SIBERIAN MINING GROUP COMPANY LIMITED
西伯利亞礦業集團有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock Code :1142)

SIBERIAN MINING

ANNUAL REPORT 2010

* *For identification only*

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Lim Ho Sok *(Chairman)*
Li Wing Sang *(Chief Executive Officer)*
Chiu Chi Hong
Shin Min Chul (appointed on 15 October 2009)

Independent Non-executive Directors

Liew Swee Yean
Tam Tak Wah
Yoshinori Suzuki

COMPANY SECRETARY

Lo Suet Fan (appointed on 1 August 2009)
Wong Kwan Pui (resigned on 1 August 2009)

AUTHORISED REPRESENTATIVES

Chiu Chi Hong
Lo Suet Fan (appointed on 1 August 2009)
Wong Kwan Pui (resigned on 1 August 2009)

AUDIT COMMITTEE

Liew Swee Yean
Tam Tak Wah
Yoshinori Suzuki

REMUNERATION COMMITTEE

Li Wing Sang
Liew Swee Yean
Tam Tak Wah
Yoshinori Suzuki

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
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

16th Floor
No. 8 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
PO Box 484
HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

HKEX STOCK CODE

1142

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Siberian Mining Group Company Limited (the "Company"), I am pleased to present to the shareholders the annual results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2010.

In May 2009, the Group had completed the acquisition of 90% interest in Langfeld Enterprises Limited, ("Langfeld") which held 70% interest of its subsidiary, LLC "Shakhta Lapichevskaya" which, in turn, owns a coal mine in Russia Federation. In order to improve the production efficiency and strengthen the control over the coal resources in the Russian subsidiary, the Group, through Langfeld, acquired the remaining 30% interest in LLC "Shakhta Lapichevskaya" in February 2010.

The year 2009 was still marked by a global economic downturn and the prevailing worldwide financial and commodities markets remain volatile. The Group had suffered a decline in asset values due to the drastic drop of demand and prices of coking coal in 2009. As a result of the shrinkage in coking coal prices and other negative market factors, the Group had recorded a substantial loss which was attributable to the impacts arising from various non-cash accounting adjustments and an increase in the administrative expenses to develop the Russian coal mine.

Despite of such losses and difficulties, the Group is able to keep up with challenges and concentrate on the core aspects of the Group's development. The growth of digital television broadcasting industry is not as rapid as expected and the business prospect seems sluggish an well. In 2010, the global economy continues to regain its momentum, and coal prices start picking up with an increase in market demand. These factors are sure beneficial to the development of the Group's mining business in Russia. Nevertheless, I am cautiously optimistic about the Group's business outlook as I expect a moderate recovery in corporate investments and the demand for natural resources, such as coal, will fluctuate in an upward trend along with the revival of major economies. As the prices of coal keep recovering, together with our polished financial management and strategies, the Group's market capitalization and overall financial strength could be improved. I am confident that the Group can manage the prevailing adverse business environment.

In addition, the Group will continue to seek for business opportunities with a view to improve its competitiveness. While keeping abreast with the core business, the Group will look for new investments, irrespective of whether they are in line with the principal businesses, in order to increase the value of the Company and contribute the most benefit to the shareholders.

With the rapid growth in agricultural market and a strong market demand in organic healthy food in the PRC, the Group entered into an agreement with Grand Farm Development Limited to subscribe shares of SOFOCO Development Limited in March 2010. The investment enables the Group to directly invest in agricultural business and organic food market in the PRC. In view of the continuing economic growth, privileged government policies on farming and strong domestic consumption on high quality agricultural products in the PRC, vertical farming is expected to be a fast growing business with a promising prospect.

Coal mining will be one of the major business segments, and I am confident that it will contribute income to the Group in the long run. With a veiw to sharpen the Group's financial competitiveness and to enlarge its market capitalization, the Group will focus its resources mainly in the coal mining segment and other potential business opportunities.

On behalf of the Board, I would like to take this opportunity to thank our board members, shareholders, business partners and our staff members for their dedication and hard work during the year.

Lim Ho Sok
Chairman

Hong Kong, 25 June 2010

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2010, the Group recorded a turnover of approximately HK$14.7 million (2009: HK$115.5 million), representing a decrease of approximately 87.3% as compared to last year. The decrease in turnover was mainly due to the discontinued operations of garment and premium business in August 2009, and a drop in turnover of the business of digital television technology services. The turnover of the Group for the year under review was solely generated from digital television technology services. The negative financial impact as a consequence of the global financial crisis had deeply hindered the digital television technology services business. It had been facing a challenging time as the growth of the industry was not as rapid as expected. The turnover of the digital television technology services segment for the current period was approximately HK$14.7 million, representing a decrease of 43.1% as compared with the previous year of approximately HK$25.8 million.

The Group gain of approximately HK$1,641.3 million (2009: HK$0.5 million). The substantial loss of the Group was primarily attributable to the non-cash items of (i) impairment loss on fair value of mining right acquired during the year of HK$1,664.8 million (2009: nil); (ii) impairment loss of goodwill of digital technology services business of HK$147.7 million (2009: nil); (iii) amortization of intangible assets in mining right of HK$126.3 million (2009: nil); (iv) loss on modification of convertible notes of HK$451.2 million (2009: nil); (v) imputed interest expense on convertible notes and promissory notes of HK$98.3 million (2009: nil); and (vi) recorded a loss before income tax from fair value adjustments on the derivative component of the Group's convertible notes, arising from the acquisition of the 90% equity interest in Langfeld Enterprises Limited ("Langfeld") and its subsidiary of HK$910.5 million (2009: nil). The aggregate of the above-mentioned accounting losses and gain amounted to a net loss of HK$1,577.8 million (2009: nil) which represents 96.1% of the Group's loss before income tax for the year. Loss attributable to owners of the Company was approximately HK$967.6 million (2009: HK$2.4 million).

Administrative and other expenses of the Group's continuing operations of HK$189.1 million, net of the above-mentioned amortization of intangible assets in mining rights of HK$126.3 million (2009: nil) for the year, amounted to approximately HK$62.8 million (2009: HK$14.4 million), representing an increase of approximately HK$48.4 million. Administrative expenses mainly comprised legal and professional expenses, consultancy fee, staff salaries and rental expenses.

The Board was of the opinion that the substantial loss incurred by the accounting loss mentioned above shall not have actual negative impact on the cashflow position of the Group.

OPERATION REVIEW

Coal Mining

In May 2009, the Group had completed the acquisition of 90% interest in Langfeld, which held 70% interest of its subsidiary, LLC "Shakhta Lapichevskaya" which, in turn, owns a coal mine in Russia Federation. In February 2010, the Group, through Langfeld, acquired the remaining 30% equity interest in LLC "Shakhta Lapichevskaya". During the period under review, the Group has engaged a Russian research institute, JSC "Kuzbassgiproshakht", to prepare mine construction plan and design. LLC "Shakhta Lapichevskaya" is processing the application of the new licence which covers the area of Lot 1, Lot 1 extension and Lot 2 as a whole. As the coal mining business is still at the development stage, no turnover was recorded during the period under review.

Vertical Farming

On 3 March 2010, Grandvest International Limited ("Grandvest"), a wholly owned subsidiary of the Company, entered into an agreement with Grand Farm Development Limited ("Grand Farm"), SOFOCO Development Limited ("SOFOCO") and Mr. Sun Yichuan, pursuant to which, Grandvest agreed to subscribe for 23,334 new ordinary shares in SOFOCO. The subscription was completed within the reporting period. SOFOCO is currently owned as to 70% by Grandvest and 30% by Grand Farm. Accordingly, SOFOCO is accounted as a subsidiary of the Group. SOFOCO is principally engaged in vertical farming in the PRC. For the year ended 31 March 2010, SOFOCO had not commenced its business and recorded no turnover.

MANAGEMENT DISCUSSION AND ANALYSIS

Digital Television Technology Services

The Group recorded revenue from digital television technology services of approximately HK$14.7 million (2009: HK$25.8 million) and a loss of approximately HK$160.1 million (2009: HK$2.3 million) during the period under review, of which HK$147.7 million was the impairment loss on goodwill due to accounting treatment. For the year ended 31 March 2010, revenue from digital television technology services accounted for 100% (2009: 22.3%) of the Group's turnover. The decrease in turnover was mainly due to (i) the reduction of price resulting from keen competition in the industry in the PRC; and (ii) the growth of the industry in the PRC market was not as high as expected when facing the negative global financial impact.

Garment and Premium Products

The Group disposed of the garment business in August 2009 and discontinued the garment and premium products segments. No turnover was recorded in the period under review.

Geographical

China is the Group's major market segment which accounted for 100% (2009: 22.52%) of the total revenue.

PROSPECTS

During the period under review, the Group is seeking for investment opportunities to enhance profitability. With the acquisition the remaining 30% equity interest of LLC "Shakhta Lapichevskaya", which owns a coal mine in the Russian Federation, the Group anticipates that it will not only improve the overall operation efficiency but further strengthen the Group's control over its coal resources in Russia. After taking into account the advice from JSC "Kuzbassgiproshakht", a Russian research institute for coal mining and coal company, the Directors agreed that in order to optimize the production and achieve an economics of scale, it was advisable for the Group to develop Lot 1, Lot 1 Extension and Lot 2 of the coal mine together. After acquiring the new license, the Group will start the preliminary infra-structure construction works in a conservative and prudent manner.

With the rapid growth in agricultural market and strong organic food market demand in the PRC, the Group entered into an agreement with Grand Farm Development Limited to subscribe shares of SOFOCO Development Limited in March 2010. The investment enables the Group to explore the agricultural business and invest in the organic food market in the PRC. The business will be basically conducted through a form of vertical farming which is a systemic mass production of agricultural products. Environmental factors, such as nutrients, light, and humidity are artificially controlled within a 24-hour monitored greenhouse. With the integration of photovoltaic-thin-film technology, solar energy can be more efficiently transformed and used in the greenhouse. In view of the strong domestic consumptions and an expectation on the appreciation of Renminbi, the Group foresees a high demand for mid to high-end agricultural food in the PRC. The Group believed that the vertical farming business do have a promising prospect in the PRC.

In view of the loss incurred from the digital television technology business, the growth of the industry in the PRC market will not be as rapid as expected especially when the overall operating cost is getting higher, and competition within the industry is keen, the Group may consider focusing on the mineral resource business and other potential new business opportunities in the coming year.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010, the Group had net current assets of approximately HK$58.4 million (2009: net current liabilities HK$63.4 million). The Group's current ratio, being a ratio of current assets to current liabilities, was approximately 331.6% (2009: 32.9%). The Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 8.1% (2009: nil).

The Group generally finances its operations with internally generated cash flows, and facilities provided by Cordia Global Limited ("Cordia"), the substantial shareholder of the Company and through the capital market available to listed companies in Hong Kong. The facility letter from Cordia dated 25 May 2009 was revised on 21 October 2009.

In February 2010, the Company had successfully raised net proceeds of approximately of HK$56.5 million by a placement of 2,000,000,000 new shares of HK$0.01 each at the price of HK$0.029 per share. The proceeds were used for the general working capital, repayment of non-current liabilities and the investments identified by the Group.

