



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)



2023

ANNUAL REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Ms. Chen Dai
Mr. Kim Sung Rae (appointed on 3 March 2023)
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

Mr. Leung Yau Wan John (*Chairman*)
(appointed on 3 March 2023)
Ms. Chen Dai
Mr. Kim Sung Rae (appointed on 3 March 2023)
Mr. Kwok Kim Hung Eddie (*Chairman*)
(retired on 28 September 2022)

REMUNERATION COMMITTEE

Ms. Chen Dai (*Chairman*)
Mr. Kim Sung Rae (appointed on 3 March 2023)
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. Kim Sung Rae (appointed on 3 March 2023)
Mr. Leung Yau Wan John
Mr. Kwok Kim Hung Eddie (retired on 28 September 2022)

AUDITORS

UniTax Prism (HK) CPA Limited
(retired on 28 September 2022)
CCTH CPA Limited
(appointed on 14 November 2022 and
resigned on 17 March 2023)
Prism Hong Kong and Shanghai Limited
(appointed on 22 May 2023)

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>

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the “**Board**”) of E&P Global Holdings Limited (the “**Company**”), I would like to present to the shareholders of the Company (the “**Shareholders**”) the annual report with the annual results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 March 2023.

PERFORMANCE AND OPERATIONS

For the year under review, the Group recorded a yearly turnover of approximately HK\$1,149.68 million (2022: HK\$1,168.04 million). Trading of diesel, gasoline and related petroleum products and services in Republic of Korea (“**Korea**”) contributed to 100.00% (2022: 100.00%) of the yearly turnover.

The Group recorded a profit before income tax of approximately HK\$528.93 million (2022: loss before income tax of HK\$348.02 million) for the year under review. The turnaround from loss to profit was mainly because of (i) no reversal of impairment loss (2022: reversal of impairment loss of HK\$175.95 million) on intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group’s Russian coal mines) as the intangible assets had been fully amortized as at 31 March 2023; (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) of approximately HK\$717.46 million (2022: impairment loss of HK\$281.57 million) because of the net effects of increase in coal sales prices of certain types of coals, appreciation of Russian Rubles to United States Dollars, small decrease in post-tax discount rate, change in expected future inflation rate of costs and the corresponding change in expected future movements of coal sales prices in next few years, and change in expected first year of coal production to 2025; and (iii) decrease in amortization of intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group’s Russian coal mines) to approximately HK\$175.92 million (2022: HK\$225.21 million).

It may be worthy of noting that the reversal of impairment loss on exploration and evaluation assets was a non-cash item and hence the cash position of the Group would not be affected by it.

In respect of the trading business in Korea, for four consecutive years, the Group strived to keep its momentum to successfully attain a yearly turnover of exceeding HK\$1 billion, regardless the on-going Russia-Ukraine war which drove up the overall prices of diesel and gasoline and thus hindered the demand of diesel and gasoline.

In respect of both open-pit mining and underground mining of Lot 2 in Russian Federation (“**Russia**”), the importance of environmental sustainability continued to be the top priority of the Group to mitigate adverse impacts to the environment. Thus, the Group on 22 March 2023 engaged a Russian specialist, Ecosky LLC, to assist and advise. Ecosky LLC then started to perform an analysis of technical documentation for Lot 2, namely the “Detailed Field Development Project - Development of Coal Reserves Within the Boundaries of the Subsoil Plots Petrovsky and Lapichevskaya 2 Mine”.

PROSPECTS

Looking forward, the year ahead will remain rather challenging for the Group. The Group believes that, as almost all the prevention and control measures against COVID-19 pandemic have been lifted in major countries, the global economic activities will be steadily picking up to reach the pre-COVID-19 level in 2019. With high inflation rate gradually under control and kept sliding down from its peak, it is expected that interest rate hikes will be stopped by end of 2023 or early 2024.

The Group will strive to focus on its core businesses of (i) diesel and gasoline trading, and (ii) coal mining, whilst cautiously exploring exogenous expansion proposals and staying flexible to potential business opportunities for diversification. The Group is cautiously optimistic about prospects of its core businesses.

The Group will further expand its market presence in the diesel and gasoline trading business in Korea by teaming with more and more petrol stations.

CHAIRMAN'S STATEMENT

The Group received a report dated 14 April 2023 from Ecosky LLC, which made the conclusions that environmental standards and rules have not been violated, and there is no threat to the environment and the population. The Group will, as always, cautiously pitch in the coal mining project in Russia and place high priority on environmental sustainability, and the Group believes that the coal mining project in Russia will be able to yield long term economic benefits in the years to come.

APPRECIATION

Last but not least, I would like to express my heartfelt gratitude to our Board members, Shareholders, suppliers, customers, business partners and our staff members for their dedication, continued support and valuable contributions to the Group.

Lee Jaeseong

Chairman

Hong Kong, 30 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2023, the Group recorded a total turnover of approximately HK\$1,149.68 million (2022: HK\$1,168.04 million), representing a slight decrease of approximately 1.57% as compared to last corresponding year. On one hand, the Group was benefited from the overall increase in sales prices of diesel and gasoline driven by general inflation that contributed positively to the yearly turnover, but on the other hand, higher prices curtailed the demand of diesel and gasoline, coupled with the adverse impact of general depreciation of Korean Won during the year which led to reduction in the absolute amount of yearly turnover when converted into the reporting currency of Hong Kong Dollar for consolidated accounts reporting. Hence, the Group's turnover eventually experienced a slight decrease for the year under review due to the net effects of the above-mentioned factors.

The Group's total turnover composed of sales of diesel of approximately HK\$836.33 million (2022: HK\$816.08 million), sales of gasoline of approximately HK\$199.37 million (2022: HK\$272.07 million) and sales of other related petroleum products and services of approximately HK\$113.97 million (2022: HK\$79.89 million). In terms of product mix, sales of diesel, sales of gasoline and sales of other related petroleum products and services accounted for approximately 72.75% (2022: 69.87%), 17.34% (2022: 23.29%) and 9.91% (2022: 6.84%), respectively, of total turnover of the Group. The decrease in sales of gasoline was the main cause for the decrease in total turnover for the year under review.

Other Income

Other income during the year under review mainly represented interest income of approximately HK\$0.17 million (2022: HK\$0.33 million) and net exchange gain of HK\$2.80 million (2022: Nil).

Other Gains and Losses

During the year under review, (i) there was no impairment loss or reversal of impairment loss on intangible assets (in relation to mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) (2022: reversal of impairment loss of approximately HK\$175.95 million) as the intangible assets had been fully amortized as at 31 March 2023; 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\$717.46 million (2022: impairment loss of approximately HK\$281.57 million) mainly due to the net effects of increase in coal sales prices of certain types of coals, the appreciation of Russian Rubles to United States Dollars, the slight decrease in post-tax discount rate, the change in expected future inflation rate of costs and the corresponding change in expected future fluctuations of coal sales prices in the coming few years, and change of the expected first year of coal production to 2025.

Selling and Distribution Costs

The selling and distribution costs for the year under review amounted to approximately HK\$4.04 million (2022: HK\$2.94 million). The increase in selling and distribution costs was mainly due to the increase in freight and transportation expenses, and increase in sales taxes and duty.

Administrative Expenses

During the year under review, total administrative expenses amounted to approximately HK\$14.72 million (2022: HK\$15.69 million). The decrease was mainly due to the net effects of (i) decrease in audit fee to approximately HK\$1.27 million (2022: HK\$1.94 million); (ii) increase in legal and professional fees to approximately HK\$6.10 million (2022: HK\$4.49 million); (iii) staff costs including pension fund contributions (excluding directors' remuneration) decreased to approximately HK\$3.81 million (2022: HK\$4.27 million) due to the fluctuations in employees headcount during the year; and (iv) no net exchange loss for the year under review (2022: net exchange loss of approximately HK\$1.73 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Other Expenses

During the year 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\$175.92 million (2022: HK\$225.21 million), which was the residual balancing amount of the final year of amortization to fully amortize the carrying values of intangible assets as at 31 March 2023.

Finance Costs

During the year under review, total finance costs amounted to approximately HK\$10.07 million (2022: HK\$12.58 million). The decrease was generally in line with the overall movements of outstanding interest-bearing borrowings as of 31 March 2023 when comparing with the status as of 31 March 2022.

Profit Before Income Tax

For the year ended 31 March 2023, the profit before income tax of the Group was approximately HK\$528.93 million (2022: loss before income tax of approximately HK\$348.02 million). The turnaround from loss to profit was 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\$717.46 million (2022: impairment loss of approximately HK\$281.57 million) on exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) was just non-cash item arising from year end valuation exercise for accounting purposes, which would not affect the cashflow position of the Group.

OPERATION REVIEW

Trading

For the year 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. Global prices for middle distillates such as gasoline and diesel were affected as the economy slowed down, more refineries came on stream, and exports from Russia had been re-routed and replaced by fuel from the Middle East. As the diesel and gasoline trading businesses were highly dependent on the global market demand, the diesel and gasoline sales in general kept rather not very stable.

Despite such unprecedented global issues, the Group continued to stabilize its trading businesses by (i) achieving competitive price for individual petrol stations by time management of purchases and sales; (ii) maintaining a stable supply of diesel and gasoline; (iii) minimizing the lead time and cost 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 2030. In order to minimize the negative impact of mine development on the environment, the Group had been working in consultation with experts. To prove it, the Group was currently conducting an analysis of technical documents that indicated that the Group is complying with environmental standards. Several public hearings were held to hear the opinions of residents. The Group has been securing a business foundation with the conviction that the mining business would not cause a big problem for the environment and would revitalize the local economy and society.

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of open-pit mining in certain area of Lot 2, as an entity that cares for the public, the Group consulted with experts on all fronts to find out how best to minimize the impact on the environment. To prove this, the Group was also analyzing technical documents that mine development would not adversely affect the environment. In addition to this, the Group had been constantly communicating with community officials. Rather than adversely impacting the local environment, the Group's business would be a major step towards boosting local economic growth.

In respect of underground mining of Lot 2, similarly, the Group listened to the opinions and concerns of the local community about the possibility of environmental contamination. To prove this, the Group currently conducted an analysis of technical documents proving compliance with environmental standards. Similarly, rather than adversely impacting the local environment, the Group's business would be a major step towards boosting local economic growth.

Geographical

In the year under review, Korea was the Group's sole market segment which accounted for 100.00% (2022: 100.00%) of the total revenue.

PROSPECTS

Looking forward, the year ahead will remain challenging for the Group. International Monetary Fund ("IMF") in April 2023 commented that the outlook for the world economy this year has dimmed in the face of chronically high inflation, rising interest rates and uncertainties resulting from the collapse of certain American banks. In IMF's report of April 2023, the global economy has been described as "entering a perilous phase during which economic growth remains low by historical standards and financial risks have risen, yet inflation has not yet decisively turned the corner".

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 ongoing geopolitical tensions in Ukraine, the preliminary assessment of their impacts might suggest that COVID-19 pandemic and continuous 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, cashflow and future operating plans. The 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), and might continue to pose certain difficulties in remittance of funds to the Group's Russian subsidiary, but up to this moment, the quantitative financial impacts on such are still too premature 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 striving for competitive prices for individual petrol stations, maintaining a stable supply at petrol stations, purchasing products in bulk volume during upcoming lowered tax period for diesel and gasoline to yield more profit, widening customer base by finding more petrol stations, maintaining trust-based business with customers, minimizing the lead time to assist petrol stations in replenishing supplies as soon as possible, reducing cost of goods sold, and continuing the engagement with prospective customers in online social media. The Group will keep looking for a possible lot area for diesel storage. In addition, the Group will find new customers of OMS (Oil Money Service) business and will help oil refinery collect money more speedily, both of these will increase 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

Due to the war between Russia and Ukraine, the current situation in Russia is a bit not very stable both internally and externally. Nevertheless, in respect of Lot 1 and Lot 1 Extension underground mining, the Group will continue to consult with government officials and experts in the fields of law, environment, and economy. The Group also plans to hold more public hearings this year. The Group looks forward to communicating well with the community and gaining support from the community.

Open-pit mining in certain area of Lot 2 requires more effort to maintain the environment than underground mining. The Group will focus more on developing mine development plans that comply with environmental standards. The Group will continue to cooperate with local governments and local communities for a smooth start of the business.

In respect of underground mining of Lot 2, the Group will actively consider the opinions and concerns of local residents about the mining industry, prepare evidence for compliance with environmental standards, and work continuously with local governments and local communities.

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 31 March 2023, the Group had net current liabilities of HK\$3,704.43 million (2022: HK\$3,662.81 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 0.64% (2022: 0.66%) and the Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 8.83% (2022: 10.57%).

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

During the year under review, the Group recorded a net cash inflow of HK\$2.82 million (2022: net cash outflow of HK\$0.05 million), while the total cash and cash equivalents increased to HK\$5.35 million (2022: increased to HK\$3.05 million) as at the end of reporting year.

As at 31 March 2023, the share capital of the Company amounted to HK\$290.03 million (2022: HK\$290.03 million); and the interest-bearing borrowings of the Group amounted to HK\$61.43 million (2022: HK\$62.30 million), the majority of which was repayable within a period of more than one year but not exceeding two years (2022: majority repayable within a period of more than one year but not exceeding two years). As at 31 March 2023, amounts due to Shareholders amounted to HK\$166.10 million (2022: HK\$150.09 million), the majority of which was repayable within a period of more than one year but not exceeding two years (2022: majority repayable within a period of more than one year but not exceeding two years).

MANAGEMENT DISCUSSION AND ANALYSIS

The directors of the Company (the “**Directors**” and each a “**Director**”) will endeavour to further enhance the Group’s financial strengths so as to tackle the net current liabilities position of the Group as at 31 March 2023. 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 year, the Company has raised several loans of HK\$39.41 million in total (2022: HK\$129.24 million) for the Group’s daily operation, and preparation works in relation to the Russian coal mines.

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

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group’s turnover, expenses, assets and liabilities are denominated in Hong Kong Dollars (“**HKD**”), United States Dollars (“**USD**”), Russia Rubles (“**RUB**”) and Korea 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, the 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The following is a list of principal risks and uncertainties that are considered to be of significance, as it would have potential significant impacts to the Group’s business, results of operations and financial conditions. However, this is non-exhaustive as there may be other risks and uncertainties arising from changes in economic and other conditions over time.

- (i) The Group derives a significant portion of its turnover from several customers and sources a significant portion of its purchases from several suppliers. Such reliance on a small number of customers and suppliers may materially affect the business of the Group, if the Group could not secure continuous supports from them.
- (ii) The Group’s trading business is all geographically located in Korea, and such concentration in location may make the Group more sensitive to changes in government policies and regulations in Korea.
- (iii) The Group derives its turnover wholly from trading of diesel, gasoline and related petroleum products and services. Such over concentration on petroleum products and services may materially affect the business of the Group, if there are sudden significant changes in business environment of these products and services.

