Earnings: Profit attributable to owners of the Company, used in the basic and diluted earnings per share | 688,956 | 46,186 |
| Number of shares: Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 145,017,062 | 145,017,062 |
| Effect of dilutive potential ordinary shares: Adjustments for convertible notes payables | 6,506,338 | 6,506,338 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 151,523,400 | 151,523,400 |

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired certain property, plant and equipment of HK\$1,109,000 (six months ended 30 September 2021: HK\$769,000).

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

| | At 30 September 2022 HK\$'000 (Unaudited) | At 31 March 2022 HK\$'000 (Audited) |
|---------------------------|---|---|
| | At the beginning of period/year | 656 |
| Addition | 125 | — |
| Modification | (63) | 587 |
| Depreciation | (445) | (1,000) |
| Exchange realignments | 67 | (35) |
| At the end of period/year | 340 | 656 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(i) Right-of-use assets

| | At 30 September 2022 HK\$'000 (Unaudited) | At 31 March 2022 HK\$'000 (Audited) |
|-------------------------------|---|---|
| Building | 293 | 656 |
| Property, plant and equipment | 47 | — |
| | 340 | 656 |

The Group has lease arrangements for buildings, property, plant and equipment. The lease terms are generally ranged from 1 to 5 years.

(ii) Lease liabilities

| | At 30 September 2022 HK\$'000 (Unaudited) | At 31 March 2022 HK\$'000 (Audited) |
|---|---|---|
| Non-current | 40 | — |
| Current | 301 | 667 |
| | 341 | 667 |
| Amounts payable under lease liabilities | | |
| Within one year | 301 | 667 |
| After one year but within two years | 8 | — |
| After two years but within five years | 32 | — |
| | 341 | 667 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (301) | (667) |
| Amount due for settlement after 12 months | 40 | — |

(iii) Amount recognised in profit or loss

| | Six months ended 30 September | |
|--|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Depreciation of right-of-use assets — | | |
| Building and property, plant and equipment | 445 | 495 |
| Interest expense on lease liabilities | 10 | 18 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. INTANGIBLE ASSETS

| | Mining rights HK\$'000 |
|---|---------------------------|
| Cost | |
| At 1 April 2021 (Audited) | 1,296,181 |
| Exchange realignments | (143,333) |
| At 31 March 2022 and 1 April 2022 (Audited) | 1,152,848 |
| Exchange realignments | 560,211 |
| At 30 September 2022 (Unaudited) | 1,713,059 |
| Accumulated amortisation and impairment loss | |
| At 1 April 2021 (Audited) | 1,037,783 |
| Charge for the year | 225,214 |
| Reversal of impairment loss | (175,949) |
| Exchange realignments | (106,091) |
| At 31 March 2022 and 1 April 2022 (Audited) | 980,957 |
| Charge for the period | 241,422 |
| Reversal of impairment loss | (260,486) |
| Exchange realignments | 490,680 |
| At 30 September 2022 (Unaudited) | 1,452,573 |
| Carrying values | |
| At 30 September 2022 (Unaudited) | 260,486 |
| At 31 March 2022 (Audited) | 171,891 |

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 rights, 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 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 2039 (31 March 2022: a period of 18 years up to 2039) with the first year of production taken to be from year 2029 (31 March 2022: first year of production from year 2029) based on the Director's current best estimated production plan.
- (ii) Cost of production (including royalties) on average is taken as 29.89% (31 March 2022: 34.88%) of revenue.
- (iii) The post-tax discount rate applied to the cash flow projection is 41.47% (31 March 2022: post-tax discount rate of 38.42%).
- (iv) The Directors have assumed the average increment in coal sales prices to be 0% up to 2024, and 3.00% p.a. from 2025 to 2039 (31 March 2022: 0% up to 2024, and increment of 3.00% p.a. from 2025 to 2039), which is in line with the comparable market information.
- (v) Coal sales prices used in the DCF in the current and prior periods are determined with reference to the coal price under current market information at the respective valuation dates, which show a decrease of approximately 1.45% to increase of approximately 5.75% (depends on different type of coals) when compared to that of 31 March 2022.
- (vi) The exchange rate for USD to RUB with reference to the approximate spot rate as of 30 September 2022 is taken to be US\$1.00 to RUB60.06 (31 March 2022: US\$1.00 to RUB82.23).
- (vii) The inflation rates on operating costs are 13.90%, 6.70% and 4.90% for 2022, 2023 and 2024, respectively, and 3.00% p.a. from 2025 to 2039 (31 March 2022: 19.00%, 11.70% and 5.80% for 2022, 2023 and 2024, respectively, and 3.00% p.a. from 2025 to 2039).
- (viii) The Group is able to renew the relevant licence for the mining rights upon its existing expiry date.

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (ii), (iii), (v), (vi) and (vii) 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 2022.