During the year under review, the Group recorded a net cash inflow of approximately HK$56.1 million (2009: net cash outflow of approximately HK$12.3 million), which increased the total cash and cash equivalents to approximately HK$60.1 million (2009: HK$7.1 million) as at the end of reporting period.

The Group will constantly review its financial resources in a cautious manner, and will consider various plans to enhance its financial strength. The Group believes that with the shareholders base being broadened, the financial position of the Group will improve.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group's turnover, expenses, assets and liabilities are denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB"), United States dollars ("USD") and Russia ruble ("RUB"). The exchange rates of RMB and USD against HKD remained relatively stable during the period under review. Certain expenses of the Group are denominated in RUB which fluctuated in a relatively greater extent in the period. Therefore, the exchange rate volatility of RUB against HKD may have favourable or adverse effect on the operating results of the Group.

The Group does not have the intention to hedge its exposure from foreign currency exchange rate risk involving RUB. However, the Group will constantly review the exchange rate volatility, and may consider to use financial instruments for hedging when necessary.

INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 6 August 2009, the Group entered into a sale and purchase agreement with Mr. Cheung Keng Ching, a former director of the Group, to dispose of the Group's entire equity interests of Falcon Vision Limited and its subsidiaries, jointly controlled entities and associated companies ("Falcon Group") for a consideration of HK$9,600,000 as set out in the Company's announcement dated 6 August 2009. The disposal of Falcon Group was completed on 10 August 2009. The consideration was settled partly in cash of HK$1,920,000, with the balance settled by a promissory note issued to the Group by the purchaser. The cash consideration was fully received on completion of the disposal. The promissory note will mature in two years with interest being charged at Hong Kong Prime Rate plus 1% per annum (or 6% per annum, whichever is higher).

On 25 November 2009, the Group entered into a sale and purchase agreement with three Russian citizens, namely: Tannagashev Ilya Nikolaevich, Kochkina Ludmila Dmitrievna and Demeshonok Konstantin Yur' vich, who respectively hold approximately 15.54%, 7.80% and 6.66% equity interest in LLC "Shakhta Lapichevskaya", an indirect non-wholly owned subsidiary of the Group. Pursuant to the sale and purchase agreement, the Group acquired the above 30% equity interest in LLC "Shakhta Lapichevskaya". This enables the Group to have full control over the Russia coal mine through its indirect non-wholly owned subsidiary, Langfeld Enterprises Limited. The Group had paid approximately US$4.1 million, being part of the consideration, to the vendors upon completion of the acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

On 3 March 2010, Grandvest International Limited, a wholly owned subsidiary of the Group, entered into an agreement with Grand Farm Development Limited, SOFOCO Development Limited and Mr. Sun Yichuan, pursuant to which, Grandvest subscribed for 23,334 new ordinary shares in SOFOCO. The subscription was completed, and SOFOCO is currently owned as to 70% by Grandvest and 30% by Grand Farm. Accordingly, SOFOCO is accounted for as a subsidiary of the Group during the year under review. The Group has already invested HK$16,000,000 SOFOCO upon completion of the subscription of its new shares.

CONTINGENT CONSIDERATIONS

As of 31 March 2010, the Group had the following contingent considerations payable for the acquisition of Lot 2 of the coal mine:

i) possible issuance of a convertible note of US$32,000,000 (equivalent to approximately HK$249,600,000); and

ii) possible issuance of another convertible note with the principal amount to be determined by an agreed formula (the "Formula") which, inter alia, takes into account the proven reserves and probable reserves of Lot 2 of the Coal Mine to be confirmed in a technical report to be issued by a technical expert. It is expected that the principal amount of this convertible note will range from the minimum amount of US$255,150,000 (equivalent to approximately HK$1,990,170,000) to the maximum amount of US$550,800,000 (equivalent to approximately HK$4,296,240,000).

CAPITAL COMMITMENTS

As of 31 March 2010, the Group had capital commitments in respect of the acquisition of an additional equity interest of a subsidiary of approximately HK$42,083,000 (2009: nil) and property, plant and equipment of approximately HK$9,654,000 (2009: nil).

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 31 March 2010 or 31 March 2009.

SHARE OPTION SCHEMES

The Group has adopted share option scheme whereby Directors, employees and consultants of the Group may be granted options to subscribe for the new shares of the Company. Details of the share option scheme are set out in note 32 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2010, the Group had approximately 80 staff in Hong Kong, the PRC and Russia.

The Group's remuneration policy is reviewed periodically and determined largely based on industry practice, company performance, and individual qualifications and performance. Remuneration packages comprised salary, commissions and bonuses based on individual performance.

REPORT OF THE DIRECTORS

The Board of directors (the "Board") of Siberian Mining Group Company Limited (the "Company") presents their report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group include (i) coal mining in Russia; (ii) digital television broadcasting in the PRC including provision of equipment and software of cable video-on-demand system, information broadcasting system, embedded television systems and value-added services and (iii) vertical farming in the PRC.

The analysis of the principal activities of the subsidiaries are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2010 and the state of affairs of the Group and the Company as at 31 March 2010 are set out on pages 21 to 105.

The Board does not recommend the payment of any dividend for the year ended 31 March 2010 (2009: 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 2010 is set out in note 5 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group is set out on page 106.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and consolidated statement of changes in equity respectively.

As at 31 March 2010, the Company's distributable reserves amounted to HK$521,357,000 (2009: HK$75,489,000). 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$1,079,933,000 (2009: HK$175,022,000) 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 14 to the financial statement.

SHARE CAPITAL, SHARE OPTIONS AND UNLISTED WARRANTS

Details of movements in the Company's share capital, share options and unlisted warrants are set out in notes 30, 32 and 33 respectively to the financial statements.

REPORT OF THE DIRECTORS

DONATION

The Group did not make any charitable donation during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's 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 2010.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 53% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 14.6% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for approximately 83% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 55.5% of the Group's total purchases for the year.

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

DIRECTORS

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

Executive directors

Mr. Lim Ho Sok
(Chairman)
Mr. Li Wing Sang
(Chief Executive Officer)
Mr. Chiu Chi Hong
Mr. Shin Min Chul (appointed on 15 October 2009)

Independent non-executive directors

Mr. Liew Swee Yean
Mr. Tam Tak Wah
Mr. Yoshinori Suzuki

In accordance with the Company's articles of association, Mr. Shin Min Chul, will hold office only until the forthcoming annual general meeting and is then eligible for re-election. In addition, Mr. Liew Swee Yean and Mr. Tam Tak Wah shall retire by rotation in the forthcoming annual general meeting and all, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Mr. Lim Ho Sok entered into a service contract with the Company for a term of one year commencing from 12 September 2008 and extended to continue thereafter until terminated by either party by giving not less than one month's prior notice in writing to the other party.

Mr. Li Wing Sang entered into a service contract with the Company for a term of two years commencing from 6 September 2007 and extended to continue thereafter until terminated by either party by giving not less than one month's prior notice in writing to the other party.

Mr. Chiu Chi Hong entered into a service contract with the Company for a term of two years commencing from 1 September 2008 and thereafter may be extended for such period as the Company and Mr. Chiu may agree in writing. The service may be terminated by either party by giving not less than one month's prior notice in writing to the other party.

Mr. Shin Min Chul entered into a service contract with the Company for a term of one year commencing from 15 October 2009 and thereafter may be extended for such period as the Company and Mr. Shin may agree in writing. The service may be terminated by either party by giving not less than one month's prior notice in writing to the other party.

All independent non-executive directors of the Company have no fixed term of appointment. No service agreement has been or will be entered into between the Company and either of them.

All Directors are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company.

Save as disclosed above, no director of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S INTERESTS IN CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Lim Ho Sok, aged 44, was appointed as an executive director and chairman of the Company on 12 September 2008 and 16 June 2009 respectively. Mr. Lim is also a director of certain subsidiaries of the Group. Prior to joining of the Company, Mr. Lim had extensive experience in the business of banking, securities trading, property investment, financial advisory and related services. Mr. Lim holds a master degree and a bachelor degree in Economics from Brown University, USA and Indiana University, USA respectively.

Mr. Li Wing Sang, aged 52, was appointed as an executive director, chief executive officer and deputy chairman of the Company on 6 September 2007, 1 September 2008 and 14 October 2008 respectively. Mr. Li resigned as deputy chairman on 16 June 2009. Mr. Li is also a member of the remuneration committee of the Company and a director of certain subsidiaries of the Group. Mr. Li has extensive marketing and management experience in the fields of household appliances through holding senior management positions in various companies in the industry. He holds a bachelor degree from Kobe University of Commerce, Japan. He is currently an executive director of Tech Pro Technology Development Limited, a company listed on the Main Board of the Stock Exchange, and an executive director of China Electric Power Technology Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

REPORT OF THE DIRECTORS

Mr. Chiu Chi Hong, aged 45, was appointed as an executive director of the Company on 1 September 2008. Mr. Chiu is also a director of certain subsidiaries of the Group and the authorized representative of the Company. Mr. Chiu holds a bachelor of Business and Finance degree from Griffith University, Australia. Mr. Chiu has extensive experience in business development, corporate management, financing and accounting fields.

Mr. Shin Min Chul, aged 37, was appointed as an executive director of the Company with effect from 15 October 2009. Mr. Shin was also a director of a subsidiary of the Group. Mr. Shin started his career as a civil and environmental engineer since 1999. He worked for various companies in Korea and overseas, and co-founded an environmental engineering company. After pursuing his Master of Business Administration degree in 2005, he focused on private equity practice including major merger and acquisition projects in the Asia region and services for various global private equity funds. Mr. Shin holds a Bachelor of Science degree in urban engineering and a Master of Science degree in environmental engineering from Seoul National University, Korea. He also holds a Master of Business Administration degree from Kellogg School of Management, United States.

Independent non-executive directors

Mr. Liew Swee Yean, aged 46, was appointed as an independent non-executive director of the Company on 3 December 2008. Mr. Liew is currently a member of the audit committee and remuneration committee of the Company. Mr. Liew has over 20 years of experience in financial and general management. Mr. Liew holds a Master of Business Administration (Executive) Degree from City University of Hong Kong. Mr. Liew is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Liew is currently an independent non-executive director of Kaisun Energy Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Tam Tak Wah, aged 44, was appointed as an independent non-executive director of the Company on 11 June 2007. Mr. Tam is currently a member of the audit committee and remuneration committee of the Company. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. He has over 20 years of experience in accounting, corporate finance and corporate development. Mr. Tam is currently an executive director of New Smart Energy Group Limited, a company listed on the Main Board of the Stock Exchange and was an independent non-executive director of National Arts Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange during the period from 8 November 2004 to 23 June 2009.

Mr. Yoshinori Suzuki, aged 57, was appointed as an independent non-executive director of the Company on 20 August 2008. Mr. Suzuki is currently a member of the audit committee and remuneration committee of the Company. He is a merchant who has more than 20 years experience in trading, import and export of household appliances and Japanese pottery businesses in Taiwan, Japan and Mainland China. He holds a bachelor degree from Kobe University of Commerce, Japan.

Senior management

Ms. Lo Suet Fan, aged 44, joined the Company as financial controller in August 2009. She is also the company secretary and authorized representative of the Company. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. She has extensive experience in accounting and financial management.