MANAGEMENT DISCUSSION AND ANALYSIS

- (iv) Significant fluctuations in international coal prices from year to year, especially due to the ongoing geopolitical tensions in Ukraine and uncertainty in world economic developments, will cast corresponding significant fluctuations in year end valuation of exploration and evaluation assets (in relation to mining rights of Lot 2 of the Group's Russian coal mines) for accounting purposes, which may have material impacts on the Group's financial results due to the resultant impairment loss or reversal of impairment loss (as the case may be), and also on the Group's total non-current assets.
- (v) The coal mining license of Lot 1 will expire on 1 July 2025, and if such coal mining license could not be further extended, the general integrated mining plan (if implemented) for Lot 1, Lot 1 Extension and Lot 2 may be affected.
- (vi) The Group's coal mining rights of Lot 1, Lot 1 Extension and Lot 2 are all geographically located in Russia, and such concentration in location may make the Group more sensitive to changes in government policies and regulations in Russia.
- (vii) The Company and the Group have get involved in various legal proceedings, and the outcomes of the outstanding legal proceedings are still unknown, since the legal procedures are still in progress.
- (viii) The creditors, lenders, promissory note holder and the holders of Third Convertible Note of the Company may not extend/continuously extend the due dates or the maturity dates of the indebtedness, and the Company may not be able to source the required additional funding from other lenders and/or from equity financing, which may affect the liquidity and financial position of the Company and the Group.
- (ix) As mentioned hereinabove, based on the information current available on the recent development of the COVID-19 pandemic situation in Korea, COVID-19 pandemic might not have adverse impacts on the Group's diesel and gasoline trading business in Korea in terms of the operating margins and results, financial resources, cashflows and future operating plans. However, if the outbreaks of new COVID-19 strain in Korea become out of control in future, the demand of diesel and gasoline might be affected if Korean citizens may drive less to minimize social activities and more people would be required to work from home again, then the Group's diesel and gasoline trading business in Korea might be adversely impacted.
- (x) If new COVID-19 strain becomes out of control in Russia in future again, certain application procedures to the related Russian government departments involving the Group's coal mines development might be delayed, as the normal operation of these related Russian government departments would be affected.
- (xi) The ongoing geopolitical tensions and the developments in Ukraine might have continuous negative impacts on the Russian economy, including ongoing difficulties in obtaining international funding, increase in volatility on the securities and currency markets as well as significant fluctuations of national currency and continuous high inflation. The United States of America and the European Union already imposed sanctions against major Russian banks, which has created obstacles in normal fund remittance to the Group's Russian subsidiary to finance its daily operations and the coal mines development. If the situation persists or continues to develop significantly, it may affect the Russian subsidiary's operations, financial condition and prospects.
- (xii) Please refer to "Exposure to Fluctuation in Exchange Rates and Related Hedges" hereinabove for the foreign exchange risks.
- (xiii) Please refer to the relevant parts in Note 7 to the Financial Statements for the market risks, credit risks and liquidity risks on pages 69 to 72.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL KEY PERFORMANCE INDICATORS FOR BUSINESS REVIEW

- (i) During the year under review, the Group has focused on the trading of diesel, gasoline and related petroleum products and services, such products accounted for 100.00% (2022: 100.00%) of the Group's yearly turnover.
- (ii) The gross profit ratio (being gross profit to turnover) of trading business is approximately 1.07% (2022: approximately 0.76%), which experienced an increase as the sales prices of diesel and gasoline generally increased and the product mix varied.
- (iii) As coal production in the Group's Russian coal mines has not yet been commenced during the year, financial key performance indicators for coal mining are not applicable.
- (iv) Since current assets of the Group as of 31 March 2023 decreased and current liabilities of the Group as of 31 March 2023 increased as compared with that of last year, the current ratio (being current assets to current liabilities) for the year under review decreased to 0.64% (2022: decreased to 0.66%).
- (v) As of 31 March 2023, the total loans payables and interest-bearing borrowings of the Group increased but the total assets of the Group also increased to a greater extent, hence the gearing ratio (being total loans payables and interest-bearing borrowings to total assets) for the year under review decreased to 8.83% (2022: increased to 10.57%).

LITIGATIONS

During the year 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 43 to the Financial Statements.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had no capital commitments in respect of the exploration related contracts (2022: Nil) and no capital commitments in acquisition of property, plant and equipment (2022: Nil).

CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any material contingent liabilities or guarantees (2022: Nil).

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 31 March 2023 and 31 March 2022.

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 for the purpose of providing incentives or rewards for their contribution to the development and growth of the Group. The share option scheme was effective for a period of 10 years commencing on 7 September 2012. The share option scheme ended on 7 September 2022.

During the year ended 31 March 2023, no share option (2022: 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 31 March 2023, there was no share option (2022: Nil) remained outstanding under the share option scheme. Details of the share option scheme are set out in Note 39 to the Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS

On 11 April 2022, Global Power Asia Co., Ltd. (“**GPA**”) (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 GPA 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). The acquired Korea residential property is freehold and located at Unit 202, 2nd Floor, Klein Haus, Lot 1, Hannam-dong 775-9, Yongsan-gu, Seoul, Korea and it is held for investment purpose and is intended to be leased out to generate rental income. As at the date of this report, the Korea residential property is vacant and in the process of undergoing interior decoration. Please refer to the announcement of the Company dated 11 April 2022 for more details.

Save for the material acquisition mentioned hereinabove, the Group during the year ended 31 March 2023 was neither involved in any other significant investments, nor any material acquisitions and disposals of any subsidiaries or joint venture company.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2023, the Group had approximately 10 (2022: 15) staff in Hong Kong, Russia and Korea. Remuneration policy is reviewed by the Directors periodically and is determined with reference to industry practice, company performance, and individual qualifications and performance. Remuneration packages comprised salary, commissions and bonuses based on individual performance. Employees benefit plans provided by the Group include provident fund scheme, medical insurance and subsidized training programs and seminars.

The remuneration policy and packages for the Directors and senior management of the Company are determined by the Remuneration Committee of the Company with reference to the prevailing market practices, individual qualifications, time devoted by a Director, responsibilities of a Director, his/her performance and contribution, etc. The primary objective of the remuneration policy is to enable the Company to retain and motivate the Directors. Under the policy, a Director is not allowed to approve his/her own remuneration package. Directors are entitled to directors’ fee. Subsidized continued professional development training may be granted to the Directors.

REPORT OF THE DIRECTORS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of E&P Global Holdings Limited (the “**Company**”) presents the report together with the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

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 Russian Federation (“**Russia**”) and trading of diesel, gasoline and other products in the Republic of Korea (“**Korea**”).

An analysis of the principal activities of the subsidiaries is set out in Note 46 to the Financial Statements.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group’s business, can be found in the Management Discussion and Analysis section set out on pages 5 to 12 of this annual report. Such discussion forms part of this Report of The Directors.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2023 and the state of affairs of the Group and the Company as at 31 March 2023 are set out on pages 39 to 131.

The Board does not recommend the payment of any dividend for the year ended 31 March 2023 (2022: Nil).

SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by principal activities and geographical segments of operations for the year ended 31 March 2023 is set out in Note 9 to the Financial Statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 45 to the Financial Statements and in the Consolidated Statement of Changes in Equity, respectively.

As at 31 March 2023, the Company did not have any reserves for distribution (2022: Nil). Under the laws of the Cayman Islands, a company may make distributions to its members out of the contributed surplus account under certain circumstances. In addition, the Company’s share premium account amounted to HK\$1,956,517,000 (2022: HK\$1,956,517,000) may be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 19 to the Financial Statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES PAYABLES

Details of the movements in the Company's share capital, share options and convertible notes payables are set out in Notes 38, 39 and 34, respectively, to the Financial Statements.

PROPOSED CAPITAL REORGANISATION

As announced by the Company on 19 January 2023, the Company proposed to conduct the share capital reorganisation (the "**Capital Reorganisation**") of the Company by conducting (i) the capital reduction ("**Capital Reduction**") of the Company involving the reduction of the par value of each issued share of the Company from HK\$2.00 to HK\$0.50 by cancelling the paid up share capital of the Company to the extent of HK\$1.50 per issued share so that following such Capital Reduction, each issued share with a par value of HK\$0.50 in the share capital of the Company shall become one new issued share of the Company following the Capital Reorganisation becoming effective; and (ii) the share sub-division (the "**Share Sub-division**") by, immediately following the Capital Reduction becoming effective, sub-dividing each authorised but unissued share of the Company into four unissued new shares with a par value of HK\$0.50 each. Please refer to the announcement of the Company dated 19 January 2023 and the circular of the Company dated 17 February 2023 for details.

As further announced by the Company on 13 March 2023, the proposed Capital Reorganisation was duly passed by the shareholders of the Company by way of poll at the extraordinary general meeting of the Company held on 13 March 2023.

The Company is now proceeding with the Capital Reorganisation by applying for the order of the Grand Court of the Cayman Islands confirming the Capital Reorganisation. As announced by the Company on 12 May 2023, the estimated effective date of the Capital Reorganisation was set to 24 July 2023, subject to the order of the Grand Court of the Cayman Islands confirming the Capital Reorganisation and compliance with any conditions which the Grand Court of the Cayman Islands may impose in relation to the Capital Reorganisation.

DONATION

The Group did not make any charitable donation during the year (2022: Nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "**Articles of Association**") or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2023.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's top five (2022: five) customers accounted for approximately 30.48% (2022: approximately 45.65%) of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 9.24% (2022: approximately 17.70%) of the Group's total turnover for the year.

Purchases from the Group's top five (2022: five) suppliers accounted for approximately 54.05% (2022: approximately 57.57%) of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 14.77% (2022: approximately 20.48%) of the Group's total purchases for the year.

REPORT OF THE DIRECTORS

None of the Directors, their associates (as defined in the Listing Rules) or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any beneficial interests in the Group's customers or suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Lee Jaeseong (*Chairman*)

Mr. Im Jonghak

Independent Non-executive Directors

Ms. Chen Dai

Mr. Kim Sung Rae (appointed on 3 March 2023)

Mr. Leung Yau Wan John

Mr. Kwok Kim Hung Eddie (retired 28 September 2022)

In accordance with the Articles of Association, all the newly appointed directors will hold office until the forthcoming annual general meeting and are then eligible offered themselves for re-election. In addition, all Directors are required to retire by rotation and, being eligible, offer themselves for re-election.

Save for Mr. Kwok Kim Hung Eddie who retired on 28 September 2022, the Company has received from each of the independent non-executive directors ("**INEDs**" and each an "**INED**"), an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company considers that all the INEDs are independent, save for Mr. Kwok Kim Hung Eddie who retired on 28 September 2022.

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

Save as disclosed below, there is no change in the information of the Directors required to be disclosed in this annual report pursuant to Rule 13.51B (1) of the Listing Rules.

Mr. Kwok Kim Hung Eddie retired as an INED at the conclusion of the 2022 annual general meeting of the Company on 28 September 2022, and upon his retirement, he also ceased to be the chairman of the audit committee of the Company and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company on 28 September 2022.

Mr. Kim Sung Rae was appointed as an INED and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 3 March 2023.

Mr. Leung Yau Wan John was appointed as the chairman of the audit committee of the Company with effect from 3 March 2023.

DIRECTORS' SERVICE CONTRACTS

None of the Directors (including those proposed for re-election at the forthcoming annual general meeting of the Company) had a service contract with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 41 to the Financial Statements, there was no transaction, arrangement or contract of significance to which any of the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

The Company did not enter into any contract, other than the contracts of service with the Directors or any person engaged in the full-time employment of the Company, by which a person undertakes the management and administration of the whole, or any substantial part of any business of the Company during the year.

CONTROLLING SHAREHOLDERS' INTEREST

Save as disclosed in this report, no contracts of significance were entered into between the Company or any of its subsidiaries and any controlling Shareholders or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by any controlling Shareholders or any of its subsidiaries.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals in the Group during the year are set out in Notes 15 and 16 to the Financial Statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2023 and at any time during the year, none of the Directors or their respective close associates (as defined under the Listing Rules) had any interests in any business, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group or any other conflicts of interest with the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lee Jaeseong ("Mr. Lee"), aged 41, was appointed as the chairman of the Board, an Executive Director and the chairman of the Nomination Committee of the Company on 21 February 2020. He has over 10 years of extensive experience and sustained knowledge of corporate management, corporate finance, corporate restructuring and strategic planning from an asset management company and companies including a listed company in Korea. He is appointed as the director of Afull Co., Ltd., a company in Korea, in January 2021. Mr. Lee obtained a bachelor's degree of business administration in accounting and finance from Korea National Open University in 2020.

Mr. Im Jonghak ("Mr. Im"), aged 45, was appointed as an Executive Director of the Company on 21 February 2020. He has over 10 years' experience in finance and corporate management. He had been the chief manager of Global Power Asia Co. Ltd. ("GPA"), a subsidiary of the Company. Prior to joining GPA in May 2017, he served various positions in Orbital Education Ltd, including the director of admission from September 2006 to April 2017. Mr. Im obtained a bachelor's degree of physical education from Kyung Hee University in 2005.

REPORT OF THE DIRECTORS

Independent Non-executive Directors

Ms. Chen Dai (“Ms. Chen”), aged 44, was appointed as an Independent Non-executive Director of the Company on 29 March 2018. She was appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 29 March 2018. She was also appointed as the chairman of the Remuneration Committee of the Company on 28 August 2020. She holds a Bachelor’s Degree of Business Administration and Financial Management from Shanghai University of Finance and Economics (Shanghai, China). She is currently the chief operating officer of Teng Wei Information Consulting Co., Ltd. providing corporate consultancy to foreign investment companies and Chinese companies. Before joining Teng Wei Information Consulting Co., Ltd. in March 2008, she had been the senior accountant in Shanghai Beston Trading Co., Ltd. from March 2000 to March 2004. Ms. Chen possesses core competencies in corporate tax consultation and corporate consultation.

Mr. Kim Sung Rae (“Mr. Kim”), aged 66, was appointed as an Independent Non-executive Director of the Company on 3 March 2023. He was also appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 3 March 2023. He has over 40 years working experience in electric industry. He had been working in Korea Electric Power Corporation, a company listed on The Korea Exchange with stock code 015760, for almost 40 years until retirement in 2017. He then served for almost 5 years as a deputy general manager at the Korea Electric Association (“KEA”) from April 2017 to December 2021, and joined the administration of construction as construction supervisor at ED&C Co., Ltd from October 2022 to February 2023. He is currently a part-time training teacher at KEA starting from March 2023. Mr. Kim holds a bachelor’s degree of Real Estate from Gukje Cyber University (Suwon, Korea). He is qualified as an electrician and a vocational competency development training teacher - electrician Level 3.

Mr. Leung Yau Wan John (“Mr. Leung”), aged 63, was appointed as an Independent Non-executive Director, and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company on 21 February 2020. He was also appointed as the chairman of the Audit Committee of the Company on 3 March 2023. He has over 30 years of corporate and financial management experience and has held various positions in the financial services industry. Since January 2014, he has served as an executive director at Easternflair Investment and Development Management Limited, a company principally engaged in managing and developing real estates. He has been the managing director at JR Plus Capital Limited, a company principally engaged in business consulting services, since November 2015. He is currently an independent non-executive director of Beng Soon Machinery Holdings Limited (a company listed on the Stock Exchange, stock code: 1987) and Redsun Properties Group Limited (a company listed on the Stock Exchange, stock code: 1996). Mr. Leung obtained a master of business administration from the University of Macau (formerly the University of East Asia Macau) in October 1988. He obtained a master of accounting studies from the University of New England, Australia in April 1994. He obtained a Graduate Diploma in Law with merit in September 2021 and a Bachelor of Laws (Hons) with honours in July 2022 respectively from Oxford Brookes University, UK. He was admitted as an associate and subsequently a certified practising accountant of the CPA Australia in November 1993 and November 1995, respectively. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 1996. He has been a fellow of the Association of Taxation and Management Accountants, Australia since October 1993. He has been a founding and life member of the Hong Kong Independent Non-executive Director Association and a founding member of the Hong Kong Business Accountants Association since January 2016 and July 2014, respectively.

REPORT OF THE DIRECTORS

Mr. Kwok Kim Hung Eddie (“**Mr. Kwok**”), aged 51, was appointed as an Independent Non-executive Director of the Company on 14 February 2014 and he retired on 28 September 2022. Upon his retirement, he also ceased to be the chairman of the Audit Committee, a member of the Audit Committee, Nomination Committee and the Remuneration Committee of the Company. Mr. Kwok currently has been providing corporate advising services as professional accountant in Hong Kong. Since June 2012, he has also been appointed as an independent nonexecutive director of Zhejiang RuiYuan Intelligent Control Technology Company Limited (stock code: 8249), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Since March 2019, he has also been appointed as an independent non-executive director of Winshine Science Company Limited (stock code: 209), a company listed on the Main Board of the Stock Exchange. He was previously appointed as financial controller, company secretary and authorised representative of Forebase International Holdings Limited (stock code: 2310), a company listed on the Main Board of the Stock Exchange. Mr. Kwok is a member of The Hong Kong Institute of Certified Public Accountants. He is also an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. He holds a Master of Professional Accounting Degree from the Hong Kong Polytechnic University, a Master of Corporate Governance Degree from the Open University of Hong Kong (now known as Hong Kong Metropolitan University) and a Honours Diploma in Accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University).

Senior Management

Mr. Wong Wing Cheong (“**Mr. Wong**”) joined the Company as the chief financial officer in May 2011. He was appointed as the company secretary of the Company from 1 August 2012 to 28 February 2018. He graduated from the University of Hong Kong with a Bachelor of Social Sciences degree in Management and Economics, and received his Master of Business Administration degree in Investment and Finance from the University of Hull, United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, The Chartered Governance Institute in the United Kingdom, and The Hong Kong Chartered Governance Institute. Mr. Wong has extensive experience in accounting, corporate finance, and mergers and acquisition projects of listed companies.