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\$260,486,000 (31 March 2022: HK\$175,949,000) compared with its carrying amount as at 30 September 2022. The reversal of impairment loss is mainly attributable to the net effects of change of the relevant coal prices, the appreciation of RUB to USD, the decrease in cost of production, the increase in post-tax discount rate, the change in expected future inflation rate of costs and the corresponding change in expected future growth rate of coal sales prices in the coming few years during the current period as compared to 31 March 2022.

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 2022. No impairment loss (31 March 2022: Nil) was recognised for property, plant and equipment associated with the mining right during the current period.

NOTES TO THE 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 |
|----------------------|---|-------------|
| Mining rights | | |
| Lapichevskaya Mine | Industrial area, Kemerovo district, Kemerovo region, 650906, Russia | 1 July 2025 |

17. EXPLORATION AND EVALUATION ASSETS

| | Total HK\$'000 |
|---|--------------------------|
| Cost | |
| At 1 April 2021 (Audited) | 3,639,160 |
| Exchange realignments | (2,906) |
| At 31 March 2022 and 1 April 2022 (Audited) | 3,636,254 |
| Exchange realignments | 11,357 |
| At 30 September 2022 (Unaudited) | 3,647,611 |
| Accumulated impairment loss | |
| At 1 April 2021 (Audited) | 2,100,959 |
| Impairment loss | 281,569 |
| Exchange realignments | (981) |
| At 31 March 2022 and 1 April 2022 (Audited) | 2,381,547 |
| Reversal of impairment loss recognized | (672,254) |
| Exchange realignments | 5,665 |
| At 30 September 2022 (Unaudited) | 1,714,958 |
| Carrying values | |
| At 30 September 2022 (Unaudited) | 1,932,653 |
| At 31 March 2022 (Audited) | 1,254,707 |

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 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 fair value of the exploration and evaluation assets.

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 2033 (31 March 2022: a period of 12 years up to 2033) with the first year of production taken to be from year 2024 (31 March 2022: first year of production from year 2024) based on the Directors' current best estimated production plan.
- (ii) Cost of production (including royalties) on average is taken as 20.12% (31 March 2022: 21.11%) of revenue.
- (iii) The post-tax discount rate applied to the cash flow projection is 41.47% (31 March 2022: post-tax discount rate of 38.42%).
- (iv) The Directors have assumed the average increment in coal sales prices to be 0% up to 2024, and 3.00% p.a. from 2025 to 2033 (31 March 2022: 0% up to 2024, and increment of 3.00% p.a. from 2025 to 2033), which is in line with the comparable market information.
- (v) Coal sales prices used in the DCF in the current and prior periods are determined with reference to the coal price under current market information at the respective valuation dates, which show a decrease of approximately 1.45% to 11.93% (depends on different type of coals) when compared to that of 31 March 2022.
- (vi) The exchange rate for USD to RUB with reference to the approximate spot rate as of 30 September 2022 is taken to be US\$1.00 to RUB60.06 (31 March 2022: US\$1.00 to RUB82.23).
- (vii) The inflation rates on operating cost are 13.90%, 6.70% and 4.90% for 2022, 2023 and 2024, respectively, and 3.00% p.a. from 2025 to 2033 (31 March 2022: 19.00%, 11.70% and 5.80% for 2022, 2023 and 2024, respectively, and 3.00% p.a. from 2025 to 2033).

Apart from the changes in parameters for the major assumptions in the DCF analysis for items (ii), (iii), (v), (vi) and (vii) 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 2022.

The Directors of the Company are of the opinion that based on the valuation, there was a reversal of impairment loss of approximately HK\$672,254,000 (31 March 2022: impairment loss of approximately HK\$281,569,000) compared with its carrying value as at 30 September 2022. The reversal of impairment loss is mainly attributable to the net effects of change of the relevant coal prices, the appreciation of RUB to USD, the increase in post-tax discount rate, the change in expected future inflation rate of costs and the corresponding change in expected future growth rate of coal sales prices in the coming few years during the current period as compared to 31 March 2022.

NOTES TO THE 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 2022 HK\$'000 (Unaudited) | 31 March 2022 HK\$'000 (Audited) |
|-------------|---|---|
| 0-90 days | 4,987 | 10,152 |
| 91-180 days | 9 | 627 |
| | 4,996 | 10,779 |

19. OTHER RECEIVABLES

| | 30 September 2022 HK\$'000 (Unaudited) | 31 March 2022 HK\$'000 (Audited) |
|--|---|---|
| Advance payments | 8,476 | 5,799 |
| Deposits | 299 | 316 |
| Other loan receivables | 1,896 | 2,235 |
| Other receivables | 1,141 | 1,248 |
| Prepayments | 2,041 | 1,219 |
| | 13,853 | 10,817 |
| Less: Rental deposits classified as non-current assets | (299) | (316) |
| Current portion included in other receivables | 13,554 | 10,501 |