REPORT OF THE DIRECTORS

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

As at 31 March 2010, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Party XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Long position in Shares of HK$0.01 each in the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the company
Executive director:			
Lim Ho Sok ("Mr. Lim") (Note 1)	Interests in controlled corporation	560,000,000	2.50%

Note 1: These 560,000,000 shares are beneficially owned by Goldwyn Management Limited ("Goldwyn"). The entire issued share capital of Goldwyn is legally and beneficially owned by Mr. Lim.

(ii) Long position in underlying Shares of HK$0.01 each in the Company – share options

Name	Date of grant	Number of underlying shares comprised in the options	Exercise price per share	Exercisable period
Executive director:				
Li Wing Sang	10 September 2007	19,560,000	0.2226	10 September 2007 to 9 September 2017
	4 March 2010	9,800,000	0.0224	4 March 2010 to 3 March 2020
Chiu Chi Hong	10 September 2007	19,560,000	0.2226	10 September 2007 to 9 September 2017
	4 March 2010	9,800,000	0.0224	4 March 2010 to 3 March 2020

Save as disclosed above, none of the directors or any of their associates or chief executive of the Company, 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 SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 32 to the financial statement, 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 director of the Company or his spouse or children under 18 years of age, or were any such rights exercised by him, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 19 October 2002, the Company had adopted a share option scheme (the "Scheme"). Further details of the Scheme and share options granted during the year to the directors of the Company, and employees and consultants of the Group are set out in note 32 to the financial statements.

During the year, the movements in the Company's share options under the Scheme and outstanding are:

		Number of share options							
Name or category of participant		**At 1 April 2009**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**At 31 March 2010**	**Date of grant of share options**	**Expiry date of share options**	**Exercise price of share options per share** HK$
Directors									
Chiu Chi Hong	(Note 1)	19,560,000		–	–	19,560,000	10-09-2007	09-09-2017	0.2226
("Mr. Chiu")	(Note 2)		9,800,000	–	–	9,800,000	04-03-2010	03-03-2020	0.0224
Li Wing Sang	(Note 1)	19,560,000		–	–	19,560,000	10-09-2007	09-09-2017	0.2226
("Mr. Li")	(Note 2)		9,800,000	–	–	9,800,000	04-03-2010	03-03-2020	0.0224
Yoshinori Suzuki		–	9,800,000	9,800,000	–	–	05-01-2010	04-01-2020	0.04
		39,120,000	29,400,000	9,800,000	–	58,720,000			
Employees									
In aggregate	(Note 3)	78,240,000		–	–	78,240,000	10-09-2007	09-09-2017	0.2226
In aggregate	(Note 4)		19,560,000	–	–	19,560,000	04-03-2010	03-03-2020	0.0224
Total:		78,240,000	19,560,000	–	–	97,800,000			

Note 1: Mr. Li and Mr. Chiu each owns 19,560,000 share options under the share option scheme of the Company which confers each of them the rights to acquire 19,560,000 shares at an exercise price at 0.2226 per share. Upon the approval of share consolidation granted by the shareholders with effective from 4:30p.m. on 9 April 2010 ("Share Consolidation"), the share options owned by Mr. Li and Mr. Chiu were adjusted to 978,000 each which confers each of them the rights to acquire 978,000 consolidated shares at an adjusted exercise price at HK$4.452 per consolidated share. Details of which are separately disclosed in note 32 to the financial statements.

Note 2: Mr. Li and Mr. Chiu each owns 9,800,000 share options under the share option scheme of the Company which confers each of them the rights to acquire 9,800,000 shares at an exercise price at 0.0224 per share. Upon the approval of Share Consolidation, the share options owned by Mr. Li and Mr. Chiu were adjusted to 490,000 each which confers each of them the rights to acquire 490,000 consolidated shares an adjusted exercise price at HK$0.448 per consolidated share. Details of which are separately disclosed in note 32 to the financial statements.

Note 3: Upon the approval of share consolidation, the share options owned by the employees were adjusted to 3,912,000 in total which confer them the rights to acquire 3,912,000 consolidated shares in total at an adjusted exercise price at HK$4.452 per consolidated share.

Note 4: Upon the approval of share consolidation, the share options owned by the employees were adjusted to 978,000 in total which confer them the rights to acquire 978,000 consolidated shares in total at an adjusted exercise price at HK$0.448 per consolidated share.

REPORT OF THE DIRECTORS

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

As at 31 March 2010, the register kept by the Company under Section 336 of the SFO showed that the following shareholders (other than Directors or chief executive of the Company) had disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

(i) Long position in Shares of HK$0.01 each in the Company

Name (Note 1)	**Capacity**	**Number of issued ordinary shares held**	**Percentage of the issued share capital of the company**
Cordia Global Limited	Beneficial	5,265,000,000	23.46%
Choi Sung Min	Corporation	5,265,000,000	23.46%
Jung Mi Na	Deemed	5,265,000,000	23.46%

(ii) Long position in underlying Shares of HK$0.01 each in the Company

Name (Note 1)	**Capacity**	**Number of underlying shares**	**Percentage of the issued share capital of the company**
Cordia Global Limited	Beneficial	49,107,000,000	218.80%
Choi Sung Min	Corporation	49,107,000,000	218.80%
Jung Mi Na	Deemed	49,107,000,000	218.80%

Note 1: The entire issued share capital of Cordia Global Limited ("Cordia") is legally and beneficially owned by Mr. Choi Sung Min ("Mr. Choi"). By virtue of the SFO, Mr. Choi and Ms. Jung Mi Na, being the wife of Mr. Choi, are deemed to be interested in the 5,265,000,000 shares which Cordia beneficially holds.

Save as disclosed above, no other party was recorded in the register of interests in share and short positions of substantial shareholders 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 15 to 18 to the annual report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 45 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.

AUDITOR

The financial statements have been audited by BDO Limited who retire and, being eligible, offer themselves for re-appointment. A resolution for the appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lim Ho Sok
Chairman

25 June 2010

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Maintaining high standards of business ethics and corporate governance practices have 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 Code on Corporate Governance (the "Code") as set out in Appendix 14 of the Listing Rules.

CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company has complied with the Code except the deviations as described below:

1. Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be segregated and should not be performed by the same individual. During the period under review, Mr. Li Wing Sang has been vested the roles of both deputy chairman and chief executive officer of the Group until Mr. Lim Ho Sok was appointed as the chairman on 16 June 2009 and the Company has complied with the Code A.2.1.

2. Under the code provision A4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all of the independent non-executive directors ("INED") have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those in the Code.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Board comprises seven Directors, of whom four are executive Directors and three are independent non-executive directors (the "INED"). Notwithstanding the number of INEDs is less than the number of executive Directors, it still represents more than one-third of the Board. The Board believes that the composition of the Board is 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.

The Company has received from each of the INEDs an annual confirmation of their independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

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

CORPORATE GOVERNANCE REPORT

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

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

Executive Directors:

Lim Ho Sok	(Chairman, appointed on 16 June 2009)
Li Wing Sang	(Chief Executive Officer)
Chiu Chi Hong	
Shin Min Chul	(appointed on 15 October 2009)

Independent Non-Executive Directors:
Liew Swee Yean
Tam Tak Wah
Yoshinori Suzuki

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 10 and 11 of this annual report.

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 and interim results. During the year under review, 48 Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

Directors	**Attendance**
Executive Directors	
Lim Ho Sok	46/48
Li Wing Sang	47/48
Chiu Chi Hong	47/48
Shin Min Chul	24/24
Independent Non-executive Directors	
Liew Swee Yean	18/48
Tam Tak Wah	18/48
Yoshinori Suzuki	19/48

Under the code provision A4.1 of the Code, non-executive director should be appointed for a specific term and subject to re-election. However, all of the INEDs have not been appointed for a specific term but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those in the Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be segregated and should not be performed by the same individual. During the year under review, Mr. Li Wing Sang has been vested the roles of both deputy chairman and chief executive officer of the Group. Mr. Lim Ho Sok was appointed as the chairman on 16 June 2009 and the Company has complied with the Code A.2.1.

The Board considers that the roles of Chairman and Chief Executive Office are segregated and their positions held by different individuals to ensure their respective independence, accountability and responsibility. The Chairman is responsible for providing leadership to, overseeing the function of the Board, and managing the Group's operations. The balance of power and authority is ensured by the composition of the Board which comprises experienced and professional INEDs and experienced management team. Moreover, the Board will review the existing structure from time to time.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for the appointment of any potential new directors and the nomination of directors for re-election by shareholders at the annual general meeting of the Company. In accordance with the Articles, 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 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 was last elected or re-elected.

REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005. The chairman of the committee is Mr. Li Wing Sang (executive director) and other members included Mr. Liew Swee Yean, Mr. Tam Tak Wah and Mr. Yoshinori Suzuki.

The Remuneration Committee is responsible for formulating and recommending the Board in relation to the remuneration policy, determining the remuneration of Executive Directors and members of the senior management of the Company, and reviewing and making recommendations on the Company's share option scheme, other compensation-related issues and performance based remuneration.

Individual attendance of each remuneration committee member during the year under is as follows:

Members	**Attendance**
Li Wing Sang	6/6
Liew Swee Yean	6/6
Tam Tak Wah	6/6
Yoshinori Suzuki	6/6

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.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely Mr. Tam Tak Wah (the chairman of the Committee), Mr. Liew Swee Yean and Mr. Yoshinori Suzuki. The Committee is responsible for appointing external auditors, reviewing the Group's financial information and overseeing the Group's financial reporting system and internal control procedures. It is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. Management of the Company provides the Board with all relevant information the Committee needs for it to discharge its responsibilities.

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

The Audit Committee held two meetings during the year under review, in which the Audit Committee reviewed with 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.

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

Members	**Attendance**
Tam Tak Wah	2/2
Liew Swee Yean	2/2
Yoshinori Suzuki	2/2

CORPORATE GOVERNANCE REPORT

Pursuant to the Rule 3.21 of the Listing Rules, the Audit Committee currently comprises three members who are INEDs and two of them possess appropriate professional qualifications or accounting or related financial management expertise.

AUDITOR'S REMUNERATION

During the year under review, total auditor's remuneration charged in relation to statutory audit work of the Group amounted to HK$1,693,000 (2009: HK$600,000) and non-audit services rendered amounted to HK$35,000 (2009: HK$nil).

NOMINATION OF DIRECTORS

The Board has the power to appoint Directors pursuant to the Articles of the Company. During the year ended 31 March 2010, the Board appointed one (1) new Director in order to enhance the management functions.

ACCOUNTABILITY

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 and interim report, price-sensitive 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 financial statements of the Company on a going concern basis.

INTERNAL CONTROL

The Board has overall responsibility for monitoring the internal control of the Group and reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of the shareholders and the Group's assets. For the year under review, the Board considers the key aspects of the internal control systems are sufficient and effective and is satisfied that there are adequate resources, qualifications and experience of staff of the Group's accounting and financial reporting function.