Mr. Tang Siu Fung Calvin (“**Mr. Tang**”) was appointed as the company secretary and an authorized representative of the Company on 16 February 2022. He is a Chartered Governance Professional, a Chartered Secretary, a Chartered Financial Analyst (CFA), a Chartered Valuation Surveyor (MRICS) and a RICS Registered Valuer, and has over 15 years of extensive experience in corporate finance and corporate governance. Mr. Tang was awarded Master of Business Administration degree with Special Recognition Award from China Europe International Business School at Shanghai, China in March 2012 and Master of Science in Corporate Governance and Compliance with Merit Award from the Hong Kong Baptist University in November 2019, and Bachelor of Engineering with Honours from The University of Hong Kong in December 2004. Mr. Tang is currently a fellow member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute. He is also a professional member of The Royal Institution of Chartered Surveyors, a life member of the Beta Gamma Sigma and a member of Hong Kong Mensa. Mr. Tang is currently a partner of Hexacubic Consulting Limited, which provides corporate governance consulting services, and is currently the company secretary of Wecon Holdings Limited (Stock Code: 1793), a company whose shares are listed on the Main Board of the Stock Exchange.

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

As at 31 March 2023, 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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION

The Company did not (i) have any outstanding continuing connected transaction; or (ii) enter into any connected transaction for the year ended 31 March 2023.

None of the related party transactions set out in Note 41 to the Financial Statements constitutes connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme (which ended on 7 September 2022) in Note 39 to the Financial Statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such right in any other body corporate.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Laws of the Cayman Islands) which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has also arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company from 1 April 2022 to 21 December 2022. The Company is still in the process of seeking renewal of such insurance coverage.

SHARE OPTION SCHEME

Pursuant to the share option scheme approved and adopted by the Company on 19 October 2002 (the "**Old Scheme**"), share options were granted to subscribe for shares in the Company in accordance with the terms of the Old Scheme. At the annual general meeting of the Company held on 31 August 2012, the Shareholders approved the adoption of a new share option scheme (the "**New Scheme**") and termination of the Old Scheme. The New Scheme is in line with the prevailing requirements of Chapter 17 of the Listing Rules in relation to the share option schemes. Upon termination of the Old Scheme, no further options may be granted but in all other respects the provisions of the Old Scheme shall remain in full force and effect. Further details of the Old Scheme and the New Scheme are set out in Note 39 to the Financial Statements.

The New Scheme was effective for a period of 10 years commencing on 7 September 2012 and it ended on 7 September 2022. During the year, no share option was granted under the New Scheme (2022: Nil). Since the date of adoption of the New Scheme and up to its termination on 7 September 2022, no option has been granted. As at 31 March 2023, there was no share option remained outstanding under the Old Scheme (2022: Nil) and the New Scheme (2022: Nil).

REPORT OF THE DIRECTORS

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

As at 31 March 2023, 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.

REPORT OF THE DIRECTORS

(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, as at 31 March 2023, 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.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the “Corporate Governance Report” on pages 23 to 33 to the annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and maintaining a good standard of corporate social governance essential for bringing a framework for motivating employees to contribute to our community.

The Group has made continuous efforts in promoting green measures and awareness in daily business operations. The principles of recycling and reducing will always be encouraged to adhere to as much as possible, such as implementing green office practices of double-sided printing and copying, setting up recycling bins and switching off idle lightings and regulating air-conditioning in different zoning.

WORKING CONDITIONS

The Company has adopted the board diversity policy in accordance with the requirements set up in the Corporate Governance Code, and recognizes the board diversity is one of the essential elements contributing to the sustainable development of the Company. The Group always encourages its employees to participate external seminars and other professional development trainings so as to keep abreast of the changing business environment.

HEALTH AND SAFETY

The Group strives to provide a healthy and safe working environment to its employees, and will constantly evaluate and upgrade tools, office and information technology equipment as and when needed.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is committed to constantly monitor the adherence and compliance with all significant legal and regulatory requirements essential to its business operations. As far as the Company is aware and to the best of the knowledge, information and belief of the Company, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business operations of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Being people-oriented, the Group ensures all employees are reasonably remunerated in line with the prevailing market conditions, continues to encourage development training, and provides favourable career advancement opportunities for its employees.

The Group has always paid good attention to and committed to maintaining a good working relationship with its suppliers and customers, which in the long term will create good value for the Group.

REPORT OF THE DIRECTORS

DIVIDEND POLICY

In considering the payment of any dividends (if any), the Board shall consider its future working capital requirements, plan of business growth, adequacy of cash reserves and rewards to the Shareholders. The Company may declare and pay dividends (if any) by way of cash or scrip or by other means that the Board considers appropriate from time to time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company for the year ended 31 March 2023 will be available on websites of the Stock Exchange and the Company by the end of July 2023. As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 47 to the Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue 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.

CHANGE IN AUDITOR IN ANY OF THE PRECEDING THREE YEARS

JH CPA Alliance Limited resigned as auditor of the Company on 19 March 2021.

Prism CPA Limited (subsequently known as “UniTax Prism (HK) CPA Limited”) was appointed as auditor of the Company on 13 May 2021. UniTax Prism (HK) CPA Limited retired on the conclusion of 2022 annual general meeting of the Company on 28 September 2022.

CCTH CPA Limited was appointed as the auditor of the Company on 14 November 2022 and CCTH CPA Limited resigned as the auditor of the Company on 17 March 2023.

Prism Hong Kong and Shanghai Limited was appointed as the auditor of the Company on 22 May 2023.

Save for the above-mentioned changes, in any of the preceding three years, the auditor of the Company had not been changed.

AUDITOR

The consolidated financial statements have been audited by Prism Hong Kong and Shanghai Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of Prism Hong Kong and Shanghai Limited as the auditor of the Company is expected to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Lee Jaeseong
Chairman

Hong Kong, 30 June 2023

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's main goals. The corporate governance principles of the Company emphasize a quality board, sound internal control, transparency and accountability to all Shareholders. This report describes its corporate governance practices, explains the applications of the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company has complied with the code provisions of the CG Code contained in Appendix 14 to the Listing Rules except for the deviation 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, (a) Ms. Chen Dai (an INED) was unable to attend the 2022 annual general meeting of the Company held on 28 September 2022 and the extraordinary general meetings of the Company held on 14 November 2022 and 13 March 2023 due to COVID-19 restriction and flight restrictions under COVID-19; and (b) Mr. Kim Sung Rae (an INED) was unable to attend the extraordinary general meeting of the Company held on 13 March 2023 due to teaching schedule in Korea already being set.
- (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 annual general meeting of the Company held on 28 September 2022 due to COVID-19 limitation and business considerations to be attended to in Korea.
- (iii) Under code provision C.1.8 of the CG Code, a listed issuer should arrange appropriate insurance cover in respect of legal action against its directors. The existing yearly directors and officers liability insurance policy (the "**D&O Insurance**") of the Company covered the period from 22 December 2021 to 21 December 2022. Due to the sanctions on Russia by United States of America, European Union and major Western Governments, renewal of D&O Insurance was declined by the international insurance companies because of the Group's involvement of a Russian subsidiary (Lapi) and Russian assets (coal mining rights in Russia). Hence, upon expiry of the existing D&O Insurance, no D&O Insurance coverage could be arranged after 22 December 2022. However, the Company is still making its best efforts to find new insurance companies which can offer D&O Insurance coverage to the Company.

CORPORATE GOVERNANCE REPORT

NON-COMPLIANCE WITH PROVISIONS OF THE LISTING RULES

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

- (i) Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three INEDs. Upon the retirement of Mr. Kwok Kim Hung Eddie (“**Mr. Kwok**”) as an INED at the conclusion of the 2022 AGM, the Board then comprised less than three INEDs from 28 September 2022, which was below the minimum requirement prescribed under Rule 3.10(1) of the Listing Rules. Upon the appointment of Mr. Kim Sung Rae as the new INED with effect from 3 March 2023, the Company since then has fully complied with the requirement of Rule 3.10(1).
- (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 reduced to two after 28 September 2022, which was below the minimum requirement prescribed under Rule 3.21 of the Listing Rules. Upon the appointment of Mr. Kim Sung Rae as the new member of the audit committee of the Company with effect from 3 March 2023, the Company since then has fully complied with the requirement of Rule 3.21.

DIRECTORS’ SECURITIES TRANSACTIONS

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. Having made specific enquiries of all the Directors of the Company, all Directors (except Mr. Kwok Kim Hung Eddie who retired on 28 September 2022) confirmed that they have complied with the required standards as set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the year under review.

BOARD OF DIRECTORS

As at 31 March 2023, the Board comprised of five Directors, of whom two were Executive Directors and three were INEDs. The Board believes that the majority of the Board members are INEDs, the composition of the Board is thus adequate to provide checks and balances that safeguard the interests of Shareholders and the Group.

The INEDs provide the Group with different expertise, skills and experience. Their participation in board meetings could bring independent judgement on issues relating to the Group’s strategy, internal control and performance to ensure the interests of the Shareholders are taken into account.

CORPORATE GOVERNANCE REPORT

The Company has received from each of the INEDs (except Mr. Kwok Kim Hung Eddie who retired on 28 September 2022) an annual confirmation of their independence and considers that all the INEDs (except Mr. Kwok Kim Hung Eddie who retired on 28 September 2022) are independent under the guidelines set out in Rule 3.13 of the Listing Rules. Each of the INEDs has signed a letter of appointment with the Company for an initial term of appointment ranging from one year to two years (as the case may be).

The Company has set out the respective functions and responsibilities reserved to the Board and those delegated to management. The Board delegated day-to-day operations of the Group to Executive Directors while reserving certain key matters for its approval. The Board is responsible for approving and monitoring the Company's overall strategies and policies, monitoring the risk register and the risk management policy annually, overseeing the financial position of the Group, approving business plans, evaluating the performance of the Company and supervising the performance of the management.

Decisions of the Board are communicated to the management through Executive Directors who have attended Board meetings.

The members of the Board during the year under review were:

Executive Directors

Mr. Lee Jaeseong (*Chairman*)

Mr. Im Jonghak

Independent Non-executive Directors

Ms. Chen Dai

Mr. Kim Sung Rae (appointed on 3 March 2023)

Mr. Leung Yau Wan John

Mr. Kwok Kim Hung Eddie (retired 28 September 2022)

Brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section in the Report of the Directors on pages 16 to 18 of this annual report. To the best knowledge of the Company, there are no relationships (including financial, business, family or other material relationships) among the Directors.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual results and interim results.

During the year under review, the Board had reviewed the policies and practices on corporate governance of the Company; monitored the continuous professional development trainings of the Directors and members of the senior management; monitored the policies and practices of the Company on compliance with legal and regulatory requirements; monitored the compliance of the Model Code applicable to the Directors; as well as reviewed the compliance of the Company with the CG Code and the disclosures in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

During the year under review, the Company held fourteen Board meetings, one annual general meeting and two extraordinary general meetings. Details of Directors attendance records are as follows:

Name of Directors	Attendance		
	Board Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors			
Mr. Lee Jaeseong (<i>Chairman</i>)	14/14	0/1	0/2
Mr. Im Jonghak	14/14	1/1	1/2
Independent Non-executive Directors			
Ms. Chen Dai	12/12	0/1	0/2
Mr. Kim Sung Rae (appointed on 3 March 2023)	1/1	0/0	0/1
Mr. Leung Yau Wan John	12/12	1/1	2/2
Mr. Kwok Kim Hung Eddie (retired 28 September 2022)	12/12	1/1	0/0

Independent Views and Input

The Company recognises that independence on the Board is a key element of good corporate governance. The Company has established mechanisms to ensure independent views and input are available to the Board for enhancing objective and effective decision-making. These mechanisms in place are subject to annual review by the Board, including without limitation:

- (a) the Nomination Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new independent non-executive director before appointment and also the continued independence of the independent non-executive Directors and their time commitments annually;
- (b) the Nomination Committee will conduct performance evaluation of the independent non-executive Directors annually to assess their contributions;
- (c) the independent non-executive Directors can express their views in an open, candid as well as confidential manner, should circumstances require, through formal and informal channels, including meetings with the Chairman of the Company without the presence of the other Directors to discuss any major issues and concerns, dedicated meeting sessions with the Chairman of the Company and interaction with management and other Board members including the Chairman of the Company outside the boardroom; and
- (d) the Directors may, upon reasonable request to the Chairman, seek independent professional advice in appropriate circumstances, at the reasonable expense of the Company to assist them to perform their duties to the Company.

The Board has conducted an annual review of the implementation and effectiveness of these mechanisms and considered they are in place and are effective.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

All Directors are committed to participating in continuous professional development under code provision C.1.4 of the CG Code. Directors are provided with timely updates on changes in laws and compliance issues relevant to the Group. The Company has also provided funding to encourage its Directors to participate in professional development courses and seminars to develop and refresh their knowledge and skills.

During the year ended 31 March 2023, the Directors' participation in various continuous professional programs is summarised as below:

Name of Directors	Attending training course/seminar	Reading materials
Executive Directors		
Mr. Lee Jaeseong	✓	✓
Mr. Im Jonghak	✓	✓
Independent Non-executive Directors		
Ms. Chen Dai	✓	✓
Mr. Kim Sung Rae (appointed on 3 March 2023)	✓	✓
Mr. Leung Yau Wan John	✓	✓
Mr. Kwok Kim Hung Eddie (retired 28 September 2022)	Note 1	Note 1

Note 1: The Company has not received any records of continuous professional development from Mr. Kwok Kim Hung Eddie who retired on 29 September 2022, thus the Company has no knowledge of his continuous professional development.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lee Jaeseong is the Chairman of the Board and he provides leadership and is responsible for the effective functioning and leadership of the Board. The Company does not at present have any officer with the title "chief executive officer".

ACCESS TO INFORMATION BY DIRECTORS

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers are sent to all Directors in a timely manner. Notice of at least 14 days is given for a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings and Board committee meetings, reasonable notice is given.

All Directors are entitled to have access to Board papers, minutes and related materials at all times. During the year, all Directors have been provided with the Group's management information updates to keep them informed of the Group's affairs and facilitate them to discharge their duties under the Listing Rules.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY AND DIRECTOR NOMINATION POLICY

The Board has adopted a board diversity policy to achieve board diversity through the consideration of a number of factors and measurable objectives, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience. All Board appointments will be based on merit, and candidates will be measured against objective criteria, with due regard for the benefits of diversity on the Board. The Board has also adopted a director nomination policy which stipulates the selection criteria on assessing the suitability and potential contribution of a proposed candidate, including but not limited to character, integrity and honesty, availability of time and devotion, independence, academic background, professional experience, technical skills and knowledge, and other relevant criteria on a case-by-case basis. The director nomination policy also sets out the procedures for selection of new directors and reelection of directors at general meetings. The Nomination Committee has the delegated responsibilities to monitor the implementation and review at least annually the board diversity policy and director nomination policy and report to the Board.

In terms of gender diversity on the Board, the Board has a gender ratio of 20% to 80% (female to male). The Company currently targets to attain at least a level of no less than 25% of female representation on the Board by 2025-2026. The Company will continue to ensure that there is gender diversity in employee recruitment at intermediate to senior levels and implement comprehensive programmes aimed at identifying and training female employees who display leadership and potential, so as to develop a pipeline of potential successors to the Board.

The Nomination Committee has reviewed the structure, composition and membership of the Board, and is of the opinion that the Board had an appropriate mix of skills, experience and diversity that are relevant to the Company's strategies, business and governance and to enable the Company to maintain a high standard of operation during the year ended 31 March 2023.

The gender ratio in the workforce of the Group, including senior management, as of 31 March 2023 is set out the 2023 Environmental, Social and Governance Report of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for the appointment of any potential new Directors and the nomination of Directors for reelection by Shareholders at the annual general meeting of the Company. In accordance with the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board, whom is subject to retirement and re-election at the first annual general meeting after his/her appointment and shall then be eligible for re-election. Furthermore, every Director shall retire from office no later than the third annual general meeting after he/she was last elected or re-elected.

Independent non-executive Directors are appointed under signed letters of appointment for an initial term of one/two year(s) and thereafter could be extended for a further term of one year at a time until terminated by either party, subject to the termination provisions therein and the retirement and re-election provisions in the Articles of Association and the CG Code.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee of the Company (the "**Audit Committee**"), the remuneration committee of the Company (the "**Remuneration Committee**") and the nomination committee of the Company (the "**Nomination Committee**"), for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Stock Exchange and the Company, and are available to Shareholders upon request.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005.