NOTES TO THE 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:

| | 30 September 2022 HK\$'000 (Unaudited) | 31 March 2022 HK\$'000 (Audited) |
|-----------|---|---|
| 0-30 days | 1 | 287 |

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. OTHER PAYABLES

| | 30 September 2022 HK\$'000 (Unaudited) | 31 March 2022 HK\$'000 (Audited) |
|-------------------|---|---|
| Other payables | 504 | 420 |
| Accrued expenses | 4,299 | 4,337 |
| Interest payables | 19,780 | 18,235 |
| | 24,583 | 22,992 |

22. CONTRACT LIABILITIES

| | 30 September 2022 HK\$'000 (Unaudited) | 31 March 2022 HK\$'000 (Audited) |
|-------------------------|---|---|
| Advances from customers | 3,664 | 591 |

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

The changes in contract liabilities for the period ended 30 September 2022 were mainly due to increase in purchases order from customers in the current period.

Revenue recognised during the period ended 30 September 2022 that was included in the contract liabilities as at 30 September 2022 was approximately HK\$591,000 (31 March 2022: HK\$576,000). There was no revenue recognised in the current period that related to performance obligations that were satisfied in prior year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. INTEREST-BEARING BORROWINGS

| | 30 September 2022 HK\$'000 (Unaudited) | 31 March 2022 HK\$'000 (Audited) |
|--|---|---|
| Other loan 1 (Note a) | 28,561 | 28,561 |
| Other loan 2 (Note b) | 11,311 | 13,333 |
| Other loan 3 (Note c) | 17,404 | 17,404 |
| Other loan 4 (Note d) | 3,000 | 3,000 |
| Other loan 5 (Note e) | 23,016 | — |
| | 83,292 | 62,298 |
| Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements): | | |
| Within one year | 34,327 | 13,333 |
| After one year but within two years | 48,965 | 48,965 |
| | 83,292 | 62,298 |
| Carrying amount of repayable within one year and amounts shown under current liabilities | 34,327 | 13,333 |
| Amounts shown under non-current liabilities | 48,965 | 48,965 |
| | 83,292 | 62,298 |

Notes:

- (a) As at 30 September 2022, the aggregate amount of approximately HK\$28,561,000 (31 March 2022: HK\$28,561,000) ("**Other Loan 1**") was unsecured, bearing interest at 5%-6% per annum and repayable on demand. The lender had agreed to extend the repayment date to 31 January 2024.
- (b) As at 30 September 2022, the amount of KRW2,064,000,000 (equivalent to approximately HK\$11,311,000 (31 March 2022: KRW2,064,000,000 (equivalent to approximately HK\$13,333,000))) ("**Other Loan 2**") was bearing interest at 4.6% per annum and repayable upon maturity or on demand.
- (c) As at 30 September 2022, the aggregate amount of approximately HK\$17,404,000 (31 March 2022: HK\$17,404,000) ("**Other Loan 3**") was unsecured, bearing interest at 5% per annum and repayable on demand. The lender had agreed to extend the repayment date to 31 January 2024.
- (d) As at 30 September 2022, the aggregate amount of approximately HK\$3,000,000 (31 March 2022: HK\$3,000,000) ("**Other Loan 4**") was unsecured, bearing interest at 5% per annum and repayable on demand. The lender had agreed to extend the repayment date to 31 January 2024.
- (e) During the period ended 30 September 2022, a new loan in aggregate amount of KRW4,850,000,000 (equivalent to approximately HK\$26,578,000) was obtained from an independent third party ("**Other Loan 5**") which was unsecured, bearing interest at 4.6% per annum and repayable upon maturity or on demand.

During the period ended 30 September 2022, part of Other Loan 5 amounting to KRW650,000,000 (equivalent to approximately HK\$3,562,000) has been repaid.

As at 30 September 2022, the remaining unsettled Other Loan 5 in aggregate amount of KRW4,200,000,000 (equivalent to approximately HK\$23,016,000) was due to the lender.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. AMOUNTS DUE TO SHAREHOLDERS

- (a) As at 30 September 2022, the amount due to a shareholder amounting to HK\$228,000 (31 March 2022: HK\$228,000) was unsecured, interest free and repayable on demand.
- (b) As at 30 September 2022, the amount due to a shareholder amounting to approximately HK\$2,765,000 (31 March 2022: HK\$2,677,000) was unsecured, bears interest at the weighted average effective interest rate of 10% per annum and repayable on demand.
- (c) As at 30 September 2022, the amount due to a shareholder amounting to approximately HK\$120,100,000 (31 March 2022: HK\$112,151,000) was unsecured, bears interest at the weighted average effective interest rate of 5%-6% per annum and repayable upon maturity. The shareholder had agreed to extend the repayment date to 31 January 2024.
- (d) As at 30 September 2022, the amount due to a shareholder totaling approximately HK\$35,337,000 (31 March 2022: HK\$35,035,000), which is unsecured and bears interest at the rate of 0%-8% per annum, was repayable within three years after the drawdown date. The shareholder had agreed to extend the repayment date to 31 January 2023.