INVESTORS RELATIONS

To foster effective communications, the Company provided all necessary information to its shareholders in its annual report, interim report and announcements. The Board hosts an annual general meeting each year and other general meetings to meet the shareholders. Separate resolutions are proposed at special general meetings on each substantially separate issue. The Board will make efforts to attend the general meetings so as to ensure that the shareholders' view is communicated to the Board.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF SIBERIAN MINING GROUP COMPANY LIMITED
(Formerly known as Rontex International Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Siberian Mining Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 105, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO LIMITED
Certified Public Accountants

Shiu Hong Ng
Practising Certificate number P03752

Hong Kong, 25 June 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	Notes	Continuing operations		Discontinued operation		Total	
		2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Turnover	6	**14,660**	25,778	**–**	89,753	**14,660**	115,531
Cost of sales		**(9,279)**	(10,273)	**–**	(74,053)	**(9,279)**	(84,326)
Gross profit		**5,381**	15,505	**–**	15,700	**5,381**	31,205
Other income	6	**1,256**	426	**–**	–	**1,256**	426
Other gains and losses	6	**(1,352,088)**	11,153	**1,626**	2,365	**(1,350,462)**	13,518
Selling and distribution costs		**(6,901)**	(8,113)	**–**	(8,036)	**(6,901)**	(16,149)
Administrative and other expenses		**(189,090)**	(14,361)	**(40)**	(7,972)	**(189,130)**	(22,333)
Finance costs	7	**(101,670)**	(5,147)	**–**	(1,270)	**(101,670)**	(6,417)
Share of results of associates	19	**–**	–	**276**	(773)	**276**	(773)
(Loss)/profit before income tax	8	**(1,643,112)**	(537)	**1,862**	14	**(1,641,250)**	(523)
Income tax	10	**(31)**	590	**–**	(33)	**(31)**	557
(Loss)/profit for the year		**(1,643,143)**	53	**1,862**	(19)	**(1,641,281)**	34
Attributable to:							
Owners of the Company	11	**(969,502)**	(3,322)	**1,862**	890	**(967,640)**	(2,432)
Minority interests		**(673,641)**	3,375	**–**	(909)	**(673,641)**	2,466
		(1,643,143)	53	**1,862**	(19)	**(1,641,281)**	34
							(Restated)
Loss per share							
From continuing and discontinued operations							
Basic (Hong Kong cents)	13					**211.75**	2.00
Diluted (Hong Kong cents)	13					**211.75**	2.00
From continuing operations							
Basic (Hong Kong cents)	13					**212.16**	2.73
Diluted (Hong Kong cents)	13					**212.16**	2.73

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Continuing operations		Discontinued operation		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
(Loss)/profit for the year	**(1,643,143)**	53	**1,862**	(19)	**(1,641,281)**	34
Other comprehensive income for the year, net of tax:						
– Reclassification adjustments of contributed surplus and translation reserve upon disposal of interests in subsidiaries	**–**	–	**(3,069)**	(518)	**(3,069)**	(518)
– Exchange differences on translation of financial statements of foreign operations	**129,727**	3,398	**10**	283	**129,737**	3,681
Total comprehensive income for the year, net of tax	**(1,513,416)**	3,451	**(1,197)**	(254)	**(1,514,613)**	3,197
Attributable to:						
Owners of the Company	**(887,549)**	(146)	**(1,197)**	655	**(888,746)**	509
Minority interests	**(625,867)**	3,597	**–**	(909)	**(625,867)**	2,688
	(1,513,416)	3,451	**(1,197)**	(254)	**(1,514,613)**	3,197

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14(a)	**19,671**	2,859
Prepayments for acquisition of property, plant and equipment	14(b)	**3,925**	–
Goodwill	15	**13,210**	160,016
Other intangible assets	16	**1,536,802**	39,024
Interest in a jointly-controlled entity	18	**–**	–
Interests in associates	19	**–**	14,119
Direct costs for acquisition of subsidiaries	20	**–**	8,717
Promissory note receivable	21	**6,891**	–
		1,580,499	224,735
Current assets			
Inventories	22	**450**	341
Trade receivables	23	**10,619**	15,702
Other receivables, deposits and prepayments		**9,999**	4,722
Amounts due from minority equity holders of subsidiaries	41(d)	**475**	463
Amounts due from related parties	41(e)	**1,943**	2,241
Trading securities	24	**–**	587
Cash and cash equivalents	25	**60,148**	7,098
		83,634	31,154
Current liabilities			
Trade payables	26	**3,524**	3,128
Other payables, accrued expenses and trade deposits received		**12,470**	16,240
Balance of purchase consideration payable for acquisition of subsidiaries	34(i)	**–**	67,600
Amount due to a former director of the Company	41(c)	**–**	1,289
Amount due to a shareholder	41(b)	**6,918**	–
Amount due to a director	41(g)	**–**	5,496
Amount due to a related party	41(f)	**1,039**	–
Tax payable		**1,272**	820
		25,223	94,573
Net current assets/(liabilities)		**58,411**	(63,419)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Total assets less current liabilities		**1,638,910**	161,316
Non-current liabilities			
Convertible notes	27	**406,650**	–
Amount due to a shareholder	41(b)	**133,586**	–
Promissory notes payables	28	**148,330**	5,320
Provision for close down, restoration and environmental costs	40	**1,617**	–
Deferred tax liabilities	29	**11,692**	9,756
		701,875	15,076
Net assets		**937,035**	146,240
EQUITY			
Share capital	30	**224,441**	29,135
Reserves		**538,484**	95,536
Equity attributable to owners of the Company		**762,925**	124,671
Minority interests		**174,110**	21,569
Total equity		**937,035**	146,240

These financial statements were approved and authorised for issue by the board of directors on 25 June 2010.

Lim Ho Sok
Director

Shin Min Chul
Director

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	17	**1,378,649**	174,930
Promissory note receivable	21	**6,891**	–
		1,385,540	174,930
Current assets			
Other receivables, deposits and prepayments		**982**	218
Cash and cash equivalents	25	**38,294**	277
		39,276	495
Current liabilities			
Other payables and accrued expenses		**1,932**	1,251
Balance of purchase consideration payable for acquisition of subsidiaries	34(i)	**–**	67,600
Amount due to a shareholder	41(b)	**1,945**	–
Amount due to a director	41(g)	**–**	1,950
		3,877	70,801
Net current assets/(liabilities)		**35,399**	(70,306)
Total assets less current liabilities		**1,420,939**	104,624
Non-current liabilities			
Convertible notes	27	**406,650**	–
Amount due to a shareholder	41(b)	**123,836**	–
Promissory note payable	28	**144,655**	–
		675,141	–
Net assets		**745,798**	104,624

STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Notes	**2010 HK$'000**	2009 HK$'000
EQUITY			
Share capital	30	**224,441**	29,135
Reserves	31	**521,357**	75,489
Total equity		**745,798**	104,624

These financial statements were approved and authorised for issue by the board of directors on 25 June 2010.

Lim Ho Sok	**Shin Min Chul**
Director	*Director*

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Share capital HK$'000 (Note 30)	Share premium HK$'000	Shares held by escrow agent for settlement of acquisition consideration HK$'000 (Note c)	Contributed surplus HK$'000 (Note a)	Translation reserve HK$'000	Equity-settled share option reserve HK$'000 (Note b(i))	Warrant reserve HK$'000 (Note b(ii))	Capital reserve HK$'000 (Note b(iii))	Statutory reserve fund HK$'000 (Note d)	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 April 2008	20,475	40,553	–	918	2,375	4,566	3,688	4,233	–	(29,636)	47,172	1,001	48,173
Total comprehensive income for the year	–	–	–	–	2,941	–	–	–	–	(2,432)	509	2,688	3,197
Issue of new shares on acquisition of subsidiaries (Note 34)	7,900	125,610	(67,600)	–	–	–	–	–	–	–	65,910	–	65,910
Minority interests arising on the acquisition of subsidiaries (Note 34)	–	–	–	–	–	–	–	–	–	–	–	17,880	17,880
Premium received on issue of warrants (Note 33)	–	–	–	–	–	–	1,648	–	–	–	1,648	–	1,648
Issue of shares on exercise of warrants	200	1,587	–	–	–	–	(187)	–	–	–	1,600	–	1,600
Issue of share options (Note 32)	–	–	–	–	–	1,661	–	–	–	–	1,661	–	1,661
Appropriation into reserve funds	–	–	–	–	–	–	–	–	909	(909)	–	–	–
Issue of shares on exercise of share options	560	7,272	–	–	–	(1,661)	–	–	–	–	6,171	–	6,171
At 31 March 2009	29,135	175,022	(67,600)	918	5,316	4,566	5,149	4,233	909	(32,977)	124,671	21,569	146,240

	Share capital HK$'000 (Note 30)	Share premium HK$'000	Shares held by escrow agent for settlement of acquisition consideration HK$'000 (Note c)	Contributed surplus HK$'000 (Note a)	Translation reserve HK$'000	Other reserve HK$'000 (Note e)	Equity-settled share option reserve HK$'000 (Note b(i))	Warrant reserve HK$'000 (Note b(ii))	Capital reserve HK$'000 (Note b(iii))	Statutory reserve fund HK$'000 (Note d)	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 April 2009	29,135	175,022	(67,600)	918	5,316	–	4,566	5,149	4,233	909	(32,977)	124,671	21,569	146,240
Total comprehensive income for the year (Note 30(i))	–	–	–	(918)	79,812	–	–	–	–	–	(967,640)	(888,746)	(625,867)	(1,514,613)
Release of shares held by escrow agent upon satisfaction of profit guarantee (Note 30(ii))	–	–	67,600	–	–	–	–	–	–	–	–	67,600	–	67,600
Minority interests arising on the acquisition of subsidiaries (Note 35)	–	–	–	–	–	–	–	–	–	–	–	–	1,170,605	1,170,605
Issue of shares on exercise of warrants (Note 30(i))	1,560	12,381	–	–	–	–	–	(1,461)	–	–	–	12,480	–	12,480
Issue of shares upon conversion of convertible notes (Note 30(ii))	173,550	855,025	–	–	–	–	–	–	–	–	–	1,028,575	–	1,028,575
Release upon expiry of warrants (Note 33)	–	–	–	–	–	–	–	(3,688)	–	–	3,688	–	–	–
Acquisition of additional interests in a subsidiary (Note 36)	–	–	–	–	–	360,254	–	–	–	–	–	360,254	(392,197)	(31,943)
Issue of share options (Note 32)	–	–	–	–	–	–	859	–	–	–	–	859	–	859
Issue of shares on exercise of share options (Note 30(iii))	196	1,055	–	–	–	–	(469)	–	–	–	–	782	–	782
Transfer upon disposal of subsidiaries (Note b(iii))	–	–	–	–	–	–	–	–	(4,233)	–	4,233	–	–	–
Placements of new shares (Note 30(iv))	20,000	36,450	–	–	–	–	–	–	–	–	–	56,450	–	56,450
At 31 March 2010	224,441	1,079,933	–	–	85,128	360,254	4,956	–	–	909	(992,696)	762,925	174,110	937,035

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

Notes:

(a) The contributed surplus of the Group represented the difference between the nominal value of share capital of the subsidiaries acquired pursuant to the group reorganisation during the year ended 31 March 2003, over the nominal value of the shares of the Company issued in exchange therefor. In the current year, the contributed surplus of the Group was released upon the disposal of the subsidiaries.