During the year under review, the Remuneration Committee consisted of all three INEDs for the period from 1 April 2022 to 28 September 2022, chaired by Ms. Chen Dai and the other two members were Mr. Kwok Kim Hung Eddie (“**Mr. Kwok**”) and Mr. Leung Yau Wan John. As Mr. Kwok was not re-elected as an INED at the 2022 annual general meeting (“**AGM**”) of the Company held on 28 September 2022, Mr. Kwok retired as an INED at the conclusion of the 2022 AGM, and upon his retirement, he also ceased to be a member of the Remuneration Committee on 28 September 2022. Hence after 28 September 2022 and up to 2 March 2023, the Remuneration Committee consisted of two INEDs, namely Ms. Chen Dai (chairman of the Remuneration Committee) and Mr. Leung Yau Wan John. On 3 March 2023, Mr. Kim Sung Rae (“**Mr. Kim**”) (a newly appointed INED) was appointed as a member of the Remuneration Committee. Hence from 3 March 2023, the Remuneration Committee consisted of three INEDs, chaired by Ms. Chan Dai and the other two members were Mr. Kim and Mr. Leung Yau Wan John.

The Remuneration Committee is responsible for formulating and recommending the Board in relation to the remuneration policy, determining the remuneration of Directors and members of the senior management of the Company, reviewing and making recommendations on the Company’s share option scheme, other compensation-related issues and performance based remuneration and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee held two meetings during the year. The main works performed by the Remuneration Committee during the year included the recommendation of director’s fee of a newly appoint INED, the review of the remuneration of the Directors and the salary package of the senior management of the Company for coming year, and review of the remuneration policy of the Company. No matters relating to share schemes under Chapter 17 of the Listing Rules were required to be reviewed or approved by the Remuneration Committee during the year.

Individual attendance of each Remuneration Committee member during the year under review is as follows:

Members	Attendance
Ms. Chen Dai (<i>Chairman</i>)	2/2
Mr. Kim Sung Rae (appointed on 3 March 2023)	0/0
Mr. Leung Yau Wan John	2/2
Mr. Kwok Kim Hung Eddie (retired 28 September 2022)	1/1

The Remuneration Committee is provided with resources enabling it to discharge its duties including access to relevant and timely information, support of independent professional advice if and when necessary. Regular meetings of the Remuneration Committee will be held to discuss remuneration and compensation related issues.

Details of the remuneration of each of the Directors for the year ended 31 March 2023 are set out in the Note 15 to the Financial Statements.

Pursuant to the code provision E.1.5 of the CG Code, the details of remuneration of the senior management (excluding Directors) for the year ended 31 March 2023 are within the following bands:

Remuneration bands	Number of individuals	
	2023	2022
HK\$Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	1	1

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

During the year under review, the Audit Committee consisted of INEDs for the period from 1 April 2022 to 28 September 2022, chaired by Mr. Kwok and the other two members were Ms. Chen Dai and Mr. Leung Yau Wan John. As Mr. Kwok was not re-elected as an INED at the 2022 AGM held on 28 September 2022, Mr. Kwok retired as an INED 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 and up to 2 March 2023, the Audit Committee consisted of two INEDs, namely Ms. Chen Dai and Mr. Leung Yau Wan John. On 3 March 2023, Mr. Kim (a newly appointed INED) was appointed as a member of the Audit Committee. Hence from 3 March 2023, the Audit Committee consisted of three INEDs, chaired by Mr. Leung Yau Wan John and the other two members were Ms. Chen Dai and Mr. Kim.

The Audit Committee is responsible for recommending the appointment and re-appointment of external auditor, reviewing the Group's financial information, overseeing the Group's financial reporting system, risk management and internal control procedures. It is also responsible for reviewing the interim and annual results of the Group prior to recommending them to the Board for approval. The management of the Company provides the Audit Committee with all relevant information the Committee needs for it to discharge its responsibilities.

The Audit Committee meets regularly to review financial reporting, risk management and internal control matters and has unrestricted access to the support of both the Company's management and auditor.

The Audit Committee held five meetings during the year under review, in which the Audit Committee considered and recommended the appointment of new auditors, reviewed and considered the resignation of auditor, reviewed the level of interim review fee and annual audit fees, reviewed with the management the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters so as to ensure that an effective control environment is maintained.

The main works performed by the Audit Committee during the year included private meeting with resigning auditor to enquire the reason(s) of resignation of auditor, evaluation and recommendation of appointment of new auditors including the level of audit fees, review of the auditor's audit plan, the review of the annual financial statements for the year ended 31 March 2022 and interim financial statements for the six months ended 30 September 2022 with recommendations to the Board for approval. It had also reviewed the adequacy and effectiveness of internal control system, including the internal control review report.

The Audit Committee had also reviewed the audited consolidated results of the Company for the year ended 31 March 2023, including the accounting principles and practice adopted by the Group and recommended to the board for consideration.

Individual attendance of each Audit Committee member during the year under review is as follows:

Members	Attendance
Mr. Leung Yau Wan John (<i>Chairman</i>) (appointed on 3 March 2023)	5/5
Ms. Chen Dai	5/5
Mr. Kim Sung Rae (appointed on 3 March 2023)	1/1
Mr. Kwok Kim Hung Eddie (<i>Chairman</i>) (retired 28 September 2022)	2/2

Pursuant to the Rule 3.21 of the Listing Rules, the Audit Committee during the year under review comprised three members who were INEDs (save for the period after 28 September 2022 and up to 2 March 2023 during which the Audit Committee comprised only two INEDs upon the retirement of Mr. Kwok), and at least one of them possesses appropriate professional qualifications or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee was established in March 2012.

During the year under review, the chairman of the Nomination Committee was Mr. Lee Jaeseong (an Executive Director and the Chairman of the Board) and other three members included three INEDs for the period from 1 April 2022 to 28 September 2022, namely Ms. Chen Dai, Mr. Kwok and Mr. Leung Yau Wan John. As Mr. Kwok was not re-elected as an INED at the 2022 AGM held on 28 September 2022, Mr. Kwok retired as an INED at the conclusion of the 2022 AGM, and upon his retirement, he also ceased to be a member of the Nomination Committee on 28 September 2022. Hence after 28 September 2022 and up to 2 March 2023, the Nomination Committee was chaired by Mr. Lee Jaeseong (an Executive Director and the Chairman of the Board) and other two members included two INEDs, namely Ms. Chen Dai and Mr. Leung Yau Wan John. On 3 March 2023, Mr. Kim (a newly appointed INED) was appointed as a member of the Nomination Committee. Hence from 3 March 2023, the Nomination Committee was chaired by Mr. Lee Jaeseong (an Executive Director and the Chairman of the Board) and other three members included three INEDs, namely Ms. Chen Dai, Mr. Kim and Mr. Leung Yau Wan John.

The Nomination Committee is responsible for reviewing and recommending the structure, size and composition of the Board to complement the Company's corporate strategy, identifying suitably qualified individuals to become board members and assessing the independence of INEDs. It is also responsible for recommending the appointment, reappointment and removal of Directors and succession planning of Directors, monitoring the implementation and reviewing the board diversity policy and the director nomination policy and ensuring at least one INED who sits in the Audit Committee has professional qualifications in accounting and financial management.

The Nomination Committee held two meetings during the year under review. The main works performed by the Nomination Committee during the year included evaluation and recommendation of appointment of new INED, review of the structure, size and composition of the Board, and making recommendations on the re-appointment of Directors by rotation in the forthcoming annual general meeting.

Individual attendance of each Nomination Committee member during the year under review is as follows:

Members	Attendance
Mr. Lee Jaeseong (<i>Chairman</i>)	2/2
Ms. Chen Dai	2/2
Mr. Kim Sung Rae (appointed on 3 March 2023)	0/0
Mr. Leung Yau Wan John	2/2
Mr. Kwok Kim Hung Eddie (<i>Chairman</i>) (retired 28 September 2022)	1/1

AUDITOR'S REMUNERATION

During the year under review, total auditor's remuneration charged in relation to audit and non-audit services of the Group were as follows:

Nature of services	HK\$
Review fee for interim results	150,000
Audit fee for annual results	800,000
Total audit and non-audit services	950,000

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that they are responsible for (i) preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group, and (ii) presenting a clear, balanced and understandable assessment of the Group's performance and prospects in the Company's annual report and interim report, inside information announcements and other financial disclosures required under the Listing Rules and such other matters as the regulators may request. The Board is not aware of any material uncertainties relating to the events or condition that might cast doubt upon the Company's ability to continue as a going concern. Accordingly, the Board has prepared the consolidated financial statements of the Company on a going concern basis.

The Board has overall responsibility for monitoring the risk management policies, the risk register and the internal control of the Group and reviewing their effectiveness once a year. Policies and procedures are in place to ensure that assets are adequately protected against unauthorized use or disposal and that the interests of Shareholders are safeguarded. The systems in place are designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

To enable the Company to discharge its annual review responsibilities pursuant to the code provision of the CG Code, the Company has reviewed the need for an internal audit function and considered it appropriate to adopt the practice of outsourcing the internal audit functions. Accordingly, for the year under review, the Company engaged Cheng & Cheng Risk Advisory Services Limited ("**Cheng & Cheng**"), to provide internal audit services to the Group.

Cheng & Cheng formulated the annual internal audit plan and procedures, conducted yearly independent reviews by rotation on the operations of the Group to identify any material irregularities and significant risks, developed action plans and made recommendations to address risks and key findings (where applicable).

During the year ended 31 March 2023, the Board reviewed and ensured that the risk management and the internal control process have been properly carried out and experiences of staff of the Group's accounting and financial reporting were maintained properly. The Board satisfies that, given the size and activities of the Company, appropriate risk management and adequate internal control systems have been established and considers continuing reviews of risk register and internal controls will be undertaken to ensure its adequacy and effectiveness.

For the sake of enhancing the Company's system of handling inside information and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Company has adopted and implemented its inside information policy and procedures. Proper and reasonable measures have been in place and implemented from time to time to ensure that proper safeguards exist to prevent a breach of disclosure requirements in relation to the Group, which include (i) the access of confidential and possible price-sensitive information is restricted to a limited number of employees on a need-to-know basis and all employees who are in possession of any inside information are fully conversant with their obligations to preserve confidentiality; (ii) confidentiality agreements and non-disclosure agreements are well in place whenever the Group enters into any significant negotiations; and (iii) the Executive Directors are the only designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

COMPANY SECRETARY

Mr. Tang Siu Fung Calvin was appointed as the company secretary of the Company on 16 February 2022. He meets the qualification requirements for the company secretary under Rule 3.28 of the Listing Rule. He is currently a partner of Hexacubic Consulting Limited which provides corporate governance consulting services. Although he is not an employee of the Company, he has been engaged by the Company as its company secretary to support the Board. He had taken no less than 15 hours of relevant training as required by the Listing Rules. Mr. Im Jonghak, an Executive Director of the Company, is his primary corporate contact person in the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS

According to Article 58 of the Articles of Association, any one or more members of the Company may request for an extraordinary general meeting to be convened upon depositing a written requisition to the Board or the Secretary of the Company specifying the objects of the meeting and signed by the requisitionist(s), provided that as at the date of deposit of the requisition, such requisitionist(s) hold not less than one-tenth of the paid-up capital of the Company which carries the right of voting at a general meeting of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene an extraordinary general meeting, the requisitionist(s) themselves may convene an extraordinary general meeting in the same manner, as nearly as possible, as that in which meeting may be convened by the Board provided that any meeting so convened shall not be held after the expiration of two months from the date of deposit of the requisition.

The same procedure also applies to any proposal to be tabled at general meetings for adoption.

PROCEDURES FOR PUTTING ENQUIRIES TO THE BOARD

Shareholders and other stakeholders may at any time send their enquires and concerns to the Board by addressing them to the company secretary of the Company by post, fax or email.

The contact details are set out as below:-

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

Shareholders and potential investors of the Company are also welcome to share their views and suggestions by contacting the Company through the following methods:-

By telephone: (852) 2511 8999
By fax: (852) 2511 8711
By email: investor@enp.com.hk

CONSTITUTIONAL DOCUMENTS

There was no significant change in the Company's constitutional documents during the year under review.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

To foster effective communications, the Company provided all necessary information to its Shareholders in its annual report, interim report, announcements and circular. The Board hosts general meetings to meet the Shareholders so as to ensure that the Shareholders' view is communicated to the Board. The Board will endeavor to attend the general meetings (where situations under COVID-19 pandemic could allow) so that they could communicate with the Shareholders and answer their questions.

The Board has reviewed the implementation and effectiveness of the Shareholders communication policy of the Company. The Board is of the view that the Shareholders communication policy was adequate and effective during the year ended 31 March 2023, having considered the communication channels in place to provide the Shareholders and the investor community with information about the latest development of the Group in a timely manner, and the various communication channels established by the Company between itself and its Shareholders, investors and other stakeholders to allow the Company to receive feedback effectively.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF E&P GLOBAL HOLDINGS LIMITED

(Incorporated in Cayman Island with limited liability)

OPINION

We have audited the consolidated financial statements of E&P Global Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 39 to 131, which comprise consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the “*Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements*” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Development of Russia – Ukraine War

We draw attention to the development of geopolitical tensions related to situation in Ukraine and sanctions imposed by certain countries that have affected and could significantly affect in the future the Russian economy, as well as the activity of the Group. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITOR'S REPORT

Material Uncertainty Related to the Going Concern

As at 31 March 2023, the Group had net current liabilities and net liabilities of approximately HK\$3,704,427,000 and HK\$1,854,905,000 respectively. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Group is in the progress of implementing various measures to improve its liquidity. On the basis that all these measures could be successfully implemented, the directors of the Company are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due and, accordingly, the consolidated financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Also, we draw attention to note 43 to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuits filed against the Group. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS AND EXPLORATION AND EVALUATION ("E&E") ASSETS

Refer to notes 22 and 23 to the consolidated financial statements and the accounting policies on pages 56 to 57.

The key audit matter

As at 31 March 2023, the carrying amounts of the Group's intangible assets and E&E assets were approximately HK\$Nil and HK\$1,969,122,000 respectively, which is mainly related to the assets arising from the Group's mine located in Russian Federation.

The management of the Group has performed impairment assessment on the intangible assets and E&E assets at the end of the reporting period. When indication of possible impairment has been identified, recoverable amount is determined based on the higher of fair value less cost of disposal or value-in-use of each cash-generating unit.

We have identified the impairment assessment on intangible assets and E&E assets as a key audit matter because of its significance to the consolidated financial statements as a whole and the involvement of significant management judgements and estimates when performing impairment assessment.

How the matter was addressed in our audit

Our audit procedures were designed to review the management's judgements and estimates used in determining the indication of possible impairment and its impairment testing on the intangible assets and E&E assets.

We have discussed and reviewed the impairment assessment prepared by the management of the Group, including the identification of possible impairment.

For the impairment testing, we have reviewed the underlying data and assumptions used in the calculation of fair value less cost of disposal or value-in-use of the respective cash-generating unit as recoverable amount, including the coal price, recoverable reserves, exploration potentials, production costs estimates, growth rate, inflation rate and pre-tax discount rates. We have compared those underlying data and assumptions used to the historical data and other available market sources.

INDEPENDENT AUDITOR'S REPORT

VALUATION OF INVESTMENT PROPERTY

Refer to note 21 to the consolidated financial statements and the accounting policies on page 55.

The key audit matter

As at 31 March 2023, the carrying values of the Group's investment property was approximately HK\$32,408,000, which is related to the assets located in South Korea.

The fair value of the Group's investment property as at 31 March 2023 was assessed by the Group based on independent valuations prepared by qualified external property valuers. There are no changes in fair value of investment property for the year ended 31 March 2023.

Fair value of the Group's investment property is mainly derived using the direct comparison approach, the Valuer refers to market price of similar comparable properties.

How the matter was addressed in our audit

Our audit procedures to valuation of investment property included the following:

We have obtained and inspected the valuation report prepared by independent external property valuer engaged by the Group on which the Group's assessment of valuation of investment property was based;

We have evaluated the independent external valuer's competence, capabilities and objectivity;

We have assessed their valuation methodology and challenged the key estimates and assumptions adopted in the valuations with the assistance of our independent external valuation specialists;

We have assessed the reasonableness of the disclosures in the consolidated financial statements in respect of the investment property with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kyaw Sai Hong.