25. 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 License (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\$3,349,000 (31 March 2022: HK\$3,339,000)).

During the period ended 30 September 2022, the Group has no further settlement on the 4th Adjusted Consideration.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. CONVERTIBLE NOTES PAYABLES *(Continued)*

Convertible notes *(Continued)*

However, Daily Loyal (as the plaintiff) subsequently alleged that its sole director (Mr. Chan Chun Wah) signed the Amendment Agreement in August 2016 (leaving the document undated, the “**Undated Amendment Agreement**”) based on an understanding that such document only served as a memorandum for discussion purpose 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 32 in relation to legal action HCA 1071 of 2017.

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

The Company 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. CONVERTIBLE NOTES PAYABLES *(Continued)*

Convertible notes *(Continued)*

3. The Original Note Instrument gave holders of the Original Notes the right to require conversion of the Original Notes. The Amended Note Instrument granted holders of the Amended Notes, as well as the Company, to require conversion of the Amended Notes.
4. The Original Notes were secured by certain share charges as provided in condition 6 thereunder. Pursuant to the Amended Note Instrument, the parties agreed to release and discharge such share charges immediately after execution of the Amended Note Instrument.
5. Condition 14 of the Original Note Instrument provided that the terms and conditions of the Original Note Instrument may be amended by agreement in writing between the Company and the noteholders holding in aggregate not less than 75% in outstanding principal amount of the Original Notes. The Amended Note Instrument provided that the terms and conditions of the Amended Note Instrument may be amended by agreement in writing between the Company and noteholders holding in aggregate not less than 65% in outstanding principal amount of the Amended Notes.
6. Certain provisions under the Original Note Agreement requiring the approval of the noteholders thereunder (including the appointment of a Calculation Agent as defined thereunder, and other provisions for the protection of noteholders), were amended to require the approval of noteholders holding in aggregate not less than 65% in outstanding principal amount of the Amended Notes.

All other material terms of the Original Notes, including the conversion price thereunder of HK\$48 at that time (now becoming HK\$480 after the share consolidation of the Company being effective from 24 April 2020), 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. CONVERTIBLE NOTES PAYABLES (Continued)

Convertible notes (Continued)

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.

All the other terms and conditions of the Original Notes remain unchanged and the independent third party investors can convert the convertible notes into ordinary shares of the Company at a conversion price of HK\$480 per share, being adjusted with the effect from the Company’s share consolidation effective on 24 April 2020.

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. As at 30 September 2022, the total outstanding principal amount is US\$460,448,500 (equivalent to HK\$3,591,498,000) (31 March 2022: US\$460,448,500 (equivalent to HK\$3,591,498,000)), with the effective interest rate of the liability component of the Third Convertible Note being 12.01% (31 March 2022: 12.01%).

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 2021 (Audited) | 3,591,498 | — | 3,591,498 |
| Imputed interest charged during the year | — | — | — |
| As at 31 March 2022 and 1 April 2022 (Audited) | 3,591,498 | — | 3,591,498 |
| Imputed interest charged during the period | — | — | — |
| As at 30 September 2022 (Unaudited) | 3,591,498 | — | 3,591,498 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27. PROMISSORY NOTES PAYABLES

| | 30 September 2022 HK\$'000 (Unaudited) | 31 March 2022 HK\$'000 (Audited) |
|---|---|---|
| At the beginning of the period/year and at the end of period/year | 15,600 | 15,600 |

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 2022: 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

| | Total HK\$'000 |
|---|--------------------------|
| At 1 April 2021 (Audited) | 1,347 |
| Provision during the year | 121 |
| Exchange realignments | (163) |
| At 31 March 2022 and 1 April 2022 (Audited) | 1,305 |
| Provision during the period | 45 |
| Exchange realignments | 637 |
| At 30 September 2022 (Unaudited) | 1,987 |

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29. SHARE CAPITAL

| | Number of shares | | Nominal value | |
|--|-------------------------------------|-------------------------------|---|---|
| | 30 September 2022 (Unaudited) | 31 March 2022 (Audited) | 30 September 2022 (Unaudited) HK\$'000 | 31 March 2022 (Audited) HK\$'000 |
| Authorised: Ordinary shares of HK\$2.00 each At the beginning and end of period/year | 500,000,000 | 500,000,000 | 1,000,000 | 1,000,000 |
| Issued and fully paid: At the beginning and 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.