(b) At the end of reporting period, the equity-settled share option reserve, warrant reserve and capital reserve of the Group represented (i) the fair value of the outstanding share options of the company at the respective grant dates; (ii) premium received on the outstanding warrants of the Company; and (iii) contributions from the owners of the Company for indemnity of additional taxation liabilities, penalties, surcharges and other relevant costs of the Group for respect of any accounting period ended on or before 31 March 2002, and the balance was released upon the disposal of the subsidiaries in the current year.

(c) In the prior year, the Company issued 790,000,000 shares for the acquisition of DTVChina, Inc. ("DTVChina") and its subsidiary (the "DTV Group") of which 400,000,000 shares were held by the escrow agent as at 31 March 2009. The shares were released to the vendor as further set out in Note 34.

(d) According to the Articles of Association of the Group's subsidiary operating in the People's Republic of China (the "PRC"), the subsidiary is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to the owners of the PRC subsidiary.

(e) Other reserve represents the excess of the share of the carrying value of the subsidiary's net assets acquired from the minority shareholder of a subsidiary over the fair value of the consideration paid.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Operating activities		
Loss before income tax	**(1,641,250)**	(523)
Adjustments for:		
Interest income	**(97)**	(97)
Interest income from promissory note receivable	**(486)**	–
Gains on disposal of trading securities	**(119)**	(46)
Gains on disposal of property held for sale	**–**	(10,074)
Gains on disposal of subsidiaries	**(1,626)**	(2,581)
Gains on disposal of property, plant and equipment and land use rights	**–**	(2,121)
Gains on change in fair value of derivative component of convertible notes	**(910,520)**	–
Loss on modification of convertible notes	**451,240**	–
Written off of property, plant and equipment	**140**	75
Unrealised loss of trading securities	**–**	384
Equity-settled share option expense	**859**	1,661
Depreciation	**691**	655
Amortisation of other intangible assets	**129,915**	2,908
Amortisation of leasehold land and land use rights	**–**	29
Finance costs	**101,670**	6,417
Share of results of associates	**(276)**	773
Impairment loss on inventories	**–**	2,556
Impairment loss on goodwill	**147,682**	–
Impairment loss on other intangible assets	**1,664,815**	–
Allowance for doubtful trade receivables	**91**	1,304
Operating cash (outflow)/inflow before working capital changes	**(57,271)**	1,320
(Increase)/decrease in inventories	**(107)**	953
Decrease/(increase) in trade receivables	**5,142**	(5,125)
Increase in other receivables, deposits and prepayments	**(4,356)**	(2,052)
Increase in trade payables	**239**	743
(Decrease)/increase in other payables, accrued expenses and trade deposits received	**(12,675)**	7,241
Increase in amounts due from minority equity holders of subsidiaries	**–**	(2,107)
Decrease/(increase) in amounts due from related parties	**310**	(2,214)
Increase in amounts due to related parties	**1,040**	–
(Decrease)/increase in amounts due to directors	**(5,496)**	1,219
Cash used in operations	**(73,174)**	(22)
Hong Kong profits tax paid	**–**	(39)
Interest and bank charges paid	**(169)**	(1,229)
Taxation refunded in other jurisdictions	**554**	775
Taxation paid in other jurisdictions	**–**	(553)
Net cash used in operating activities	**(72,789)**	(1,068)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Investing activities		
Acquisition of subsidiaries	**1,065**	(7,370)
Disposal of subsidiaries	**1,367**	(2,868)
Deposit paid for purchase of property, plant and equipment	**(3,802)**	–
Direct costs for acquisition of subsidiaries	**–**	(4,727)
Interest received	**97**	97
Purchase of property, plant and equipment	**(16,223)**	(2,847)
Proceeds from disposal of property, plant and equipment and land use rights	**–**	9,323
Investment in trading securities	**–**	(971)
Proceeds from disposal of trading securities	**706**	324
Proceeds from disposal of property held for sale	**–**	8,750
Net cash used in investing activities	**(16,790)**	(289)
Financing activities		
Loan received from a shareholder of the Company	**285,832**	–
Repayment of loan from a shareholder of the Company	**(142,424)**	–
Acquisition of additional interests in a subsidiary	**(31,943)**	–
Loan received from a former director of the Company	**–**	3,110
Repayment of loan from a former director of the Company	**(1,289)**	(1,884)
Proceeds from new bank borrowings	**–**	30,868
Repayment of bank borrowings	**–**	(32,439)
Repayment of principal of promissory notes	**(34,200)**	(20,000)
Proceeds from issue of warrants	**–**	1,648
Proceeds from issue of shares on exercise of warrants	**12,480**	1,600
Proceeds from issue of shares on exercise of share options	**782**	6,171
Proceeds from placements of new shares	**56,450**	6,171
Net cash generated from/(used in) financing activities	**145,688**	(10,926)
Net increase/(decrease) in cash and cash equivalents	**56,109**	(12,283)
Cash and cash equivalents at beginning of year	**7,098**	19,322
Effect of foreign exchange rate changes	**(3,059)**	59
Cash and cash equivalents at end of year	**60,148**	7,098
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**60,148**	7,098

The cash flows of the discontinued operation were as follows:

	2010 HK$'000	2009 HK$'000
Net cash (used in)/generated from operating activities	**(570)**	5,488
Net cash generated from/(used in) investing activities	**1,367**	(2,893)
Net cash generated from financing activities	**–**	1,539
Total net cash inflows	**797**	4,134

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANISATION AND OPERATIONS

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The principal activities of its principal subsidiaries, jointly-controlled entity and associates are set out in Note 17, 18 and 19, respectively.

On 26 May 2009, the Company was changed its name from Rontex International Holdings Limited to Siberian Mining Group Company Limited.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Interpretation 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group and the Company for both the current and prior reporting periods, except for certain presentational change as a result of adopting HKAS 1 (Revised). Comparative figures have been restated or included in these financial statements in order to achieve a consistent presentation. The statements of financial position, previously known as balance sheets, at the beginning of the year ended 31 March 2009 have not been presented as there were no changes to the originally published statements.

The amendments to HKFRS 7 expand the disclosures relating to fair value measurement for financial instruments that are measured at fair value and liquidity risk of financial liabilities. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision.

NOTES TO THE FINANCIAL STATEMENTS

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

The following new or revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010 [3]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions [4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKFRS 3 (Revised)	Business Combinations [1]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [5]
HKAS 24 (Revised)	Related Party Disclosures [6]
HKFRS 9	Financial Instruments [7]

Effective date:
[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[4] Effective for annual periods beginning on or after 1 January 2010
[5] Effective for annual periods beginning on or after 1 July 2010
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of preparation of financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination or acquisition of subsidiaries and the minority's share of changes in equity since the date of the combination or acquisition. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the minority interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the relevant share of the carrying amount of the subsidiary's net assets acquired and the fair value of the consideration paid is recognised directly in equity (other reserve) and attributed to owners of the Company.

(d) Business combinations

Acquisition of subsidiaries and business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill in Note 3(g) below.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Interests in subsidiaries are included in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Associates and jointly-controlled entities

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

A jointly-controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, which the contractual arrangement establishes the Group and one or more of the other parties share joint control over the economic activity of the entity.

The results and assets and liabilities of associate or jointly-controlled entity are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates or jointly-controlled entity are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates or jointly-controlled entities, less impairment in the value of individual investments. Losses of an associate or a jointly-controlled entity in excess of the Group's interest in that associate or jointly-controlled entity, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or jointly-controlled entity are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or jointly-controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or jointly-controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

(g) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit or loss.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and any accumulated impairment losses, except for freehold land which is stated at cost less any impairment losses and is not depreciated.

Historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of assets can be measured reliably, the expenditure is capitalised as an additional cost of the asset or a separate asset.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Buildings	2% to 5% or over the terms of the leasehold land and related land use rights, if shorter
Leasehold improvements	20% or over the lease terms, if shorter
Plant and machinery	6.67%
Furniture and fixtures	20%
Equipment	10% to 20%
Motor vehicles	10% to 30%

The 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 the profit or loss.

(i) Construction in progress

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less any impairment losses. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

Construction in progress is classified to the appreciate category of property, plant and equipment when completed and ready for use.

(j) Intangible assets excluding goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination or acquisition of subsidiaries are stated at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Intangible assets excluding goodwill (continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses and are amortised (i) on the units of production method utilising only proven and probable coal reserves in the depletion base; or (ii) straight line method over the remaining terms of the mining rights if no mining activity is carried out as appropriate.

Technical know-how

The cost of acquiring the right to technical know-how for the development of vertical farming business is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

(k) Impairment of tangible and intangible assets excluding goodwill and financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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, net of depreciation or amortisation, had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

Trading securities are classified at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in the income statement incorporates any dividend or interest earned on the financial assets.

(ii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Financial assets (continued)

(iii) Impairment of financial assets (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(iii) Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instrument are equity instrument. The net proceeds received from the issue of warrants are recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to accumulated losses.

(iv) Convertible note

Convertible notes issued by the Group that contain both liability and derivative components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than 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 a conversion option derivative. At the date of issue, the conversion option derivative is recognised at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

When the notes are converted, the carrying amount of the liability component together with the fair value of the derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the notes are redeemed, and difference between the redemption amount and the aggregate carrying amounts of both components is recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and derivative components in proportion to the allocation of the proceeds. Transaction costs relating to the derivative component is recognised in profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Financial liabilities and equity instrument issued by the Group (continued)

(v) Financial liabilities

Financial liabilities, including trade and other payables, promissory notes, and amounts due to a director and a former director of the Company are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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 through the expected life of the financial liability, or where appropriate, a shorter period.

(vi) 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 or payable is recognised in profit or loss.

Substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(p) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

Rentals payable under operating leases is charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Provisions and contingent liabilities

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 the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where 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.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

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.

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the profit or loss on a prospective basis over the remaining life of the operation. Provision for close down and restoration costs does not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at the end of each reporting period to reflect changes in conditions.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(r) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes 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 reporting period.

(ii) Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each end of 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly-controlled entity, 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 and interests 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.

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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of 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 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 its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(s) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Hong Kong dollar which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, on consolidation, they are recognised in other comprehensive income and accumulated in equity as translation reserve and recognised in the income statement on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as the Group's translation reserve. Such translation differences are reclassified to profit or loss in the period in which the foreign operation or underlying asset is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(t) Employees' benefits

i) Short-term benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of reporting period.

ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to income statement when incurred. The Group has no further payment obligation once the contribution has been made.

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group makes contributions to the pension fund for the benefit of the employees of the Group's Russian subsidiary in accordance with the relevant requirements of the pension scheme of the Russian Federation ("Russia"). The contributions are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(t) Employees' benefits (continued)

iii) Share-based payments

The Group issues equity-settled share-based payments to certain employees and others providing similar services. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant.

The fair value determined at the grant date of the equity-settled share-based payments is expected to be vested on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each end of the report period, the Group revises its estimate of the number of equity instruments expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share option reserve.