Prism Hong Kong and Shanghai Limited

Certified Public Accountants

Kyaw Sai Hong

Practising Certificate Number: P05611

Hong Kong

30 June 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	8	1,149,675	1,168,035
Cost of sales		(1,137,389)	(1,159,112)
Gross profit		12,286	8,923
Other income	10	3,032	365
Other gains and losses	11	718,350	(100,888)
Selling and distribution costs		(4,036)	(2,936)
Administrative expenses		(14,716)	(15,693)
Other expenses		(175,921)	(225,214)
Finance costs	12	(10,069)	(12,576)
Profit (loss) before income tax		528,926	(348,019)
Income tax expenses	13	(1,430)	(1,551)
Profit (loss) for the year	14	527,496	(349,570)
Profit (loss) for the year attributable to:			
Owners of the Company		550,211	(343,499)
Non-controlling interests		(22,715)	(6,071)
Profit (loss) for the year		527,496	(349,570)
Other comprehensive expense for the year:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of financial statements of foreign operations		(313)	(39,637)
Total comprehensive income (expense) for the year		527,183	(389,207)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		549,985	(380,250)
Non-controlling interests		(22,802)	(8,957)
		527,183	(389,207)
Earnings (loss) per share			
Basic (HK\$)	18	3.79	(2.37)
Diluted (HK\$)	18	3.79	(2.37)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	2023 HK\$'000	2022 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	19	17,989	14,702
Right-of-use assets	20	1,360	656
Investment property	21	32,408	—
Intangible assets	22	—	171,891
Exploration and evaluation assets	23	1,969,122	1,254,707
Deposit for acquisition of property, plant and equipment		—	3,037
Rental deposits	25	298	316
		2,021,177	1,445,309
Current assets			
Trade receivables	24	3,530	10,779
Other receivables	25	14,954	10,501
Cash and cash equivalents	26	5,349	3,052
		23,833	24,332
Liabilities			
Current liabilities			
Trade payables	27	8,929	287
Other payables	28	23,661	22,992
Contract liabilities	29	4,006	591
Interest-bearing borrowings	30	41,028	13,333
Amounts due to shareholders	31	38,622	37,940
Purchase consideration payable for additional acquisition	33	3,349	3,339
Lease liabilities	20	686	667
Convertible notes payables	34	3,591,498	3,591,498
Promissory notes payables	35	15,600	15,600
Income tax payable		881	891
		3,728,260	3,687,138
Net current liabilities		(3,704,427)	(3,662,806)
Total assets less current liabilities		(1,683,250)	(2,217,497)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	2023 HK\$'000	2022 HK\$'000
Non-current liabilities			
Amounts due to shareholders	31	127,475	112,151
Amounts due to a related party	32	16,863	—
Interest-bearing borrowings	30	20,404	48,965
Other payables	28	2,126	—
Provision for close down, restoration and environmental costs	36	1,585	1,305
Lease liabilities	20	671	—
Deferred tax liabilities	37	2,531	2,170
		171,655	164,591
Net liabilities		(1,854,905)	(2,382,088)
Capital and reserves			
Share capital	38	290,034	290,034
Reserves		(2,108,690)	(2,658,675)
Equity attributable to owners of the Company		(1,818,656)	(2,368,641)
Non-controlling interests		(36,249)	(13,447)
Capital deficiencies		(1,854,905)	(2,382,088)

The consolidated financial statements on pages 39 to 131 were approved and authorised for issue by the Board of Directors on 30 June 2023 and are signed on its behalf by:

Lee Jaeseong
Director

Im Jonghak
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	Equity-settled share option reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000		
As at 1 April 2021	290,034	1,956,517	(61,160)	322,366	47	23,884	(4,520,131)	(1,988,443)	(4,490)	(1,992,933)
Loss for the year	—	—	—	—	—	—	(343,499)	(343,499)	(6,071)	(349,570)
Other comprehensive expenses for the year	—	—	(36,751)	—	—	—	—	(36,751)	(2,886)	(39,637)
Total comprehensive expenses for the year	—	—	(36,751)	—	—	—	(343,499)	(380,250)	(8,957)	(389,207)
Waiver of interest on early settlement of amounts due to shareholders (Note 41 (i))	—	—	—	—	—	52	—	52	—	52
As at 31 March 2022	290,034	1,956,517	(97,911)	322,366	47	23,936	(4,863,630)	(2,368,641)	(13,447)	(2,382,088)
As at 1 April 2022	290,034	1,956,517	(97,911)	322,366	47	23,936	(4,863,630)	(2,368,641)	(13,447)	(2,382,088)
Profit/(loss) for the year	—	—	—	—	—	—	550,211	550,211	(22,715)	527,496
Other comprehensive expenses for the year	—	—	(226)	—	—	—	—	(226)	(87)	(313)
Total comprehensive income for the year	—	—	(226)	—	—	—	550,211	549,985	(22,802)	527,183
As at 31 March 2023	290,034	1,956,517	(98,137)	322,366	47	23,936	(4,313,419)	(1,818,656)	(36,249)	(1,854,905)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
Operating activities		
Profit (loss) before income tax	528,926	(348,019)
Adjustments for:		
Amortisation of intangible assets	175,921	225,214
Depreciation of property, plant and equipment	268	290
Depreciation of right-of-use assets	879	1,000
Finance costs	10,069	12,576
Interest income	(173)	(330)
Gain on disposal of financial assets at fair value through profit or loss	—	(4,158)
Gain on disposal of property, plant and equipment	(62)	—
Loss on written-off of property, plant and equipment	2	—
Provision for close down, restoration and environmental costs	158	121
Reversal of impairment loss on trade and other receivables	(832)	(574)
(Reversal of impairment loss) impairment loss on exploration and evaluation assets	(717,456)	281,569
Reversal of impairment loss on intangible assets	—	(175,949)
Operating cash flows before working capital changes	(2,300)	(8,260)
Decrease in trade receivables	8,182	69
(Increase) decrease in deposit and other receivables	(5,306)	6,219
Increase in trade payables	8,615	230
Increase in contract liabilities	3,426	51
(Decrease) increase in other payables	(218)	393
Cash generated from (used in) operating activities	12,399	(1,298)
Income tax paid	(1,315)	(772)
Interest paid	(2)	(3,985)
Net cash generated from (used in) operating activities	11,082	(6,055)
Investing activities		
Purchase of property, plant and equipment	(2,267)	(1,434)
Acquisition of investment property	(31,021)	—
Acquisition of financial assets at fair value through profit or loss	—	(118,601)
Proceeds from disposal of property, plant and equipment	127	—
Proceeds from disposal of financial assets at fair value through profit or loss	—	122,759
Deposit for acquisition of property, plant and equipment	—	(3,133)
Interest income received	173	330
Net cash used in investing activities	(32,988)	(79)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
Financing activities		
Loans received from shareholders	10,143	6,123
Loans received from a related party	29,052	—
Proceeds from borrowings	—	119,942
Repayment to a related party	(13,358)	—
Repayment of lease liabilities	(1,114)	(1,029)
Repayment of loan from shareholders	—	(373)
Repayment of borrowings	—	(118,580)
Net cash generated from financing activities	24,723	6,083
Increase (decrease) in cash and cash equivalents	2,817	(51)
Cash and cash equivalents, at the beginning of the year	3,052	2,145
Effect of foreign exchange rate changes	(520)	958
Cash and cash equivalents, at the end of the year	5,349	3,052

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. CORPORATE INFORMATION

E&P Global Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability, and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of principal place of business of the Company is Units A & B, 15/F, Chinaweal Centre, 414-424 Jaffe Road, Causeway Bay, Hong Kong.

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

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are Hong Kong Dollars (“**HKD**”) while that of the subsidiaries established in the Russia and Korea are Russia Rubles (“**RUB**”) and South Korea Won (“**KRW**”), respectively. For the purpose of presenting the consolidated financial statements, the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) adopted HKD as its presentation currency, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going concern assumptions

As at 31 March 2023, the Group’s current liabilities exceeded its current assets by approximately HK\$3,704,427,000 (2022: HK\$3,662,806,000) and there was a capital deficiency of approximately HK\$1,854,905,000 (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 34, 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 FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(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\$138,885,000 (equivalent to approximately HK\$1,083,303,000) for the 18 months period commencing in June 2023.
- (ii) As set out in Note 30, with regard to Other Loan 3 and Other Loan 4, the lenders have agreed not to demand for repayment for the amounts due before 31 January 2025. In the opinion of the Directors, a further extension can be obtained when necessary.
- (iii) As set out in Note 31, 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 2025.
- (iv) As set out in Note 32, with regard to amounts due to a related company of the Company, the related company agreed not to demand for repayment of the amounts due before 17 April 2024.
- (v) The Company has obtained additional loan facilities sufficient to support the continual normal operation of the Group for at least 12 months after the year end date. For details, please refer to Note 47.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(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 consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business, the effect of which has not yet been reflected in the 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. APPLICATION OF NEW AND AMENDMENTS TO THE HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for its first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) where are effective for the Group’s financial year beginning 1 April 2022:

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKFRS 16	Property, Plant and Equipment: Proceeds before intended Use
Amendments to HKFRS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year 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 consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 amendment to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

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

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Company Ordinance.

The consolidated financial statements have been prepared on historical cost basis, for certain financial instruments and investment property that are measured at fair value at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The significant accounting policies are set out below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has:

- the power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a five-step approach to recognition revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Revenue recognition when (or as) the Group satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes sales related taxes.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 Financial Instruments. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration from the customer.

For a single contract with the customer, either a net contract asset or a net contract liability is presented.

The Group recognised revenue from the sales of diesel, gasoline and other products.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use assets.

Except for the right-of-use assets classified as investment properties and measured under fair value model, right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

The Group applies HKAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increase the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.
- For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits cost

Payments to the pension fund/the Mandatory Provident Fund Scheme (the "MPF scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax (expenses) credit represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit (loss) before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, using the straight line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is amortised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties recognised by the Group as right-of-use asset and leased out under operating lease.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses (see the accounting policy in respect of impairment losses on exploration and evaluation assets, property, plant and equipment, right-of-use assets and intangible assets below). Amortisation for intangible assets with finite useful lives is recognised on (i) a units-of-production basis over the total proved and probable reserves; or (ii) straight line method over the remaining terms of the mining rights if no mining activity is carried out as appropriate. The estimated reserves and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Exploration and evaluation assets

Exploration and evaluation assets include studies related to surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing coal bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is expensed as incurred.

Once the exploration right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless a future economic benefit is more likely than not to be realised. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets *(Continued)*

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Investments in subsidiaries

Investments in subsidiaries is stated in the statement of financial position of the Company at cost less accumulated impairment loss.

Impairment losses on exploration and evaluation assets, property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its exploration and evaluation assets, property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (the "CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on exploration and evaluation assets, property, plant and equipment, right-of-use assets and intangible assets *(Continued)*

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss was recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“**FVTOCI**”), and fair value through profit or loss (“**FVTPL**”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “Other income” line item (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Convertible notes payables

Convertible notes issued by the Group that contain both liability and derivative components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible notes payables *(Continued)*

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation,

Provisions are measured at the best estimate of the consideration required to settle the present the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provision for close down, restoration and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land at the mining sites. Depending on the circumstances, the Group may relocate inhabitants from the mining sites prior to conducting mining activities or the Group may compensate the inhabitants for losses or damage from close down and land subsidence after the sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity-settled share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share options reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees *(Continued)*

When share options are exercised, the amount previously recognised in equity-settled share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in equity-settled share options reserve will be transferred to accumulated losses.

Fair value measurement

When measuring fair value except for the Group's leasing transactions, net realisable value of inventories and value in use of property, plant and equipment, right-of-use assets and intangible assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern consideration

The assessment of the going concern assumptions involves making judgements by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in Note 2.

Principal versus agent consideration

The Group engages in sales of diesel, gasoline and other products. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, and the Group has inventory risk and discretion in establishing selling prices of the goods.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Amortisation of mining right

The Group determines the development of its mines, comprising a mining right and an adjacent exploration and mining right as a single unit. In determining how the mining right should be amortised, the Group has exercised judgement that both the estimated reserves and pattern over which the economic benefits embodied in the mines as a whole to be consumed are uncertain and not yet reliably determined. Accordingly, the Group is of the view that it is currently not appropriate to apply the unit-of-production method, until both the estimated reserves and pattern over which the economic benefits embodied in the mines can be reliably determined. The Group further considers that the mining right is available for use once it was acquired and therefore has adopted the straight-line method which is an acceptable method of amortisation. The mining right is amortised using straight line method over an estimated period of 13 years commencing from the financial year ended 31 March 2010.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value-in-use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of property, plant and equipment and right-of-use assets *(Continued)*

The future cash flow is estimated based on past performance and expectation for market development, including but not limited to the impacts of COVID-19 pandemic. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 March 2023, the carrying values of property, plant and equipment and right-of-use assets are approximately HK\$17,989,000 and HK\$1,360,000 respectively (2022: HK\$14,702,000 and HK\$656,000 respectively). Based on the estimated recoverable amounts, no impairment loss (2022: Nil) in respect of property, plant and equipment has been recognised while no impairment loss (2022: Nil) in respect of right-of-use assets has been recognised in profit or loss.

Estimated impairment of exploration and evaluation assets and intangible assets

Exploration and evaluation assets and intangible assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involve the Directors' estimates and judgements such as future prices of coals and production profile. The Directors' uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates basis on reasonable and supportable assumptions and projections of future coal prices and production profile. As at 31 March 2023, the carrying value of exploration and evaluation assets and intangible assets are approximately HK\$1,969,122,000 (2022: HK\$1,254,707,000) and HK\$Nil (2022: HK\$171,891,000). Based on the estimated recoverable amounts, reversal of impairment loss of approximately HK\$717,456,000 (2022: impairment loss of approximately HK\$281,569,000) and impairment loss of HK\$Nil (2022: reversal of impairment loss HK\$175,949,000) have been recognised in profit or loss.

Estimated useful life of property, plant and equipment

At the end of each reporting year, the Directors review the estimated useful life of property, plant and equipment. The estimated useful life reflects the Directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the Directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The carrying values of property, plant and equipment as at 31 March 2023 are approximately HK\$17,989,000 (2022: HK\$14,702,000).

Reserve estimates

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. Reserve estimates are based on, among other things, forecasts of production, prices, cost estimates and economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Reserve estimates *(Continued)*

Reserve estimates are critical to many accounting estimates including: (i) determining whether or not an exploratory well has found economically recoverable reserves. Such determinations involve the commitment of additional capital to develop the field based on current estimates of production, prices and other economic conditions; (ii) calculating unit-of-production depletion rates. Proved plus probable reserves are used to determine rates that are applied to each unit-of-production in calculating depletion expense; and (iii) assessing development and production assets for impairment. Estimated future net cash flows used to assess impairment of the Group's development and production assets are determined using proved plus probable reserves.

Provision for close down, restoration and environmental costs

Provisions are recognised for the future decommissioning and restoration of mines. The amounts of the provision recognised are the present values of the estimated future expenditures that the Group is expected to incur. The estimation of the future expenditures is based on their past experience and best estimation of future expenditure, after taking into account the existing relevant regulations in Russia. In addition to these factors, the present values of these estimated future expenditures are also impacted by the estimation of the economic lives of mining properties. Changes in any of these estimates will impact the operating results and the financial position of the Group over the remaining economic lives of the mining properties.

Estimated impairment of trade and other receivables

The impairment provisions for trade and other receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. As at 31 March 2023, the carrying values of trade and other receivables were approximately HK\$3,530,000 (2022: HK\$10,779,000) and HK\$15,252,000 (2022: HK\$10,817,000), while reversal of impairment loss of approximately HK\$1,381,000 (2022: impairment loss of approximately HK\$691,000) and impairment loss of approximately HK\$549,000 (2022: reversal of impairment loss of approximately HK\$1,265,000) have been recognised in profit and loss respectively.

Income taxes

As at 31 March 2023, no deferred tax asset has been recognised on the tax losses of approximately HK\$28,232,000 (2022: HK\$28,232,000) and deductible temporary difference of approximately HK\$3,288,794,000 (2022: HK\$4,020,767,000) respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Fair value of investment property

The fair value of investment property is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 21.

As at 31 March 2023, the carrying amount of investment property of the Group was approximately HK\$32,408,000 (2022: Nil).

Litigations

In prior years, the Company or its subsidiaries have been named as defendants in local courts for certain litigations. With the opinion of the independent legal advisers of the Company, the Directors considered that no provision for any potential liability has been made in the consolidated financial statements as the Group has pledged reasonable chance of success in defence. Details of the litigation are disclosed in Note 43.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of interest-bearing borrowings, amounts due to Shareholders, amounts due to a related party, convertible notes payables and promissory notes payables, net of cash and cash equivalent and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
At amortised cost (including cash and cash equivalent)	12,296	17,630
Financial liabilities		
At amortised cost	3,890,912	3,846,772

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables other than advance payments and prepayments, cash and cash equivalents, trade payables, other payables, interest-bearing borrowings, amounts due to shareholders, amounts due to a related party, purchase consideration payable for addition at acquisition, convertible notes payables and promissory notes payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(a) Currency risk

The Group's business operations in Korea are denominated in KRW and United States dollar ("USD"), and the Group's investments denominated in USD and RUB. Most of the Group's assets and liabilities are denominated in HKD, USD, RUB and KRW, which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure should the need arise.