30. CAPITAL COMMITMENTS

There was no capital expenditure contracted for but not provided in the consolidated financial statements as at 30 September 2022 and 31 March 2022.

31. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save for those related party transactions disclosed elsewhere in these condensed consolidated 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 | |
|------------------------------------|--------------|---------------------------|---------------------------------|---------------------------------|
| | | | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Cordia Global Limited | Shareholder | Interest expenses thereto | 204 | 202 |
| First Glory Limited | Shareholder | Interest expenses thereto | 89 | 89 |
| Space Hong Kong Enterprise Limited | Shareholder | Interest expenses thereto | 2,539 | 2,332 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31. RELATED PARTY TRANSACTIONS *(Continued)*

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

| | Six months ended 30 September | |
|---------------------------------------|---------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Directors' remuneration | | |
| — Executive Directors | 180 | 180 |
| — Independent non-executive Directors | 210 | 210 |
| | 390 | 390 |

32. 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 registered capital of Lapi as the Group delayed in settlement of the remaining outstanding amount of the Second Claim. As of 30 September 2022, the outstanding amount of the Second Claim was 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 registered capital of Lapi as the Group delayed in settlement of the remaining outstanding amount of the Third Claim. As of 30 September 2022, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. LITIGATIONS *(Continued)*

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

HCA 672 of 2013

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

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 had 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. LITIGATIONS *(Continued)*

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

HCA 1195 of 2016

As announced by the Company on 11 May 2016, the Company on 6 May 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 1195 of 2016) against certain parties, including the Company. The plaintiff was seeking various orders on the defendants in respect of, inter alia, certain technical report and certain valuation report on the Company's Russian coal mines.

As announced by the Company on 29 June 2016, pursuant to the Restrictive Court Order On Zhi Charles under action number HCMP 443 of 2015, 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 a former Director of the Company (Mr. Kwok Kim Hung Eddie) 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 in 2016 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. 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 a former Director of the Company (Mr. Kwok Kim Hung Eddie). 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 in 2015 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. 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 a former Director of the Company (Mr. Kwok Kim Hung Eddie). 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. 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. Daily Loyal 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. On 8 November 2021, the Court ordered that this HCA 1071/2017 be consolidated with HCA 2501/2017 and HCA 2520/2018.

Consolidated pleadings were filed and served in early 2022 and consolidated witness statements were exchanged in late March 2022. This legal case is pending a case management hearing.

Due to the length of the trial and the congested court diary, it is expected that this legal case is unlikely to progress to trial until 2024 at the earliest.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. 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, the Company on 20 April 2021 was 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 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 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 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. LITIGATIONS *(Continued)*

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

HCA 2501 of 2017 (Continued)

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. On 8 November 2021, the Court ordered that this HCA 2501/2017 be consolidated with HCA 1071/2017 and HCA 2520/2018.

Consolidated pleadings were filed and served in early 2022 and consolidated witness statements were exchanged in late March 2022. This legal case is pending a case management hearing.

Due to the length of the trial and the congested court diary, it is expected that this legal case is unlikely to progress to trial until 2024 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. LITIGATIONS *(Continued)*

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

HCA 2520 of 2018 *(Continued)*

As announced by the Company on 3 October 2019, the Court on 19 September 2019 directed that an application by Daily Loyal to have HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA 2520/2018 heard together and tried by the same judge (the “**Consolidation Applications**”) be adjourned for directions on 21 October 2019. As directed by the Court, substantive hearing of the Consolidation Applications originally set down for 28 February 2020 was adjourned to 21 May 2020 due to general adjournment of court proceedings under the COVID-19 situation. At the hearing of 21 May 2020, it was ordered by the Court that the three legal actions (i.e. HCA 1071/2017, HCA 2501/2017 (Counterclaim) and HCA2520/2018) be heard together by the same judge. On 8 November 2021, the Court ordered that this HCA 2520/2018 be consolidated with HCA 1071/2017 and HCA 2501/2017.

Consolidated pleadings were filed and served in early 2022 and consolidated witness statements were exchanged in late March 2022. This legal case is pending a case management hearing.

Due to the length of the trial and the congested court diary, it is expected that this legal case is unlikely to progress to trial until 2024 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. 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)

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

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

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

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

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

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

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. The pre-trial review hearing was held on 26 April 2022. Trial hearing was fixed for 11 days commencing on 5 July 2022.

The trial hearing eventually commenced on 11 July 2022 (delayed for 6 days as a result of the first defendant, Cheung Keng Ching, had been contracting COVID-19) and was concluded on 19 July 2022. The Judge reserved judgment. Under current court guidelines, judges should hand down their judgments within 6 months of the conclusion of the trial, hence the judgment is expected to be handed down by early January 2023 at the latest.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32. LITIGATIONS *(Continued)*

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

HCA 1016 of 2016

As announced by the Company on 18 April 2016, the Company (as the plaintiff) has commenced a legal action against HASS Natural Resources Limited (“**HASS**”) (now known as “Newborn Global Energy Limited”) as the 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.