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

(u) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances and excludes value added tax or other sales related taxes.

i) Revenue from the sale of products is recognised when the Group has delivered products to the customers, the customers have accepted the products and collectibility of the related receivable is reasonably assured.

ii) Revenue from the provision of digital television technology services is recognised when the services are rendered; and

iii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the effective interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(x) Shares held by escrow agent for settlement of acquisition consideration

The Company issues shares to an escrow agent to settle acquisition consideration payable to the vendors upon the acquired entities achieved certain financial thresholds in the year following the completion of acquisition. The shares, valued at the date of issue, including any directly attributable incremental costs, are presented as "Shares held by escrow agent for settlement of acquisition consideration" and deducted from total equity. The number of shares held by escrow agent for settlement of acquisition consideration would be eliminated against the corresponding number of shares issued in the calculation of the loss per share for loss attributable to the owners of the Company.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In determining whether an asset including goodwill is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The Group also makes estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in the use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Equity-settled share option expense

Equity-settled share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in profit or loss and equity-settled share option reserve.

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets including property, plant and equipment and other intangible assets at the end of each reporting period. If the circumstances indicate that the carrying values of non-financial assets may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of assets". Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs. However, actual sale volume, selling price and operating costs may be different from assumptions which may require a material adjustment to carrying amount of the assets affected.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limited on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimates. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Impairment loss for bad and doubtful debts

The Group maintains an impairment loss for bad and doubtful debts for estimated losses resulting from the inability of the debtors to make required payments. The Group estimates future cash flows based on the ageing of the trade receivables balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Reserve estimates

Reserves are estimates of the amount of products that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgments and calculations to interpret the data.

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Reserve estimates (continued)

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

(i) Asset carrying values may be affected due to changes in estimated future cash flows.

(ii) Depreciation, depletion and amortisation charged to profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

(iii) Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

(iv) The carrying value of deferred tax may change as a result of changes in the asset carrying values as discussed above.

Provision for close down, restoration and environmental costs

The provision for close down, restoration and environmental costs is determined by management based on their past experience and best estimation of future expenditures, after taking into account the existing relevant regulations in Russia. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

Write down of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgement. Based on this review, write down of inventories will be made when the carrying amount of the inventories decline below the estimated net realisable value. However, actual consumption may be different from estimation and the income statement could be affected by differences in this estimation.

Income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on earnings.

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT INFORMATION

HKFRS 8 "Operating Segments" replaces HKAS 14 "Segment Reporting" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires that disclosure of information about the Group's operating segments. It replaces the requirements under HKAS 14 to determine the primary (business) and secondary (geographical) reporting operating segments of the Group. Adoption of this standard did not have any effect on the Group's results of operations or financial position, as the Group has determined that the operating segments are substantially the same as the business segments previously identified under HKAS 14.

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

(i) Digital television technology services segment engages in the provision of digital television technology services, including sale of cable video-on demand systems, information broadcasting systems and embedded television systems.

(ii) Mining segment comprises the holding a mining right of a coal mine in Russia and will be engaged in mining of coal.

(iii) Garment and premium segment engaged in the manufacture and trading of garment and premium products. During the year, the Group disposed of its business of garment and premium. Accordingly, the business segment of garment and premium was classified as discontinued operation, and the comparative figures of this segment were re-classified from continuing operations to discontinued operation.

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

5. SEGMENT INFORMATION (continued)

(a) Reportable segments

The following tables present revenue, results and certain asset, liabilities and expenditure information for the Group's reportable segments for the years ended 31 March 2010 and 2009.

For the year ended 31 March 2010

	Continuing operations				Discontinued operation	
	Digital television technology services HK$'000	Mining HK$'000	Corporate and others HK$'000	Total HK$'000	Garment and premium HK$'000	Consolidated total HK$'000
Reportable segment revenue						
Revenue from external customers	14,660	–	–	14,660	–	14,660
Reportable segment (loss)/profit	(160,134)	(1,829,441)	448,133	(1,541,442)	1,862	(1,539,580)
Loss on modification of convertible notes	–	–	(451,240)	(451,240)	–	(451,240)
Change in fair value of derivative component of convertible notes	–	–	910,520	910,520	–	910,520
Impairment loss on goodwill	(147,682)	–	–	(147,682)	–	(147,682)
Impairment loss on other intangible assets	–	(1,664,815)	–	(1,664,815)	–	(1,664,815)
Gains on disposal of subsidiaries	–	–	–	–	1,626	1,626
Gains on disposal of trading securities	–	–	119	119	–	119
Interest income from promissory note receivable	–	–	486	486	–	486
Share of results of associates	–	–	–	–	276	276
Income tax	(893)	918	6	31	–	31
Depreciation	(635)	(32)	(20)	(687)	(4)	(691)
Amortisation of other intangible assets	(3,244)	(126,310)	(361)	(129,915)	–	(129,915)
Allowance for doubtful trade receivables	(91)	–	–	(91)	–	(91)
Reportable segment assets	68,760	1,510,230	85,143	1,664,133	–	1,664,133
Additions to non-current assets	38	16,185	–	16,223	–	16,223
Reportable segment liabilities	(21,594)	(25,306)	(680,198)	(727,098)	–	(727,098)

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

For the year ended 31 March 2009

	Continuing operations			Discontinued operation	
	Digital television technology services HK$'000	Corporate and others HK$'000	Total HK$'000	Garment and premium HK$'000	Consolidated total HK$'000
Reportable segment revenue					
Revenue from external customers	25,778	–	25,778	89,753	115,531
Reportable segment (loss)/profit	(2,294)	7,120	4,826	1,040	5,866
Gains on disposal of property held for sale	–	10,074	10,074	–	10,074
Gains on disposal of property, plant and equipment and land use rights	–	1,431	1,431	690	2,121
Gains on disposal of subsidiaries	–	–	–	2,581	2,581
Gains on disposal of trading securities	–	46	46	–	46
Share of results of associates	–	–	–	(773)	(773)
Income tax	(590)	–	(590)	33	(557)
Depreciation	(221)	(19)	(240)	(415)	(655)
Amortisation of leasehold land and land use rights	–	(3)	(3)	(26)	(29)
Amortisation of other intangible assets	(2,908)	–	(2,908)	–	(2,908)
Impairment loss on inventories	–	–	–	(2,556)	(2,556)
Allowance for doubtful trade receivables	(398)	–	(398)	(906)	(1,304)
Reportable segment assets	220,448	9,717	230,165	25,182	255,347
Additions to non-current assets	2,792	–	2,792	55	2,847
Reportable segment liabilities	(87,912)	(11,231)	(99,143)	(9,679)	(108,822)

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

(a) Reportable segments (continued)

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

	2010 HK$'000	2009 HK$'000
Revenue		
Reportable segment revenue and consolidated revenue	**14,660**	115,531

	2010 HK$'000	2009 HK$'000
Loss before income tax expenses and discontinued operation		
Reportable segment (loss)/profit	**(1,539,580)**	5,866
Unallocated corporate revenue	**–**	150
Unallocated corporate expenses	**–**	(122)
Finance costs	**(101,670)**	(6,417)
Consolidated loss before income tax expenses from continuing and discontinued operations	**(1,641,250)**	(523)

	2010 HK$'000	2009 HK$'000
Assets		
Reportable segment assets	**1,664,133**	255,347
Unallocated corporate assets	**–**	542
Consolidated total assets	**1,664,133**	255,889

	2010 HK$'000	2009 HK$'000
Liabilities		
Reportable segment liabilities	**(727,098)**	(108,822)
Unallocated corporate liabilities	**–**	(827)
Consolidated total liabilities	**(727,098)**	(109,649)

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

(b) Geographical information

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

	Revenue from external customers		Specified non-current assets	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Continuing operations				
PRC	**14,660**	25,778	**72,768**	201,820
Russia	**–**	–	**1,500,796**	8,717
Others	**–**	–	**44**	65
	14,660	25,778	**1,573,608**	210,602
Discontinued operation				
PRC	**–**	234	**–**	14,119
Chile	**–**	63,906	**–**	–
Others	**–**	25,613	**–**	14
	–	89,753	**–**	14,133

(c) Information about major customers

For the year ended 31 March 2010, revenues from a customer of the digital television technology services segment had contributed to more than 10% of the Group's revenue amounting to HK$1,859,000. Other than this customer, there is no other customer whose revenue contributed to more than 10% of the Group's revenue.

For the year ended 31 March 2009, revenues from two customers of the garment and premium segment had contributed to more than 10% of the Group's revenue amounting to HK$30,531,000 and HK$15,556,000 respectively. Other than these customers, there is no other customer whose revenue contributed to more than 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

6. TURNOVER, OTHER INCOME AND OTHER GAINS AND LOSSES

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

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

	Continuing operations		Discontinued operation		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Turnover:						
Sale of goods	**–**	–	**–**	89,753	**–**	89,753
Provision of digital television technology services	**14,660**	25,778	**–**	–	**14,660**	25,778
	14,660	25,778	**–**	89,753	**14,660**	115,531
Other income:						
Interest income	**97**	97	**–**	–	**97**	97
Sundry income	**673**	329	**–**	–	**673**	329
Interest income from promissory note receivable (Note 21)	**486**	–	**–**	–	**486**	–
	1,256	426	**–**	–	**1,256**	426
Other gains and losses:						
Allowance for doubtful trade receivables (Note 23(ii))	**(91)**	(398)	**–**	(906)	**(91)**	(1,304)
Impairment loss on goodwill (Note 15)	**(147,682)**	–	**–**	–	**(147,682)**	–
Impairment loss on other intangible assets (Note 16(a))	**(1,664,815)**	–	**–**	–	**(1,664,815)**	–
Change in fair value of derivative component of convertible notes (Note 27(iii))	**910,520**	–	**–**	–	**910,520**	–
Loss on modification of convertible notes (Note 27(ii))	**(451,240)**	–	**–**	–	**(451,240)**	–
Gains on disposal of property held for sale	**–**	10,074	**–**	–	**–**	10,074
Gains on disposal of property, plant and equipment and land use rights	**–**	1,431	**–**	690	**–**	2,121
Gains on disposal of subsidiaries (Note 37)	**–**	–	**1,626**	2,581	**1,626**	2,581
Gains on disposal of trading securities (Note 24)	**119**	46	**–**	–	**119**	46
Net exchange gain	**1,101**	–	**–**	–	**1,101**	–
	(1,352,088)	11,153	**1,626**	2,365	**(1,350,462)**	13,518

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Interest expenses on:						
Bank loans and overdrafts wholly repayable within five years	**–**	–	**–**	239	**–**	239
Import and export loans wholly repayable within five years	**–**	4	**–**	193	**–**	197
Loan from a shareholder (Note 41(b))	**3,186**	–	**–**	–	**3,186**	–
Loan from a former director of the Company (Note 41(c))	**7**	–	**–**	63	**7**	63
Imputed interest on convertible notes (Note 27)	**83,078**	–	**–**	–	**83,078**	–
Imputed interest on promissory notes (Note 28)	**15,237**	5,125	**–**	–	**15,237**	5,125
	101,508	5,129	**–**	495	**101,508**	5,624
Bank charges	**162**	18	**–**	775	**162**	793
	101,670	5,147	**–**	1,270	**101,670**	6,417

NOTES TO THE FINANCIAL STATEMENTS

8. (LOSS)/PROFIT BEFORE INCOME TAX

	Continuing operations		Discontinued operation		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
(Loss)/profit before income tax is arrived at after charging:						
Employees benefit expenses (excluding directors' remuneration (Note 9(a)):						
Wages and salaries	**9,503**	5,925	**–**	281	**9,503**	6,206
Pension fund contributions	**681**	294	**–**	13	**681**	307
Equity-settled share option expense (Note 32)	**138**	–	**–**	–	**138**	–
	10,322	6,219	**–**	294	**10,322**	6,513
Amortisation of other intangible assets (Note 16)*						
— Mining right	**126,310**	–	**–**	–	**126,310**	–
— Customer base	**3,244**	2,908	**–**	–	**3,244**	2,908
— Technical know-how	**361**	–	**–**	–	**361**	–
Depreciation (Note 14(a))*	**687**	240	**4**	415	**691**	655
Amortisation of leasehold land and land use rights	**–**	3	**–**	26	**–**	29
Equity-settled share option expense to directors (Note 9(a))	**721**	–	**–**	–	**721**	–
Equity-settled share option expense to consultants (Note 32)	**–**	1,661	**–**	–	**–**	1,661
Auditor's remuneration	**1,693**	400	**–**	200	**1,693**	600
Minimum lease payments in respect of premises under operating leases	**5,208**	2,434	**–**	257	**5,208**	2,691
Loss on disposal of property, plant and equipment	**–**	–	**–**	75	**–**	75
Unrealised loss on trading securities	**–**	384	**–**	–	**–**	384
Net exchange losses	**–**	13	**–**	244	**–**	257
Cost of inventories sold*	**5,850**	6,903	**–**	71,202	**5,850**	78,105
Impairment loss on inventories (included in cost of sales)*	**–**	–	**–**	2,556	**–**	2,556

* Cost of sales disclosed on the face of the consolidated income statement represents cost of inventories sold, depreciation charges and other expenses of HK$185,000 (2009: HK$757,000), impairment loss on inventories of HK$Nil (2009: HK$2,556,000) and amortisation of other intangible assets of HK$3,244,000 (2009: HK$2,908,000).