(b) Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from promissory notes payables and convertible notes. The Group's promissory notes and convertible notes issued at fixed rate expose the Group to fair value interest rate risk. The Group has no cash flow interest-rate risk as there is no borrowing which bears floating interest rates. The Group historically has not used any financial instruments to hedge potential fluctuation in interest rates.

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 March 2023, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade receivables, other receivables and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 *Financial Instruments* to measure the loss allowance at lifetime ECL. The Group determines the ECL on a collectively basis by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 24% (2022: 14%) and 61% (2022: 45%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively as at 31 March 2023.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across the industry.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management of the Group uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group's exposure to credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	2023			2022		
				Gross carrying amounts	Loss allowances	Net carrying amounts	Gross carrying amounts	Loss allowances	Net carrying amounts
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	24	(Note)	Lifetime ECL (simplified approach)	3,697	(167)	3,530	12,326	(1,547)	10,779
Other receivables	25	Doubtful	Lifetime ECL — not credit impaired	4,208	(791)	3,417	4,033	(234)	3,799
					(958)			(1,781)	

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Liquidity risk

The Group's policy to manage liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from lenders and Shareholders to meet its liquidity requirements in the short and longer term. The Group relies on borrowings as a significant source of liquidity as set out in Note 2.

The following table details the remaining contractual maturities at the end of reporting year of the Group's non-derivative financial liabilities and lease liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

7. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	As at 31 March 2023			
	On demand or within 1 year HK\$'000	More than 1 year but less than 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
Trade payables	8,929	—	8,929	8,929
Other payables	23,661	2,126	25,787	25,787
Interest-bearing borrowings	61,171	24,407	85,578	61,432
Amounts due to shareholders	44,462	168,580	213,042	166,097
Amounts due to a related party	—	17,627	17,627	16,863
Purchase consideration payables for additional acquisition	3,349	—	3,349	3,349
Lease liabilities	729	694	1,423	1,357
Promissory notes payables	15,600	—	15,600	15,600
Convertible notes payables	3,591,498	—	3,591,498	3,591,498
	3,749,399	213,434	3,962,833	3,890,912

	As at 31 March 2022			
	On demand or within 1 year HK\$'000	More than 1 year but less than 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
Trade payables	287	—	287	287
Other payables	22,992	—	22,992	22,992
Interest-bearing borrowings	13,333	51,987	65,320	62,298
Amounts due to shareholders	39,591	121,219	160,810	150,091
Purchase consideration payables for additional acquisition	3,339	—	3,339	3,339
Lease liabilities	681	—	681	667
Promissory notes payables	15,600	—	15,600	15,600
Convertible notes payables	3,591,498	—	3,591,498	3,591,498
	3,687,321	173,206	3,860,527	3,846,772

Fair value measurement objective and policies

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The Directors consider that the carrying amounts of current and non-current financial assets, current and non-current financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

8. REVENUE

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

	2023 HK\$'000	2022 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15 Disaggregated by major products		
Sales of diesel	836,329	816,078
Sales of gasoline	199,369	272,067
Sales of others	113,977	79,890
	1,149,675	1,168,035

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

During the years ended 31 March 2023 and 2022, all of the Group's revenue, based on the location of the operations, was generated in Korea.

Transaction price allocated to the remaining performance obligations

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

9. SEGMENT INFORMATION

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

9. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2023

	Mining HK\$'000	Trading HK\$'000	Total HK\$'000
Segment revenue	—	1,149,675	1,149,675
Segment profit	541,219	7,189	548,408
Unallocated corporate expenses			(9,413)
Unallocated finance costs			(10,069)
Profit before income tax			528,926

For the year ended 31 March 2022

	Mining HK\$'000	Trading HK\$'000	Total HK\$'000
Segment revenue	—	1,168,035	1,168,035
Segment (loss) profit	(336,016)	10,280	(325,736)
Unallocated corporate expenses			(9,707)
Unallocated finance costs			(12,576)
Loss before income tax			(348,019)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

9. 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

	2023 HK\$'000	2022 HK\$'000
Mining	1,986,047	1,443,025
Trading	57,181	25,406
Total segment assets	2,043,228	1,468,431
Corporate and other assets	1,782	1,210
Total assets	2,045,010	1,469,641

Segment liabilities

	2023 HK\$'000	2022 HK\$'000
Mining	43,763	41,905
Trading	47,284	18,908
Total segment liabilities	91,047	60,813
Corporate and other liabilities	3,808,868	3,790,916
Total liabilities	3,899,915	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, income tax payables, interest-bearing borrowings, amounts due to Shareholders and a related party, convertible notes payables, promissory notes payables, deferred tax liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

9. 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 years ended 31 March 2023 and 2022.

	For the year ended 31 March 2023		
	Mining HK\$'000	Trading HK\$'000	Consolidated total HK\$'000
Amounts included in the measure of segment profit or loss or segments assets:			
Additions to non-current assets	3	2,264	2,267
Depreciation of property, plant and equipment	9	259	268
Depreciation of right-of-use assets	712	167	879
Amortisation of intangible assets	175,921	—	175,921
Reversal of impairment loss on exploration and evaluation assets	(717,456)	—	(717,456)
Reversal of impairment loss on trade and other receivables	—	(832)	(832)
Amount regularly provided to the CODM but not included in the measure of segment profit or loss:			
Income tax expenses	2	1,428	1,430

	For the year ended 31 March 2022		
	Mining HK\$'000	Trading HK\$'000	Consolidated total HK\$'000
Amounts included in the measure of segment profit or loss or segments assets:			
Additions to non-current assets	541	893	1,434
Depreciation of property, plant and equipment	19	271	290
Depreciation of right-of-use assets	815	185	1,000
Amortisation of intangible assets	225,214	—	225,214
Reversal of impairment loss on intangible assets	(175,949)	—	(175,949)
Impairment loss on exploration and evaluation assets	281,569	—	281,569
Reversal of impairment loss on trade and other receivables	—	(574)	(574)
Amount regularly provided to the CODM but not included in the measure of segment profit or loss:			
Income tax expenses	91	1,460	1,551

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

9. SEGMENT INFORMATION (CONTINUED)

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.

Revenue from external customers

	2023 HK\$'000	2022 HK\$'000
Korea	1,149,675	1,168,035

Non-current assets

	2023 HK\$'000	2022 HK\$'000
Russia	1,984,830	1,440,154
Korea	36,049	1,802
	2,020,879	1,441,956

Non-current assets excluded rental deposits and deposit paid for acquisition of property, plant and equipment.

Information about major customer

Details of the customer contributing over 10% of total revenue of the Group are as follows:

	2023 HK\$'000	2022 HK\$'000
Customer A ¹	N/A ²	206,699
Customer B ¹	N/A ²	133,056

¹ Revenue from trading segment

² The corresponding revenue did not contribute over 10% of the total revenue of the Group

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

10. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Interest income	173	330
Sundry income	58	35
Net exchange gains	2,801	—
	3,032	365

11. OTHER GAINS AND LOSSES

	2023 HK\$'000	2022 HK\$'000
Reversal of impairment loss on intangible assets	—	175,949
Reversal of impairment loss (impairment loss) on exploration and evaluation assets	717,456	(281,569)
Reversal of impairment loss on trade and other receivables	832	574
Gain on disposal of financial assets at fair value through profit or loss	—	4,158
Gain on disposal of property, plant and equipment	62	—
	718,350	(100,888)

12. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on:		
— Loan from third parties	3,207	7,294
— Loan from shareholders	5,795	5,254
— Loan from a related party	1,032	—
— Lease liabilities	35	28
	10,069	12,576

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

13. INCOME TAX EXPENSES

	2023 HK\$'000	2022 HK\$'000
Current tax:		
Korea corporation tax	1,361	1,553
Over-provision in prior years:		
Korea corporation tax	(44)	—
Deferred tax (Note 37)	113	(2)
	1,430	1,551

Notes:

- (a) No Hong Kong profits tax and Russia profits tax has been provided for the years ended 31 March 2023 and 2022 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 years.
- (b) Taxation for the Russia and Korea subsidiaries are similarly charged at the appropriate current rates of 20% of taxation ruling in the relevant countries.

The income tax expenses can be reconciled to the profit (loss) before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK\$'000	2022 HK\$'000
Profit (loss) before income tax	528,926	(348,019)
Tax at the domestic rates applicable to profits in the countries concerned	106,443	(68,950)
Tax effect of expenses of not deductible for taxation purposes	38,730	48,926
Tax effect of income not taxable for taxation purposes	(616)	(2)
Over-provision in respect of prior years	(44)	—
Tax effect of utilisation of deductible temporary difference previously not recognised	(143,083)	—
Tax effect of deductible temporary differences not recognised	—	21,577
Income tax expenses for the year	1,430	1,551

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

14. PROFIT (LOSS) FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Employee benefits expenses		
Directors' emoluments	729	780
Salaries and wages	3,596	4,027
Pension fund contribution	212	245
	4,537	5,052
Amortisation for intangible assets — mining right (included in other expenses)	175,921	225,214
Depreciation		
— Property, plant and equipment	268	290
— Right-of-use assets	879	1,000
Auditor's remuneration	1,270	1,941
Gain on disposal of financial assets at fair value through profit or loss	—	(4,158)
Gain on disposal of property, plant and equipment	(62)	—
Loss on written-off of property, plant and equipment	2	—
Reversal of impairment loss on intangible assets	—	(175,949)
(Reversal of impairment loss) impairment loss on exploration and evaluation assets	(717,456)	281,569
Reversal of impairment loss on trade and other receivables	(832)	(574)
Provision for close down, restoration and environmental cost	158	121
Net exchange (gains) losses	(2,801)	1,734
Cost of inventories recognised as an expense	1,137,389	1,159,112

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of directors' and chief executive's emoluments are as follows:

	Emoluments paid or receivable in respect of a persons services as a director, whether of the Company or its subsidiaries undertaking	Emoluments paid or receivable in respect of a persons services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total HK\$'000
	Director's Fees HK\$'000	Salaries and allowances HK\$'000	Pension fund contributions HK\$'000	
Year ended 31 March 2023				
<i>Executive directors:</i>				
Lee Jaeseong	180	—	—	180
Im Jonghak	180	—	—	180
<i>Independent Non-Executive Directors:</i>				
Kwok Kim Hung Eddie (Note (i))	60	—	—	60
Chen Dai	120	—	—	120
Leung Yau Wan John	180	—	—	180
Kim Sung Rae (Note (ii))	9	—	—	9
Total	729	—	—	729

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Emoluments paid or receivable in respect of a persons services as a director, whether of the Company or its subsidiaries undertaking	Emoluments paid or receivable in respect of a persons services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total HK\$'000
	Director's Fees HK\$'000	Salaries and allowances HK\$'000	Pension fund contributions HK\$'000	
Year ended 31 March 2022				
<i>Executive directors:</i>				
Lee Jaeseong	180	—	—	180
Im Jonghak	180	—	—	180
<i>Independent Non-Executive Directors:</i>				
Kwok Kim Hung Eddie	120	—	—	120
Chen Dai	120	—	—	120
Leung Yau Wan John	180	—	—	180
Total	780	—	—	780

Notes:

- (i) Mr. Kwok Kim Hung Eddie retired from independent non-executive director with effect from 28 September 2022. His emoluments disclosed above include those for services rendered by him as an independent non-executive director during the year ended 31 March 2023.
- (ii) Mr. Kim Sung Rae was appointed as an independent non-executive director of the Company on 3 March 2023.

During the current and prior years, no emoluments were paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2023 and 2022.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

16. EMPLOYEES' EMOLUMENTS

The five highest paid individuals during the year one Director (2022: Nil) and included one (2022: one) senior management staff. Details of directors' remuneration are set out in Note 15 above. Details of the remuneration of the four (2022: five) non-directors (including one senior management staff), highest paid individuals for the year are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other emoluments	2,790	2,996
Pension fund contribution	56	104
	2,846	3,100

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2023 Number of individuals	2022 Number of individuals
HK\$Nil to HK\$1,000,000	3	4
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,000,000	1	1

No emoluments were paid by the Group to the five highest paid individuals or any of the Directors as an incentive payment to join or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2023 and 2022.

17. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

18. EARNINGS (LOSS) PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
Profit (loss)		
Profit (loss) attributable to owners of the Company, used in the basic and diluted earnings (loss) per share	550,211	(343,499)
	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	145,017,062	145,017,062

There were no dilutive potential ordinary shares during the years ended 31 March 2023 and 2022. Therefore, the diluted earnings (loss) per share is the same as basic earnings (loss) per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

19. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$'000	Freehold land HK\$'000	Furniture and fixture HK\$'000	Equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
At 1 April 2021	12,664	1,336	135	198	1,361	15,694
Additions	1,142	—	—	—	292	1,434
Written-off	—	—	—	(5)	—	(5)
Exchange realignments	(1,462)	(148)	(11)	(3)	(100)	(1,724)
At 31 March 2022 and 1 April 2022	12,344	1,188	124	190	1,553	15,399
Additions	2,264	—	—	3	—	2,267
Written-off	—	—	(119)	—	—	(119)
Disposal	—	—	—	—	(257)	(257)
Exchange realignments	1,299	133	29	(3)	(48)	1,410
At 31 March 2023	15,907	1,321	34	190	1,248	18,700
Accumulated depletion, depreciation and impairment loss						
At 1 April 2021	—	—	126	149	176	451
Charge for the year	—	—	6	23	261	290
Written-off	—	—	—	(5)	—	(5)
Exchange realignments	—	—	(11)	(2)	(26)	(39)
At 31 March 2022 and 1 April 2022	—	—	121	165	411	697
Charge for the year	—	—	2	16	250	268
Written-off	—	—	(117)	—	—	(117)
Disposal	—	—	—	—	(192)	(192)
Exchange realignments	—	—	28	(2)	29	55
At 31 March 2023	—	—	34	179	498	711
Carrying values						
At 31 March 2023	15,907	1,321	—	11	750	17,989
At 31 March 2022	12,344	1,188	3	25	1,142	14,702

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Furniture and fixtures	20%
Equipment	10% to 20%
Motor vehicles	10% to 30%

20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

	2023 HK\$'000	2022 HK\$'000
At 1 April	656	1,104
Addition	48	—
Modification	1,493	587
Depreciation	(879)	(1,000)
Exchange realignments	42	(35)
At 31 March	1,360	656

The Group has lease arrangements for buildings and equipment. The lease terms are generally ranged from 1 to 2 years and 5 years, respectively.

Additions to the right-of-use assets for the year ended 31 March 2023 amounted to approximately HK\$48,000 (2022: Nil) due to new lease of equipment.

(b) Lease liabilities

	2023 HK\$'000	2022 HK\$'000
Total lease liabilities	1,357	667
Less: current portion	(686)	(667)
Non-current portion	671	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

(b) Lease liabilities *(Continued)*

Amounts payable under lease liabilities

	2023 HK\$'000	2022 HK\$'000
Within one year	686	667
After one year but within two years	644	—
After two years but within five years	27	—
	1,357	667
Less: Amount due for settlement within 12 months (shown under current liabilities)	(686)	(667)
Amount due for settlement after 12 months	671	—

Additions to the lease liabilities for the year ended 31 March 2023 amounted to approximately HK\$48,000 (2022: Nil) due to new lease of equipment.

(c) Amount recognised in profit and loss

	2023 HK\$'000	2022 HK\$'000
Depreciation of right-of-use assets		
— Building	873	1,000
— Equipment	6	—
Interest expense on lease liabilities	35	28

(d) Others

During the year ended 31 March 2023, the total cash outflow for lease amount to approximately HK\$1,114,000 (2022: HK\$1,029,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

21. INVESTMENT PROPERTY

	2023 HK\$'000	2022 HK\$'000
At 1 April	—	—
Additions	34,058	—
Exchange realignments	(1,650)	—
At 31 March	32,408	—

On 11 April 2022, the Group entered into an agreement with an independent third party for the acquisition of an investment property in South Korea at a consideration of KRW4,700,000,000 (equivalent to approximately HK\$29,845,000) (the “**acquisition**”). The acquisition was completed on 19 April 2022.

Valuation process of the Group

The Group measures its investment property at fair value. The fair value of the Group’s investment property as at 31 March 2023 has been determined on the basis of valuation carried out by an independent qualified valuer, Kaaram Appraisal Co., Ltd. (the “**Valuer**”). The valuation was arrived at by reference to the recent market prices for similar properties in the similar locations and conditions. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Fair value measurements using significant unobservable inputs

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group’s investment property is categorised as level 3 and there was no transfers between levels 1, 2 and 3 during the year.