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.

33. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, certain loan facilities of US\$301,500 (approximately HK\$2,352,000) were granted to the Company.
- (b) As announced by the Company on 13 October 2022, the Company proposed to appoint CCTH CPA Limited as the new auditor of the Company to fill the casual vacancy following the retirement of UniTax Prism (HK) CPA Limited on 28 September 2022, subject to the approval of the shareholders of the Company at an extraordinary general meeting of the Company. As announced by the Company on 14 November 2022, following the passing of the ordinary resolution in relation to the appointment of CCTH CPA Limited as auditor of the Company at the extraordinary general meeting held on 14 November 2022, CCTH CPA Limited was appointed as auditor of the Company with immediate effect and would hold office until the conclusion of the next annual general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the six months period ended 30 September 2022, the Group recorded a total turnover of approximately HK\$632.66 million (2021: HK\$527.71 million), representing an increase of approximately 19.89% as compared to last corresponding period.

The Group's total turnover composed of sales of diesel of approximately HK\$494.13 million (2021: HK\$395.17 million), sales of gasoline of approximately HK\$120.90 million (2021: HK\$123.86 million) and sales of other related petroleum products and services of approximately HK\$17.63 million (2021: HK\$8.68 million). In terms of product mix, sales of diesel, sales of gasoline and sales of other related petroleum products and services accounted for approximately 78.10% (2021: 74.88%), 19.11% (2021: 23.47%) and 2.79% (2021: 1.65%), respectively, of total turnover of the Group. The fine-tuning of product mix strategy improved the overall gross profit margin. The increase in sales of diesel was the prime contributor for the increase in total turnover for the period under review.

Other Income

Other income of approximately HK\$8.20 million (2021: HK\$1.24 million) during the period under review mainly represented net exchange gains, interest income and other sundry income. The increase in other income was caused by net exchange gains of approximately HK\$8.05 million (2021: HK\$1.01 million) during the period under review arising mainly from the appreciation of Russian Rubles to United States Dollars.

Other Gains and Losses

During the period under review, other gains and losses of approximately HK\$934.02 million (2021: HK\$193.62 million) mainly composed of (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\$260.49 million (2021: HK\$222.09 million) mainly due to the net effects of appreciation of Russian Rubles to United States Dollars, changes in coal sales prices of certain types of coals and increase in post-tax discount rate; and (ii) the reversal of 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\$672.25 million (2021: impairment loss of HK\$45.71 million) also mainly due to the net effects of appreciation of Russian Rubles to United States Dollars, changes in coal sales prices of certain types of coals and increase in post-tax discount rate.

Selling and Distribution Costs

The selling and distribution costs increased to approximately HK\$1.78 million (2021: HK\$1.33 million), which was caused by the increase in total turnover during the period under review.

Administrative Expenses

During the period under review, total administrative expenses amounted to approximately HK\$8.54 million (2021: HK\$5.99 million). The increase was mainly due to the net effects of (i) increase in legal and professional fees from approximately HK\$1.97 million to approximately HK\$3.57 million mainly due to certain legal case of the Company had gone through the final trial hearing; (ii) increase in taxation service fees in the Korean subsidiary to approximately HK\$1.13 million (2021: HK\$0.08 million); and (iii) staff costs including pension fund contributions (excluding Directors remuneration) increased to approximately HK\$2.10 million (2021: HK\$1.59 million) to cope with increased business activities.

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\$241.42 million (2021: HK\$114.06 million). The increase in carrying value of intangible assets in previous year end as of 31 March 2022 caused corresponding increase in the related amortization expense.

Finance Costs

During the period under review, total finance costs decreased to approximately HK\$4.97 million (2021: HK\$5.82 million), as the overall interest-bearing outstanding loan amounts as of 30 September 2022 decreased when comparing with the status as of 30 September 2021.

Profit Before Income Tax

For the six months period ended 30 September 2022, the profit before income tax of the Group was approximately HK\$691.57 million (2021: HK\$71.20 million). The increase in profit before income tax 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\$260.49 million (2021: HK\$222.09 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 reversal of impairment loss of approximately HK\$672.25 million (2021: impairment loss of HK\$45.71 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.

The global market paid a high price for Russia's unprovoked war against Ukraine. With the impacts of the COVID-19 pandemic still lingering, the war had dragged down demand and put additional upward pressure on prices, including the crude oil. As diesel and gasoline trading business in Korea had been highly dependent on the global market demand, such trading business in general was rather not very stable.