NOTES TO THE FINANCIAL STATEMENTS

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

Name of directors	Fees		Salaries and allowances		Pension fund contributions		Equity-settled share option expense		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Executive directors										
Li Wing Sang	**260**	215	**815**	600	**14**	23	**126**	–	**1,215**	838
Chiu Chi Hong	**260**	140	**614**	224	**14**	14	**126**	–	**1,014**	378
Lim Ho Sok	**260**	133	**2,290**	595	**15**	7	**–**	–	**2,565**	735
Cheung Keng Ching*	**–**	–	**–**	148	**–**	7	**–**	–	**–**	155
Shin Min Chul	**131**	–	**327**	–	**–**	–	**–**	–	**458**	–
	911	488	**4,046**	1,567	**43**	51	**252**	–	**5,252**	2,106
Independent non-executive directors										
Tam Tak Wah, Louis	**195**	180	**–**	–	**–**	–	**–**	–	**195**	180
Yoshinori Suzuki	**130**	74	**–**	–	**–**	–	**469**	–	**599**	74
Liew Swee Yean	**130**	39	**–**	–	**–**	–	**–**	–	**130**	39
Lo Siu Tong, Alfred*	**–**	5	**–**	–	**–**	–	**–**	–	**–**	5
Wong Lai Wah, Ada*	**–**	49	**–**	–	**–**	–	**–**	–	**–**	49
	455	347	**–**	–	**–**	–	**469**	–	**924**	347
Total	**1,366**	835	**4,046**	1,567	**43**	51	**721**	–	**6,176**	2,453

* These directors resigned as directors of the Company in the prior year.

In the current year, two executive directors and one independent non-executive director were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 32. The fair value of such options which was expensed in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in profit or loss for the current year are included in the above directors' remuneration disclosures. There was no share option granted to any director of the Company in the prior year.

During the current and prior years, no remuneration was paid by the Group to any director as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid individuals

The five highest paid individuals during the year included three (2009: three) directors, details of whose remuneration are set out in Note (a) above. Details of the remuneration of the remaining two (2009: two) non-directors, highest paid individuals for the year are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**1,333**	1,101
Pension fund contributions	**–**	24
	1,333	1,125

The number of non-director, highest paid individuals whose remuneration fell within the following band is as follows:

	2010	2009
HK$Nil to HK$1,000,000	**2**	2

10. INCOME TAX

(i) Taxation in the consolidated income statement represents:

	Continuing operations		Discontinued operation		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Group:						
Current – Hong Kong						
Charge for the year	**6**	–	**–**	33	**6**	33
Current – Russia and other overseas						
Deferred taxation (Note 29)	**918**	–	**–**	–	**918**	–
Current – PRC						
Charge/(written back) for the year	**(82)**	137	**–**	–	**(82)**	137
Deferred taxation (Note 29)	**(811)**	(727)	**–**	–	**(811)**	(727)
	31	(590)	**–**	33	**31**	(557)

No provision for Hong Kong profits tax was made for the current year as the Hong Kong subsidiaries of the Group have no assessable profits for Hong Kong profits tax purposes in the current year. Provision for Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits for the year ended 31 March 2009. Taxation for the Russian and other foreign operations are similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

In the prior year, tax holidays were granted by the relevant authorities to a PRC subsidiary of the Group, where the PRC corporate income tax ("CIT") was exempted for the first two profitable years of the subsidiary and is chargeable at half of the applicable rate for the subsequent three years.

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAX (continued)

(ii) Taxation for the year can be reconciled to the accounting loss as follows:

For the year ended 31 March 2010

	Total HK$'000
Loss before income tax expenses	**(1,641,250)**
Tax calculated at the weighted average statutory tax rate	**(347,430)**
Tax effect of expenses not deductible for taxation purposes	**506,329**
Tax effect of income not taxable for taxation purposes	**(162,270)**
Tax effect on share of results of associates	**(69)**
Tax effect of tax losses not recognised	**3,471**
Income tax for the year	**31**

For the year ended 31 March 2009

	Total HK$'000
Loss before income tax expenses	(523)
Tax calculated at the weighted average statutory tax rate	94
Tax effect of expenses not deductible for taxation purposes	2,552
Tax effect of income not taxable for taxation purposes	(2,081)
Effect on income tax exemption	(2,167)
Profits and losses attributable to associates	193
Utilisation of previously unrecognised tax losses	(858)
Tax effect of tax losses not recognised	1,710
Income tax for the year	(557)

NOTES TO THE FINANCIAL STATEMENTS

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

Loss from ordinary activities attributable to owners of the Company for the year ended 31 March 2010 includes a loss of HK$483,003,000 (2009: a loss of HK$16,187,000) which has been dealt with in the financial statements of the Company.

12. DIVIDEND

The board of directors did not recommend the payment of any dividend for the year ended 31 March 2010 (2009: HK$Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the share consolidation subsequent to the end of reporting period. Basic and diluted loss per share amounts for the year ended 31 March 2009 have been restated to take into effect the share consolidation subsequent to the reporting period.

The calculation of diluted loss per share for the year is based on the loss for the year attributable to the owners of the Company. Weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

As the Company's outstanding convertible notes and share options where applicable have an anti-dilutive effect to the basic loss per share calculation for the current and prior years, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted loss per share calculations (i) from continuing and discontinued operations; and (ii) from continuing operations only for the respective years are the same.

For continuing and discontinued operations

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

	2010 **HK$'000**	2009 HK$'000
Loss		
Loss attributable to the owners of the Company, used in the basic and diluted loss per share calculation	**967,640**	2,432

	Number of shares	
	2010	2009 (Restated)
Shares		
Weighted average number of ordinary shares for basic and diluted loss per share calculation	**456,973,246**	121,702,731

NOTES TO THE FINANCIAL STATEMENTS

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations is based on the following data:

	2010 HK$'000	2009 HK$'000
Loss		
Loss attributable to the owners of the Company from continuing operations, used in the basic and diluted loss per share calculation	**969,502**	3,322

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

From discontinued operation

Basic earnings per share amount from discontinued operation is 0.41 Hong Kong cents and 0.73 Hong Kong cents per share for the year ended 31 March 2010 and 2009 respectively, based on the earnings for the current and prior year from discontinued operation of HK$1,862,000 and HK$890,000 respectively. The denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment

The Group	Construction in progress HK$'000	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:									
At 1 April 2008	–	–	13,575	3,325	1,062	1,001	1,126	1,022	21,111
Additions	–	–	–	–	–	438	1,696	713	2,847
Acquisition of subsidiaries (Note 34)	–	–	–	–	–	51	35	–	86
Disposal of a subsidiary (Note 37)	–	–	(7,703)	(808)	–	(337)	–	(468)	(9,316)
Disposals	–	–	(5,799)	(2,040)	(1,052)	–	–	–	(8,891)
Exchange realignments	–	–	(73)	(7)	(10)	12	51	(6)	(33)
At 31 March 2009 and 1 April 2009	–	–	–	470	–	1,165	2,908	1,261	5,804
Additions	14,332	1,330	–	–	–	112	65	384	16,223
Written off	(136)	–	–	–	–	(6)	–	–	(142)
Acquisition of subsidiaries (Note 35(a))	789	–	–	–	–	57	–	–	846
Disposal of subsidiaries (Note 37)	–	–	–	(470)	–	(681)	(995)	(549)	(2,695)
Exchange realignments	507	43	–	–	–	10	9	17	586
At 31 March 2010	15,492	1,373	–	–	–	657	1,987	1,113	20,622
Accumulated depreciation and impairment:									
At 1 April 2008	–	–	5,186	2,538	1,062	893	994	851	11,524
Charge for the year (Note 8)	–	–	279	44	–	134	105	93	655
Disposal of subsidiaries (Note 37)	–	–	(1,851)	(146)	–	(242)	–	(348)	(2,587)
Disposals	–	–	(3,600)	(1,965)	(1,052)	–	–	–	(6,617)
Exchange realignments	–	–	(14)	(1)	(10)	(2)	–	(3)	(30)
At 31 March 2009 and 1 April 2009	–	–	–	470	–	783	1,099	593	2,945
Charge for the year (Note 8)	–	–	–	–	–	152	388	151	691
Written off	–	–	–	–	–	(2)	–	–	(2)
Disposal of subsidiaries (Note 37)	–	–	–	(470)	–	(681)	(985)	(549)	(2,685)
Exchange realignments	–	–	–	–	–	1	1	–	2
At 31 March 2010	–	–	–	–	–	253	503	195	951
Net carrying value:									
At 31 March 2010	15,492	1,373	–	–	–	404	1,484	918	19,671
At 31 March 2009	–	–	–	–	–	382	1,809	668	2,859

(b) Prepayments for acquisition of property, plant and equipment

As at 31 March 2010, the prepayment amounts represented prepayments made for acquisition of items of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

15. GOODWILL

	2010 HK$'000	2009 HK$'000
At beginning of year:		
Cost	**179,474**	19,458
Acquisition of subsidiaries (Note 34)	**–**	205,041
Adjustment to the cost of acquisition (Note (i) & 28)	**–**	(47,875)
Disposal of subsidiaries (Note 37)	**(19,458)**	–
Accumulated impairment	**(147,682)**	(19,458)
Exchange realignments	**876**	2,850
Net carrying amount	**13,210**	160,016
Net carrying amount:		
At beginning of year	**160,016**	–
Acquisition of subsidiaries (Note 34)	**–**	205,041
Adjustment to the cost of acquisition (Note (i) & 28)	**–**	(47,875)
Impairment loss (Notes 6 & (ii))	**(147,682)**	–
Exchange realignments	**876**	2,850
At end of year	**13,210**	160,016
At 31 March:		
Cost	**160,892**	179,474
Accumulated impairment	**(147,682)**	(19,458)
Net carrying amount	**13,210**	160,016

Goodwill arising in the prior year related to the acquisition of 51% equity interests of the DTV Group.