Fair value of the Group’s investment properties is mainly derived using the direct comparison approach, the Valuer refers to market price of similar comparable properties.

For the investment property of the Group, the prevailing market price are estimated based on recent sales transactions nearby. The lower the prices, the lower is the fair value. As at 31 March 2023, prevailing market prices ranged from KRW22,220,000 to KRW26,820,000 (equivalent to approximately HKD134,000 to HKD162,000) per square meter on saleable area basis were adopted for the Group’s investment property located in the South Korea.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

22. INTANGIBLE ASSETS

	Mining right HK\$'000
Cost	
At 1 April 2021	1,296,181
Exchange realignments	(143,333)
At 31 March 2022 and 1 April 2022	1,152,848
Exchange realignments	129,454
At 31 March 2023	1,282,302
Accumulated amortisation and impairment loss	
At 1 April 2021	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	980,957
Charge for the year	175,921
Exchange realignments	125,424
At 31 March 2023	1,282,302
Carrying values	
At 31 March 2023	—
At 31 March 2022	171,891

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

22. INTANGIBLE ASSETS *(Continued)*

Mining rights

In prior years, the Company, Grandvest International Limited ("**Grandvest**"), a wholly-owned subsidiary of the Company, Cordia Global Limited ("**Cordia**") and the sole beneficial owner of Cordia entered into an acquisition agreement (the "**Acquisition Agreement**") to acquire a 90% equity interest in Langfeld Enterprises Limited ("**Langfeld**") and its subsidiaries (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 fair value assessment and impairment test for current year, the Directors have engaged Ravia Global Appraisal Advisory Limited ("**Ravia**"), an independent firm of professional valuer in determining the recoverable amount of the mining right which is the higher of the asset's fair value less costs of disposal and its value in use. Given the current development status of the mining right, the Directors have determined the fair value less costs of disposal to be its recoverable amount. The recoverable amount is derived by using a discounted cash flow ("**DCF**") analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating the mining right's fair value.

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

- (i) Cash flow projection is determined for a period of 18 years up to 2040 (2022: a period of 18 years up to 2039) with the first year of production taken to be from year 2030 (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 26.53% (2022: 34.88%) of revenue.
- (iii) The post-tax discount rate applied to the cash flow projection is 38.16% (2022: post-tax discount rate of 38.42%).
- (iv) The Directors have assumed the yearly coal sales prices to have no change in 2023, to decrease 14.97% in 2024 and 6.45% in 2025, to increase 0.30% in 2026 and 3.00% each year from 2027 to 2040 (2022: 0% from 2022 to 2024, and 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 years are determined with reference to the coal price under current market information at the respective valuation dates, which show an increase of approximately 18.35% to 70.11% (depends on different type of coals) when compared to that of last year.
- (vi) The exchange rate for USD to RUB with reference to the approximate spot rate as of 31 March 2023 is taken to be US\$1.00 to RUB77.50 (2022: US\$1.00 to RUB82.23).
- (vii) The yearly inflation rate on operating costs is 5.8%, 5.00% and 4.50% for 2023, 2024 and 2025 respectively, and 3.00% from 2026 to 2040 (2022: 19.00%, 11.70% and 5.80% for 2022, 2023 and 2024, respectively, and 3.00% from 2025 to 2039).
- (viii) The Group is able to renew the relevant licence for the mining right upon its existing expiry date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

22. INTANGIBLE ASSETS *(Continued)*

Mining rights *(Continued)*

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

As the intangible assets (in relation to the mining rights of Lot 1 and Lot 1 Extension of the Group's Russian coal mines) were fully amortised under the cost model as at 31 March 2023, the Directors considered impairment loss or reversal of impairment loss was not applicable as at 31 March 2023 based on the valuation.

The Directors 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 31 March 2023. No impairment loss (2022: Nil) (Note 19) was recognised for property, plant and equipment associated with the mining right during the current year.

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

Intangible asset	Location	Expiry Date
Mining right Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russia	1 July 2025

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

23. EXPLORATION AND EVALUATION ASSETS

	Total HK\$'000
Cost	
At 1 April 2021	3,639,160
Exchange realignments	(2,906)
At 31 March 2022 and 1 April 2022	3,636,254
Exchange realignments	2,624
At 31 March 2023	3,638,878
Accumulated impairment loss	
At 1 April 2021	2,100,959
Impairment loss	281,569
Exchange realignments	(981)
At 31 March 2022 and 1 April 2022	2,381,547
Reversal of impairment loss	(717,456)
Exchange realignments	5,665
At 31 March 2023	1,669,756
Carrying values	
At 31 March 2023	1,969,122
At 31 March 2022	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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

23. EXPLORATION AND EVALUATION ASSETS (Continued)

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

- (i) Cash flow projection is determined for a period of 12 years up to 2034 (2022: a period of 12 years up to 2033) with the first year of production taken to be from year 2025 (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 17.47% (2022: 21.11%) of revenue.
- (iii) The post-tax discount rate applied to the cash flow projection is 38.16% (2022: post-tax discount rate of 38.42%).
- (iv) The Directors have assumed the yearly coal sales prices to have no change in 2023, to decrease 14.97% in 2024 and 6.45% in 2025, to increase 0.30% in 2026 and 3.00% each year from 2027 to 2034 (2022: 0% from 2022 to 2024, and 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 years are determined with reference to the coal price under current market information at the respective valuation dates, which show an increase of approximately 18.35% to 77.50% (depends on different type of coals) when compared to that of last year.
- (vi) The exchange rate for USD to RUB with reference to the approximate spot rate as of 31 March 2023 is taken to be US\$1.00 to RUB77.50 (2022: US\$1.00 to RUB82.23).
- (vii) The yearly inflation rate on operating costs is 5.8%, 5.00% and 4.50% for 2023, 2024 and 2025 respectively, and 3.00% from 2026 to 2034 (2022: 19.00%, 11.70% and 5.80% for 2022, 2023 and 2024, respectively, and 3.00% from 2025 to 2033).

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

The Directors are of the opinion that based on the valuation, the reversal of impairment loss of mining right amounted to approximately HK\$717,456,000 (2022: impairment loss of approximately HK\$281,569,000) compared with its carrying value as at 31 March 2023. The reversal of impairment loss is mainly attributable to the net effects of change of expected first year of coal production to 2025, increase of the relevant coal prices, the appreciation of RUB to USD, the decrease 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 year as compared to previous year.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

24. 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.

	2023 HK\$'000	2022 HK\$'000
0 to 90 days	3,489	10,152
91 to 180 days	—	627
181 to 365 days	41	—
	3,530	10,779

The following table provides information which are assessed based on provision matrix.

At 31 March 2023:

	Weighted average expected loss rate %	Gross carrying amount HK\$'000	Allowance HK\$'000
0 to 90 days	1.11%	3,530	(41)
91 to 180 days	—	—	—
181 to 365 days	3.19%	159	(118)
Over 365 days	0.22%	8	(8)
		3,697	(167)

At 31 March 2022:

	Weighted average expected loss rate %	Gross carrying amount HK\$'000	Allowance HK\$'000
0 to 90 days	4.58%	10,717	(565)
91 to 180 days	7.97%	1,609	(982)
		12,326	(1,547)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

24. TRADE RECEIVABLES *(Continued)*

The movements in the allowance for impairment of trade receivables are set out below:

	HK\$'000
At 1 April 2021	905
Impairment loss recognised	691
Exchange realignments	(49)
At 31 March 2022 and 1 April 2022	1,547
Reversal of impairment loss recognised	(1,381)
Exchange realignments	1
At 31 March 2023	167

25. OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Deposits	299	316
Other loans receivables	1,878	2,235
Other receivables	1,240	1,248
Advance payments	10,027	5,799
Prepayments	1,808	1,219
	15,252	10,817
Less: Rental deposits classified as non-current assets	(298)	(316)
Current portion included in other receivables	14,954	10,501

Details of impairment assessment of other receivables for the years ended 31 March 2023 and 2022 are set out in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

25. OTHER RECEIVABLES *(Continued)*

The movements in the allowance for impairment of other receivables are set out below:

	HK\$'000
At 1 April 2021	1,509
Reversal of impairment loss recognised	(1,265)
Exchange realignments	(10)
At 31 March 2022 and 1 April 2022	234
Impairment loss recognised	549
Exchange realignments	8
At 31 March 2023	791

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represents cash at banks which earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate their fair value.

	2023 HK\$'000	2022 HK\$'000
RUB	13	1,732
WON	5,278	1,084
USD	5	95
HKD	53	141
Total	5,349	3,052

27. 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:

	2023 HK\$'000	2022 HK\$'000
0 to 90 days	8,929	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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

28. OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Other payables	416	420
Accrued expenses	4,145	4,337
Interest payables	21,226	18,235
	25,787	22,992
Less: other payables classified as non-current liabilities	(2,126)	—
Current portion included in other payables	23,661	22,992

29. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Advances from customers	4,006	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 in 2023 were mainly due to increase in purchases order from customers in early 2023.

Revenue recognised during the year ended 31 March 2023 that was included in the contract liabilities as at 31 March 2022 was approximately HK\$591,000 (2022: HK\$576,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

30. INTEREST-BEARING BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Other loan 1 (Note a)	28,561	28,561
Other loan 2 (Note b)	12,467	13,333
Other loan 3 (Note c)	17,404	17,404
Other loan 4 (Note d)	3,000	3,000
	61,432	62,298

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

30. INTEREST-BEARING BORROWINGS (Continued)

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2023 HK\$'000	2022 HK\$'000
Within one year	41,028	13,333
After one year but within two years	20,404	48,965
	61,432	62,298
Carrying amount of repayable within one year and amounts shown under current liabilities	41,028	13,333
Amounts shown under non-current liabilities	20,404	48,965
	61,432	62,298

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2023	2022
Effective interest rate: Fixed-rate borrowings	4.6% — 6%	4.6% — 6%

The Group's borrowings are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
HKD	8,480	8,480
USD	40,485	40,485
KRW	12,467	13,333
	61,432	62,298

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

30. INTEREST-BEARING BORROWINGS *(Continued)*

Notes:

- (a) As at 31 March 2023, the aggregate amount of approximately HK\$28,561,000 (2022: HK\$28,561,000) (“**Other Loan 1**”) was unsecured, bearing interest at 5%-6% per annum and repayment on demand. The lender had agreed to extend the repayment date to 31 January 2024.
- (b) In the previous year, the amount of KRW3,120,000,000 (equivalent to approximately HK\$21,466,000) (“**Other Loan 2**”) was due to the lender and bearing interest at 4.6% per annum and repayable after 1 year from the date of drawdown or on demand.

During the year ended 31 March 2022, part of Other Loan 2 amounting to KRW1,056,000,000 (equivalent to approximately HK\$6,822,000) has been repaid.

As at 31 March 2023, the remaining unsettled Other Loan 2 in aggregate amount of KRW2,064,000,000 (equivalent to approximately HK\$12,467,000) (2022: HK\$13,333,000) was due to the lender.

- (c) As at 31 March 2023, the aggregate loan amount of approximately HK\$17,404,000 (2022: HK\$17,404,000) (“**Other Loan 3**”) was unsecured, bearing interest at 5% per annum and repayment on demand. The lender had agreed to extend the repayment date to 31 January 2025.
- (d) As at 31 March 2023, the loan amount of approximately HK\$3,000,000 (2022: HK\$3,000,000) (“**Other Loan 4**”) was unsecured, bearing interest at 5% per annum and repayment on demand. The lender had agreed to extend the repayment date to 31 January 2025.

31. AMOUNTS DUE TO SHAREHOLDERS

- (a) As at 31 March 2023, the amount due to a shareholder amounting to HK\$228,000 (2022: HK\$228,000) was unsecured, interest free and repayable on demand.
- (b) As at 31 March 2023, the amount due to a shareholder amounting to approximately HK\$2,853,000 (2022: HK\$2,677,000) was unsecured, bears interest at the weighted average effective interest rate of 10% per annum and repayable upon maturity or on demand.
- (c) As at 31 March 2023, the aggregate amount of approximately HK\$127,475,000 (2022: HK\$112,151,000) was bearing interest at 5%-6% per annum and repayable after 12 months from the date of drawdown or on demand. The shareholder had agreed to extend the repayment date of all loans (including new addition loans) to 31 January 2025.
- (d) As at 31 March 2023, the amount due to a shareholder totaling approximately HK\$35,541,000 (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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

32. AMOUNTS DUE TO A RELATED PARTY

- (a) During the year ended 31 March 2023, a new loan amount of approximately KRW 4,200,000,000 (equivalent to approximately HK\$25,368,000) was obtained from a related party, which was unsecured, bearing interest at 4.6% per annum. The lender had agreed to extend the repayment date to 17 April 2024.

During the year ended 31 March 2023, part of the loan amounting to KRW1,580,000,000 (equivalent to approximately HK\$9,544,000) has been repaid.

- (b) During the year ended 31 March 2023, a new loan amount of KRW650,000,000 (equivalent to approximately HK\$3,926,000) was obtained from a related party, which was secured, bearing interest at 4.6% per annum and repayable after 12 months from the date of drawdown or on demand. The loan (including interest payable) has been fully settled during the year ended 31 March 2023.

33. 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) (2022: HK\$3,339,000).

During the years ended 31 March 2023 and 2022, the Group has no further settlement on the 4th Adjusted Consideration.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

34. 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 results, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

34. CONVERTIBLE NOTES PAYABLES *(Continued)*

Convertible notes *(Continued)*

In 13 April 2017, the Company announced that Daily Loyal and the Company entered into an amended agreement (the "**Amendment Agreement**"), which provided, among other things, to (i) extend the maturity dates of the Outstanding Third Convertible Note for at least another two years before the Outstanding Third Convertible Note becomes a current liability of the Company; (ii) convert the Outstanding Third Convertible Note except for the principal amount of US\$60,000,000 (equivalent to approximately HK\$468,000,000) at the conversion price of HK\$48 per share within three business days upon signing of the Amendment Agreement; and (iii) agree on no demand of the remaining outstanding principal amount of the Outstanding Third Convertible Note on the maturity dates.

However, Daily Loyal (as the plaintiff) subsequently alleged that its sole director (Mr. Chan Chun Wah) signed the Amendment Agreement in August 2016 (leaving the document undated, the "**Undated Amendment Agreement**") based on an understanding that such document only served as a memorandum for discussion purpose and was not intended to be binding, and that the Company and Mr. Hong Sang Joon (a former Director of the Company) should not fill in the date of the document. Besides, Daily Loyal was of the view that the validity of the Undated Amendment Agreement was contrary to the Additional Agreement entered into by it with Cordia Global Limited ("**Cordia**"), Choi Sungmin, Grandvest International Limited (a subsidiary of the Company) and the Company on 22 August 2016.

Daily Loyal also alleged that (i) the placing and issue of new shares by the Company as announced by the Company on 24 October 2016; (ii) the placing and issue of new shares by the Company as announced by the Company on 24 January 2017; and (iii) the issue of new shares upon loan capitalizations as announced by the Company on 20 February 2017 were conducted without the prior consent or authorization of Daily Loyal and were in breach of a convertible note agreement (the "**Convertible Note Agreement**") dated 3 April 2013 between the Company and Cordia in relation to the Third Convertible Note. Details are disclosed in Note 43 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

34. CONVERTIBLE NOTES PAYABLES *(Continued)*

Convertible notes *(Continued)*

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

1. The principal amount of the notes had been updated to a reduced principal amount of US\$400,390,000 to reflect conversions of and adjustments to the Original Notes since their original issuance.
2. The maturity date of the Original Notes was five years after the date of issue of the Original Notes, or 3 April 2018. The Amended Note Instrument extended the maturity date of the Notes to the date falling one year after the date of the Amended Note Instrument without interest, or 19 October 2019.
3. The Original Note Instrument gave holders of the Original Notes the right to require conversion of the Original Notes. The Amended Note Instrument granted holders of the Amended Notes, as well as the Company, to require conversion of the Amended Notes.
4. The Original Notes were secured by certain share charges as provided in condition 6 thereunder. Pursuant to the Amended Note Instrument, the parties agreed to release and discharge such share charges immediately after execution of the Amended Note Instrument.
5. Condition 14 of the Original Note Instrument provided that the terms and conditions of the Original Note Instrument may be amended by agreement in writing between the Company and the noteholders holding in aggregate not less than 75% in outstanding principal amount of the Original Notes. The Amended Note Instrument provided that the terms and conditions of the Amended Note Instrument may be amended by agreement in writing between the Company and noteholders holding in aggregate not less than 65% in outstanding principal amount of the Amended Notes.
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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

34. CONVERTIBLE NOTES PAYABLES (Continued)

Convertible notes (Continued)

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

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

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

Pursuant to the Cancellation Agreement, the Amendments and all transactions carried out pursuant thereto, including the Conversion, would be reversed and cancelled ab initio. As a result, the issued share capital of the Company would with immediate effect revert to the original status before the shares conversion.