Despite such unprecedented global issues, the Group had succeeded in continuing to stabilize its trading business and eventually achieved an almost 20% increase in total turnover for the period under review by (i) achieving competitive price for individual petrol stations by time management of the purchases and sales; (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; (iv) engaging with social media users as untact marketing in search of prospective customers; and (v) focusing on aggressive sales to the petrol stations.

Coal Mining

Lot 1 and Lot 1 Extension underground mining plan was heading towards the first year of coal production in around 2029, the Group had been trying to consult with experts in all aspects to find out the best way in causing the least adverse effects on environment and held public hearing several times and listened to the opinion of residents. 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, the Group had been trying to consult with experts in all aspects to find out the best way in causing the least adverse effects on environment. Other than the efforts in concern for the environment, the Group had been communicating with regional society personnel and tried to prove to them that the Group's business operation would not bring a material 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 had been listening to regional society's opinion and concern about possible environmental pollution. The Group similarly tried to prove that the Group's business operation would not bring a material 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% (2021: 100.00%) of the total revenue.

PROSPECTS

Looking forward, the year ahead will remain challenging for the Group. The market sentiments will continue to be affected by the new COVID-19 strain. The geopolitical tensions in Ukraine since first quarter of 2022 seem likely continuing for a much longer period than originally anticipated. The aggressive policy on interest rate hikes of various central banks will hinder economic growth or even push the economy into recession. All these will make the continuing long term recovery of global economy rather uncertain, 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 and the recent geopolitical tensions in Ukraine, the preliminary assessment of their impacts might suggest that COVID-19 pandemic and tensions in Ukraine 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. The ripple effects of COVID-19 pandemic and the tensions in Ukraine 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), might create certain complications in remittance of funds to the Group's Russian subsidiary and might affect the volatility of the exchange rate of Russian Rubles, 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) keeping on providing competitive prices for individual petrol stations; (ii) keeping the stable supply at petrol stations; (iii) finding more petrol stations to keep more customers; (iv) always keeping trust-based business with customers; (v) minimizing the lead time to help petrol stations get supplies as soon as possible; (vi) reducing cost of goods sold; (vii) operating more petrol stations; (viii) continuing the engagement with prospective customers in online social media; and (ix) purchasing in larger volume during upcoming lowered petroleum tax period to draw more favourable margins. The Group is in the process of finding a possible lot area for storage of diesel. Besides, the Group will find new customers of OMS (Oil Money Service) business and will help oil refinery collect money faster, both of these will enhance the Group's commission profits.

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

In respect of Lot 1 and Lot 1 Extension underground mining, the Group will continue to consult with the government personnel and experts from the field of the law, the environment and the economics. The Group is planning to hold more public hearings this year. It is expected that the Group can communicate with regional society well and get support of regional society.

Since the open-pit mining in certain area of Lot 2 will require more effort in sustaining environment than that of the underground mining, 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.

In respect of underground mining of Lot 2, similarly, 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.

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, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2022, the Group had net current liabilities of HK\$3,690.07 million (31 March 2022: HK\$3,662.81 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 0.59% (31 March 2022: 0.66%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 8.02% (31 March 2022: 10.57%).

The Group generally finances its operations with internally generated cash flows, loans from Shareholders and its associates, 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 inflow of HK\$9.29 million (2021: outflow of HK\$1.08 million), while the total cash and cash equivalents increased to HK\$3.43 million (2021: increased to HK\$2.67 million) as at the end of reporting period.

As at 30 September 2022, the share capital of the Company amounted to HK\$290.03 million (31 March 2022: HK\$290.03 million) and the interest-bearing borrowings of the Group amounted to HK\$83.29 million (31 March 2022: HK\$62.30 million), the majority of which was repayable within a period of more than one year but not exceeding two years (31 March 2022: majority repayable within a period of more than one year but not exceeding two years). As at 30 September 2022, amounts due to Shareholders amounted to HK\$158.43 million (31 March 2022: HK\$150.09 million), the majority of which was repayable within a period of more than one year but not exceeding two years (31 March 2022: majority repayable within a period of more than one year but not exceeding two years).

The Directors will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities position of the Group as at 30 September 2022. Cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The Directors 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 had raised several loans of HK\$31.99 million in total (2021: HK\$119.46 million) for the Group's daily operation, preparation works in relation to the Russian coal mines and acquisitions of certain investment property in Korea.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The capital of the Company comprises of ordinary shares and other reserves. As at 30 September 2022, the Company's issued share capital was HK\$290.03 million (31 March 2022: HK\$290.03 million) and the number of issued ordinary shares was 145,017,062 shares of HK\$2.00 each (31 March 2022: 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 year under review. Certain expenses of the Group are dominated in RUB and KRW which fluctuated in a relatively greater spread during the year. Therefore, Shareholders should be aware that the exchange rate volatility of RUB and KRW against HKD may have favourable or adverse effects on the operating results of the Group.