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 31 March 2023, the total outstanding principal amount is US\$460,448,500 (equivalent to HK\$3,591,498,000) (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% (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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

34. CONVERTIBLE NOTES PAYABLES (Continued)

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	3,591,498	—	3,591,498
Imputed interest charged during the year	—	—	—
As at 31 March 2022 and 1 April 2022	3,591,498	—	3,591,498
Imputed interest charged during the year	—	—	—
As at 31 March 2023	3,591,498	—	3,591,498

35. PROMISSORY NOTES PAYABLES

	2023 HK\$'000	2022 HK\$'000
At the beginning of the year and at the end of 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 year, no imputed interest was charged to profit or loss. The remaining outstanding Modified PN is classified as 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 (2022: HK\$15,600,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

36. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	2023 HK\$'000	2022 HK\$'000
As at 1 April	1,305	1,347
Provision during the year (Note 14)	158	121
Exchange realignments	122	(163)
As at 31 March	1,585	1,305

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 FINANCIAL STATEMENTS

For the year ended 31 March 2023

37. DEFERRED TAX LIABILITIES

	HK\$'000
As at 1 April 2021	2,453
Charged to profit or loss (Note 13)	(2)
Exchange realignments	(281)
As at 31 March 2022 and 1 April 2022	2,170
Credited to profit or loss (Note 13)	113
Exchange realignments	248
As at 31 March 2023	2,531

At 31 March 2023, the Group had unused tax losses of approximately HK\$28,232,000 (2022: HK\$28,232,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2023 and 2022 in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group entities.

As at 31 March 2023, the Group has deductible temporary differences of approximately HK\$3,288,794,000 (2022: HK\$4,020,767,000). As at 31 March 2023, no deferred asset has been recognised in relation to such deductible temporary difference and it is not considered probable that taxable profits will be available against which such deductible temporary differences can be utilised.

There was no other significant unrecognised deferred tax as at 31 March 2023 and 2022.

38. SHARE CAPITAL

	Number of shares		Nominal value	
	2023	2022	2023 HK\$'000	2022 HK\$'000
Authorised:				
Ordinary shares of HK\$2.00 each (2022: HK\$2.00 each)	500,000,000	500,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning of the year and at the end of the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

39. SHARE OPTION SCHEME

The Company has two share option schemes.

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

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

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

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

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

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

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

At the annual general meeting of the Company held on 31 August 2012, the shareholders of the Company resolved to terminate the Old Scheme. As at 31 March 2023, there was no option remained outstanding under the Old Scheme (2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

39. SHARE OPTION SCHEME *(Continued)*

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

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

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

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

The offer of a grant of share options may be accepted for a period of 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercisable period of the share options granted is determined by the Directors. The share options must be exercised in any event not later than 10 years or a shorter period as specified, from the date of grant. The New Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised. For more details of the terms of the New Scheme, please refer to Appendix III of the circular of the Company dated 31 July 2012.

Upon the granting of listing approval on 7 September 2012 by the Stock Exchange for the shares of the Company which may be issued on exercise of the options under the New Scheme, the New Scheme is valid and effective for a period of 10 years commencing on 7 September 2012, after which period no further share options will be granted. The remaining life of the New Scheme is approximately 2 months from the date of this report.

During the years ended 31 March 2023 and 2022, no option had been granted under the New Scheme. As at 31 March 2022, there was no option remained outstanding under the New Scheme (2022: Nil). Since the adoption date of the New Scheme to the date of this report, no option has been granted.

40. CAPITAL COMMITMENTS

There was no capital expenditure contracted for but not provided in the consolidated financial statements as at 31 March 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

41. 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 financial statements, details of transactions between the Group and other related parties are disclosed below.

- (i) On 21 October 2009, the Company and Cordia, a shareholder of the Company, entered into a new loan facilities letter which substituted the old loan facilities letter entered into on 25 May 2009. Under the new agreement, Cordia had made available to the Company new loan facilities of up to US\$72,000,000 for the purpose of financing the development of the coal mine acquired from the acquisition of the Langfeld Group and the acquisition of further equity interest in the Lapi. The new loan facilities were made available to the Company during the period from the effective date of the new loan facilities on 14 December 2009 to the date falling two years from the date the Group obtained the New Mining License. The new loan facilities had therefore expired in November 2012.

In 2022, Cordia have agreed to waive a portion of the interest charged US\$6,700 (equivalent to approximately HK\$52,000) on the amount due in view of the early settlement on the principal loan due to Cordia. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company in the current year (Note 45).

No interest has been waived during the year.

- (ii) In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Company entered into the following transactions with its related parties during the year:

Name of company	Relationship	Nature of transactions	2023 HK\$'000	2022 HK\$'000
Cordia Global Limited	Shareholder	Interest expenses thereto	407	405
First Glory Limited	Shareholder	Interest expenses thereto	177	177
Space Hong Kong Enterprise Limited	Shareholder	Interest expenses thereto	5,211	4,672
EH Energy Limited	Related party	Interest expenses thereto	1,032	—

- (iii) Members of key management personnel during the year comprised only of the executive Directors whose remuneration is set out in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

42. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK\$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The Group operates the defined contribution plan for all qualifying employees in Korea. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes at least one-twelfth of the total annual salary to the defined contribution plan, in which employee's additional contribution is allowed.

The employees of the Group's subsidiary in Russia are members of a state-managed retirement benefit scheme operated by the local authorities. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 March 2023, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK\$212,000 (2022: HK\$245,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

43. 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 since the year ended 31 March 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

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

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 31 March 2023, 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 31 March 2023, the outstanding amount of the Third Claim was US\$238,000 (equivalent to approximately HK\$1,856,400), which had also been fully provided for since 31 March 2013.

HCA 672 of 2013

As announced by the Company on 30 April 2013, Cordia Global Limited ("**Cordia**") on 23 April 2013 issued a writ of summons in the High Court of Hong Kong (HCA 672 of 2013) against certain parties and the Company. Cordia also took out an inter partes summons to seek, inter alia, an injunction against certain parties to restrain them from disposing of their shares in the Company and/or exercising their voting rights under those shares.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

HCA 1618 of 2016

As announced by the Company on 29 June 2016, the Company on 22 June 2016 received a writ of summons issued by Zhi Charles (as the plaintiff) in the High Court of Hong Kong (HCA 1618 of 2016) against certain parties, including the Company. The plaintiff 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 solicitors acting for Grandvest International Limited and the former Director are 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 FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. 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 solicitors acting for the former Director are 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

HCA 3148 of 2016

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

HCA 47 of 2017

As announced by the Company on 16 January 2017, the Company received on 9 January 2017 a writ of summons issued by Kim Sungho (as the plaintiff) in the High Court of Hong Kong under action number HCA 47 of 2017 to certain parties, including the Company. The plaintiff was seeking various declaratory reliefs against the defendants in respect of, inter alia, certain technical reports on the Company's Russian coal mines, the First Convertible Note and the Third Convertible Note.

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

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

HCMP 701 of 2017

As announced by the Company on 16 May 2017, the Company received on 2 May 2017 originating summons issued by Kim Sungho, Cho Seong Woo, Kim Kyungsoo, Lim Hang Young and Joung Jong Hyun (as the plaintiffs) in the High Court of Hong Kong under action number HCMP 701 of 2017 on 27 March 2017 to certain parties, including the Company and Grandvest International Limited (a subsidiary of the Company). The plaintiffs were seeking Court orders for the Company to produce to them, inter alia, information about the new technical report issued to the Company on 11 August 2016.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

HCA 1071 of 2017 (Continued)

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

Daily Loyal (as the plaintiff) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

HCA 1071 of 2017 (Continued)

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

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. 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.

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 codefendant to the counterclaim.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

HCA 2501 of 2017 (Continued)

As announced by the Company on 3 October 2019, further to an earlier notice of discontinuance filed on 24 June 2019, the Company received an order of the High Court sealed on 25 September 2019, pursuant to which leave was granted to China Panda Limited and Gold Ocean to wholly discontinue the original action in HCA 2501/2017 ("**HCA 2501/2017 (Original Action)**"). Notwithstanding the discontinuance of HCA 2501/2017 (Original Action), the counterclaim of Daily Loyal 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

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

As announced by the Company on 13 February 2017, the Company on 6 February 2017 received a Fourth Party Notice dated 25 January 2017 from Kim Sungho whereby he purported to join 10 parties as the fourth parties and such parties include the Company and Grandvest International Limited in the same legal action HCA 51 of 2017. In such Fourth Party Notice, Kim Sungho was seeking various declarations against those 10 parties in respect of, inter alia, the HASS Report on the Company's Russian coal mines.

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

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

HCA 2520 of 2018

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

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

Daily Loyal eventually filed and served its statement of claim on 9 January 2019. The Company would defend vigorously and has already filed its defence.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. LITIGATIONS *(Continued)*

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

HCA 2520 of 2018 (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. 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)

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. The judgment was originally expected to be handed down by early January 2023. Subsequently, the Judge indicated that he would issue the judgement by mid-July 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

43. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash change. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to shareholders (Note 31) HK\$'000	Interest- bearing borrowings (Note 30) HK\$'000	Amounts due to a related party (Note 32) HK\$'000	Lease liabilities (Note 20) HK\$'000	Total HK\$'000
At 1 April 2022	150,091	62,298	—	667	213,056
Financing cash flows:					
— Additions	10,143	—	29,052	—	39,195
— Repayments	—	—	(13,360)	(1,114)	(14,474)
Non-cash changes:					
— Right-of-use assets addition	—	—	—	48	48
— Finance costs incurred	5,795	—	1,032	35	6,862
— Lease modification	—	—	—	1,493	1,493
— Exchange realignments	68	(866)	139	228	(431)
At 31 March 2023	166,097	61,432	16,863	1,357	245,749

	Amounts due to shareholders (Note 31) HK\$'000	Interest- bearing borrowings (Note 30) HK\$'000	Lease liabilities (Note 20) HK\$'000	Total HK\$'000
At 1 April 2021	138,920	62,246	1,123	202,289
Financing cash flows:				
— Additions	6,123	119,942	—	126,065
— Repayments	(373)	(118,580)	(1,029)	(119,982)
Non-cash changes:				
— Finance costs incurred	5,254	—	28	5,282
— Lease modification	—	—	587	587
— Waiver of interest	(52)	—	—	(52)
— Exchange realignments	219	(1,310)	(42)	(1,133)
At 31 March 2022	150,091	62,298	667	213,056

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2023 HK\$'000	2022 HK\$'000
Non-current asset			
Investments in subsidiaries	(a)	—	—
Current assets			
Other receivables		1,751	1,157
Cash and cash equivalents		24	21
		1,775	1,178
Current liabilities			
Other payables		18,235	17,921
Amounts due to shareholders		4,959	4,782
Interest-bearing borrowings		28,561	—
Promissory notes payables		15,600	15,600
Convertible notes payables		3,591,498	3,591,498
		3,658,853	3,629,801
Net current liabilities		(3,657,078)	(3,628,623)
Total assets less current liabilities		(3,657,078)	(3,628,623)
Non-current liabilities			
Other payables		2,126	—
Amounts due to shareholders		127,475	112,151
Amount due to a subsidiary		3,614	3,455
Interest-bearing borrowings		20,404	48,965
		153,619	164,571
Total liabilities		(3,810,697)	(3,793,194)
Shareholders' equity			
Share capital		290,034	290,034
Reserves	(b)	(4,100,731)	(4,083,228)
Capital deficiencies		(3,810,697)	(3,793,194)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

- (a) The amounts including the amounts due from subsidiaries are unsecured, interest-free and not expected to be repaid with one year. The Directors consider the amounts are in substance, part of the Company's investments in the subsidiaries in the form of quasi-equity loans.
- (b) Reserves movement of the Company is as follows:

	Share premium	Equity- settled share option reserve (Note i)	Capital reserve (Note ii & iii)	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2021	1,956,517	47	23,884	(6,042,304)	(4,061,856)
Loss and total comprehensive expenses for the year	—	—	—	(21,424)	(21,424)
Waiver of interest on early settle of amounts due to shareholders	—	—	52	—	52
At 31 March 2022 and 1 April 2022	1,956,517	47	23,936	(6,063,728)	(4,083,228)
Loss and total comprehensive expenses for the year	—	—	—	(17,503)	(17,503)
At 31 March 2023	1,956,517	47	23,936	(6,081,231)	(4,100,731)

At the end of reporting year, the equity-settled share option reserve and capital reserve of the Company represents respectively (i) the fair value of the outstanding share options of the Company at the respective grant dates; (ii) the amount of interest charged on amount due to a shareholder of the Company that was waived as a result of early settlement on the principal balance of the amount due to that shareholder of the Company. The amount waived was considered as a contribution from the equity participant of the Company; and (iii) the carrying amount of the Modified PN that was converted to equity and utilised to settle purchase consideration as set out in Note 35 as a result of early settlements on the principal balance of the Modified PN, which were considered as contributions from equity participant of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 March 2023 and 2022 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Class of shares held	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
				Direct		Indirect		
				2023	2022	2023	2022	
Langfeld Enterprises Limited	The Republic of Cyprus ("Cyprus")	Ordinary	EUR10,000	—	—	90%	2022	90% Investment holding
LLC "Shakhta Lapichevskaya"	Russia	Registered capital	RUB172,315,950	—	—	90%	2022	90% Holding of mining and exploration rights
Grandvest International Limited	BVI	Ordinary	US\$1	100%	100%	—	2022	— Investment holding
Global Power Asia Co., Ltd	Korea	Registered capital	KRW179,595,000	—	—	100%	2022	100% Trading of diesel, gasoline and other products

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries have non-controlling interests that are material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2023

47. EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, certain loans of HK\$836,500 in total were granted by a Director to the Company and a loan of US\$77,000 (equivalent to approximately HK\$600,600) was granted by a Shareholder to the Company.
- (b) Subsequent to the end of the reporting period, certain lenders had agreed to further extend the due dates of the loans (and the related interests payables where applicable) to 31 January 2025.
- (c) On 26 June 2023, the Company entered into a loan facilities agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US\$56,309,000 (equivalent to approximately HK\$439,210,000).
- (d) On 27 June 2023, the Company entered into a loan facilities agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US\$31,523,000 (equivalent to approximately HK\$245,879,000).
- (e) On 27 June 2023, the Company entered into a loan facilities agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US\$43,475,000 (equivalent to approximately HK\$339,105,000).
- (f) On 28 June 2023, the Company entered into a loan facilities agreement with an independent party, pursuant to which in case the Company has made efforts in seeking other debts financing and/or equity financing but is not able to do so at reasonable costs, the independent party could provide financial support to the Company up to approximately US\$7,578,000 (equivalent to approximately HK\$59,109,000).

FINANCIAL SUMMARY

For the year ended 31 March 2023

(Expressed in Hong Kong dollars)

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2023.

RESULTS

	2023 HK\$'000	Year ended 31 March			
		2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	1,149,675	1,168,035	1,243,111	1,194,065	647,951
Profit (loss) before tax and non-controlling interests	528,926	(348,019)	536,283	(1,509,179)	(60,948)
Income tax	(1,430)	(1,551)	434	(314)	806
Profit (loss) after tax and before non-controlling interests	527,496	(349,570)	536,717	(1,509,493)	(60,142)
Non-controlling interests	22,715	6,071	(12,133)	34,060	(1,588)
Profit (loss) attributable to owners of the Company	550,211	(343,499)	524,584	(1,475,433)	(61,730)

ASSETS AND LIABILITIES

	2023 HK\$'000	Year ended 31 March			
		2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets	2,021,177	1,445,309	1,813,134	1,245,130	2,765,815
Current assets	23,833	24,332	30,800	41,719	37,667
Current liabilities	(3,728,260)	(3,687,138)	(3,640,066)	(3,661,838)	(3,626,043)
Non-current liabilities	(171,655)	(164,591)	(196,801)	(159,002)	(216,137)
Non-controlling interests	36,249	13,447	4,490	16,877	(20,648)
Equity attributable to owners of the Company	(1,818,656)	(2,368,641)	(1,988,443)	(2,517,114)	(1,059,346)