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

LITIGATIONS

During the 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 32 to the condensed consolidated interim financial statements.

CAPITAL COMMITMENTS

As at 30 September 2022, the Group had no capital commitments in respect of the exploration related contracts (31 March 2022: Nil) and no capital commitments in acquisition of property, plant and equipment (31 March 2022: Nil).

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 30 September 2022 (31 March 2022: Nil).

MATERIAL ACQUISITION AND DISPOSAL

On 11 April 2022, Global Power Asia Co., Ltd. (a wholly-owned subsidiary of the Company) and C-Rights Inc. (an independent third party) entered into the real estate sales agreement, pursuant to which Global Power Asia Co., Ltd. agreed to purchase and C-Rights Inc. agreed to sell a certain Korea residential property at the consideration of KRW4,700.00 million (equivalent to approximately HK\$30.08 million). Please refer to the announcement of the Company dated 11 April 2022 for details.

Save for the material acquisition 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.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As of 30 September 2022, the Group had approximately 10 (31 March 2022: 15) 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 subsidized trainings and seminars.

OTHER INFORMATION

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

As at 30 September 2022, 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

The Group adopted a share option scheme whereby Directors, employees and consultants of the Group might be granted options to subscribe for the new shares of the Company. The share option scheme was effective for a period of 10 years commencing on 7 September 2012. The detailed terms of the share option scheme were disclosed in the 2022 annual report of the Company. The share option scheme ended on 7 September 2022.

During the six months ended 30 September 2022, no share option (2021: Nil) was granted under the share option scheme. From the date of adoption of the share option scheme and up to the end of the share option scheme on 7 September 2022, no share option was granted. As at 30 September 2022, there was no share option (2021: Nil) remained outstanding under the share option scheme.

OTHER INFORMATION

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

As at 30 September 2022, 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 2022 (six months ended 30 September 2021: Nil).

CORPORATE GOVERNANCE

Corporate Governance Code

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

- (i) Under code provision C.1.6 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 2022 annual general meeting of the Company held on 28 September 2022 (the "**2022 AGM**") and the extraordinary general meeting of the Company held on 14 November 2022 due to COVID-19 limitation.
- (ii) Under code provision F.2.2 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 2022 AGM due to COVID-19 limitation and business considerations to be attended to 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) Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Upon the retirement of Mr. Kwok Kim Hung Eddie ("**Mr. Kwok**") as an independent non-executive Director at the conclusion of the 2022 AGM, the Board then comprised less than three independent non-executive Directors from 28 September 2022, which is below the minimum requirement prescribed under Rule 3.10(1) of the Listing Rules.
- (ii) Pursuant to Rule 3.21 of the Listing Rules, the audit committee of a listed issuer must comprise a minimum of three members. Upon the retirement of Mr. Kwok as mentioned above, the number of members of the audit committee of the Company (the "**Audit Committee**") reduced to two after 28 September 2022, which is below the minimum requirement prescribed under Rule 3.21 of the Listing Rules.

In order to comply with Rules 3.10(1) and 3.21 of the Listing Rules, the Company is endeavoring to identify a suitable candidate to fill up the abovementioned vacancy as soon as practicable and in any event hopefully within three months from 28 September 2022.

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 (except Mr. Kwok who retired as an independent non-executive Director of the Company on 28 September 2022) confirmed that they had complied with the required standards as set out in the Model Code.

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

Mr. Kwok retired as an independent non-executive Director of the Company at the conclusion of the 2022 AGM, and upon his retirement, he also ceased to be the chairman and a member of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee of the Company on 28 September 2022.

Saved as disclosed above, there is no other information regarding the changes of Director's information which required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 OF ACCOUNTS BY THE AUDIT COMMITTEE

The Audit Committee consisted of three independent non-executive Directors for the period from 1 April 2022 to 28 September 2022, chaired by Mr. Kwok and the other members are Ms. Chen Dai and Mr. Leung Yau Wan John. As Mr. Kwok was not re-elected as an independent non-executive Director at the 2022 AGM, Mr. Kwok retired as an independent non-executive Director at the conclusion of the 2022 AGM, and upon his retirement, he also ceased to be the chairman and a member of the Audit Committee on 28 September 2022. Hence after 28 September 2022, the Audit Committee consisted of two independent non-executive Directors, namely Ms. Chen Dai and Mr. Leung Yau Wan John.

The major functions of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control of the Group. The Audit Committee had reviewed the unaudited interim results of the Group for the six months ended 30 September 2022, which are contained in this interim report, and considered that they were prepared in compliance with the relevant accounting standards, and that the Company has made appropriate disclosures thereof under the requirements of the Listing Rules.

By Order of the Board
E&P Global Holdings Limited
Lee Jaeseong
Chairman

Hong Kong, 30 November 2022

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