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating unit of digital technology services (the "DTV CGU") of HK$13,210,000 (2009: HK$160,016,000).

NOTES TO THE FINANCIAL STATEMENTS

15. GOODWILL (continued)

Notes:

(i) According to the sale and purchase agreement of the acquisition of 51% equity interests in the DTV Group dated 29 January 2008, DTV China Holdings Limited (the "DTV Vendor") provided profit guarantee to the Group that the actual audited consolidated net profits before tax and minority interests and any extraordinary or exceptional items (the "Actual Profit") of the DTV Group for the twelve months commencing from the completion date of the acquisition (i.e. 25 April 2008) would not be less than RMB70,000,000 (the "Guaranteed Profit"). Pursuant to an extension letter dated 29 June 2009, entered into among the Group, the DTV Vendor and the 100% equity owner of the DTV Vendor, the end date for measuring of the Actual Profit is extended from 24 April 2009 to 30 April 2009. As the DTV Group's results for the period from 25 April 2008 to 30 April 2009 was less than the Guaranteed Profit, the Group offset the promissory notes issued and held by escrow agent as partial consideration of the acquisition in the amount of HK$47,875,000 and the carrying value of goodwill has been adjusted for the same amount accordingly. Further details of the adjustment are set out in Note 28(b).

(ii) Impairment testing of goodwill

Goodwill was arising from business combination of the DTV CGU in prior year, which is a reportable segment.

Management had originally anticipated that there will be a significant growth in the DTV CGU at the date of acquisition. However, in the current year, due to the increased competition in the DTV industry, the growth rate of the DTV industry had been slower than expected. As a result, some of the customers of the DTV CGU either suspended or delayed their initial contracts with the DTV CGU. Accordingly, the recoverable amount of the DTV CGU was determined with reference to a professional valuations report issued by RHL Appraisal Limited, an independent firm of professionally qualified valuers, which is based on a value in use calculation using a cash flow projection and financial budgets covering a 5-year period approved by senior management. The discount rate and average growth rate applied to the cash flow projection is 22.62% (2009:18.79%) and 33% (2009:60%), respectively. The directors of the Company are of the opinion, based on value in use calculation, that goodwill associated with the DTV CGU was impaired by HK$147,682,000 to its recoverable amount as at 31 March 2010.

The key assumptions on which management have based its cash flow projection to undertake impairment testing of the DTV CGU are as follows:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the past performance of the unit and management's expectation of market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

NOTES TO THE FINANCIAL STATEMENTS

16. OTHER INTANGIBLE ASSETS

	Mining right HK$'000 (Note (a))	**Customer base** HK$'000 (Note (b))	**Technical know-how** HK$'000 (Note (c))	**Total** HK$'000
Cost:				
At 1 April 2008	–	–	–	–
Arising from acquisition of subsidiaries (Note 34)	–	41,237	–	41,237
Exchange realignments	–	748	–	748
At 31 March 2009 and 1 April 2009	–	41,985	–	41,985
Arising from acquisition of subsidiaries (Note 35(a)&(b))	3,139,584	–	21,649	3,161,233
Exchange realignments	184,536	230	87	184,853
At 31 March 2010	3,324,120	42,215	21,736	3,388,071
Accumulated amortisation and impairment losses:				
At 1 April 2008	–	–	–	–
Charge for the year (Note 8)	–	2,908	–	2,908
Exchange realignments	–	53	–	53
At 31 March 2009 and 1 April 2009	–	2,961	–	2,961
Charge for the year (Note 8)	126,310	3,244	361	129,915
Impairment loss	1,664,815	–	–	1,664,815
Exchange realignments	53,558	19	1	53,578
At 31 March 2010	1,844,683	6,224	362	1,851,269
Net carrying value:				
At 31 March 2010	1,479,437	35,991	21,374	1,536,802
At 31 March 2009	–	39,024	–	39,024

NOTES TO THE FINANCIAL STATEMENTS

16. OTHER INTANGIBLE ASSETS (continued)

(a) Mining right

On 31 October 2008, the Company, Grandvest International Limited ("Grandvest"), a wholly-owned subsidiary of the Company, Cordia Global Limited (the "Langfeld Vendor") and the sole beneficial owner of the Langfeld Vendor entered into an acquisition agreement to acquire 90% equity interests in Langfeld Enterprises Limited ("Langfeld") and its subsidiaries (the "Langfeld Group") (collectively referred as the "Acquisition"). The mining right relating to the cash generating unit of coal mining (the "Coal Mining CGU") was acquired as part of the acquisition of the Langfeld Group completed during the year and was initially recognised at its fair value of the consideration paid for the acquisition. The consideration for the mining right and is subject to adjustment pending the occurrence of certain events, details of which are set out in Note 35(a)(i). At the end of each reporting period, mining right is measured using the cost model subject to impairment.

Amortisation is provided to write off the cost of the mining right using (i) the units-of-production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining rights till all proven and probable mineral reserves have been mined if the mining activity is carried out; or (ii) straight-line method over the remaining terms of the mining right if no mining activity is carried out. During the current year, the coal mine was not in operation and accordingly, amortisation on the mining right was amortised under straight-line method.

In view of the unexpected decrease in the market price of coal between the date of the acquisition agreement and the date of completion of the Acquisition of the mining right as a result of the financial tsunami started in October 2009. The Group considered the decrease in market price of coal is an indicator to that the Coal Mining CGU has been impaired.

As at 31 March 2010, the recoverable amount of the Coal Mining CGU was assessed by the directors by reference to the professional valuation as at 31 March 2010 performed by Vigers Appraisal and Consulting Limited ("Vigers"). The recoverable amount of the Coal Mining CGU was determined by Vigers based on a value in use calculation using a cash flow projection according to the financial budgets approved by senior management for the next 5 years at an estimated growth rate of 5%, and extrapolates cash flows beyond the 5 years based on a steady growth rate of 5%. The discount rate applied to the cash flow projection is 24.02%. The financial budgets and growth rates are estimated with reference to the development curve for the mining industry. The directors of the Company are of the opinion, based on the valuation, that the mining right associated with the Coal Mining CGU was impaired by HK$1,664,815,000 compared with its recoverable amount as at 31 March 2010.

The key assumptions on the management and valuers have based its cash flow projection to undertake impairment testing of mining rights are as follows:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the past performance of the unit and management's expectation of market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Detail of the Group's mining right is as follows:–

Intangible assets	Locations	Expiry date
Mining right		
Lapichevskaya Mine	Industrial area, Kemerovo district, Kemerovo region, 650906, Russian Federation	31 December 2014

NOTES TO THE FINANCIAL STATEMENTS

16. OTHER INTANGIBLE ASSETS (continued)

(b) Customer base

Customer base relating to the DTV CGU acquired as part of the acquisition of the DTV Group, and has a finite useful live, over which the assets are amortised. The amortised period for the customer base is 13 years.

(c) Technical know-how

Technical know-how on vertical farming (the "Vertical Farming CGU") was acquired as part of the acquisition of the SOFOCO Group (as defined in Note 35(b)), and has a estimated useful live of five years, over which the assets are amortised.

The recoverable amount of the Vertical Farming CGU was re-assessed by the directors with reference to the professional valuation as at 31 March 2010 performed by Roma Appraisals Limited ("Roma"). The recoverable amount of the Vertical Farming CGU was determined by the professional valuers by reference to a value in use calculation using a cash flow projection and financial budgets covering a 5 year period approved by senior management. The discount rate and growth rate applied to the cash flow projection is 33.62% and 45.67%, respectively. The directors of the Company are of the opinion that based on the professional valuation, that technical know-how associated with the Vertical Farming CGU was not impaired as at 31 March 2010.

The key assumptions based on which management and valuers prepared its cash flow projection to undertake impairment testing of technical know-how are as follows:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the management's expectation of market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**10**	42,779
Amounts due from subsidiaries	**2,284,464**	217,651
	2,284,474	260,430
Less: Impairment loss on investment costs	**–**	(27,246)
Impairment loss on amounts due from subsidiaries	**(905,825)**	(58,254)
	1,378,649	174,930

The amounts due from subsidiaries are unsecured, interest-free and are not expected to be repaid within one year. The directors consider the amounts due from subsidiaries are, in substance, quasi-equity loans.

NOTES TO THE FINANCIAL STATEMENTS

17. INTERESTS IN SUBSIDIARIES (continued)

An aggregate accumulated impairment loss on investment costs and amounts due from subsidiaries of HK$Nil (2009: HK$27,246,000) and HK$905,825,000 (2009: HK$58,254,000) respectively was recognised as at 31 March 2010 because the related recoverable amounts of the investment costs and the balances due from subsidiaries with reference to the values of the respective subsidiaries were estimated to be less than their respective carrying amounts. Accordingly, the carrying amounts of the related investment costs and amounts due therefrom were reduced to their recoverable amounts as at 31 March 2010 and 2009.

Particulars of the principal subsidiaries as at 31 March 2010 were as follows:–

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Langfeld	The Republic of Cyprus ("Cyprus")	Ordinary Euro€10,000	–	90	Investment holding
LLC "Shakhta Lapichevskaya" ("Lapi")	Russia	Registered capital of Russian Roubles ("RUB") of 10,000	–	90	Holding of a mining right
Digital New Century Company Limited	Hong Kong	Ordinary HK$100	100	–	Investment holding
Century Power (China) Limited ("Century Power")	Hong Kong	Ordinary HK$10,000	–	100	Investment holding
DTVChina, Inc.	The British Virgin Islands ("BVI")	Ordinary US$1,000	–	51	Investment holding
EnReach Information Technology (Shanghai) Company Limited ("EnReach") (Notes 1 and 2)	PRC	Registered capital of US$1,000,000	–	51	Provision of digital television technology services
Grandvest International Limited	BVI	Ordinary US$1	100	–	Investment holding
SOFOCO Development Limited	Hong Kong	Ordinary HK$50,000,000	–	70	Investment holding
SOFOCO (Zhenjiang) Industrial Development Company Limited. (Note 2)	PRC	Registered capital of HK$11,999,760	–	70	Provision of vertical farming projects

NOTES TO THE FINANCIAL STATEMENTS

17. INTERESTS IN SUBSIDIARIES (continued)

Notes:

1. EnReach was registered in the PRC as a wholly-owned foreign enterprise under the PRC law.

2. The statutory financial statements of these subsidiaries are not audited by BDO Limited or any of its member firms.

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 other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	The Group	
	2010 HK$'000	2009 HK$'000
Share of net assets	**–**	–

The Group's share of results of jointly-controlled entity for the current and the prior years was attributable to the jointly-controlled entity of Falcon Vision Limited ("Falcon Vision"). On 6 August 2009, the Group disposed of its entire 100% equity interests in Falcon Vision and its subsidiaries (the "Falcon Vision Group") and as a result, Falcon Vision's jointly-controlled entity has been derecognised from the consolidated statement of financial position of the Group on the same date.

Particulars of the Group's jointly-controlled entity as at 31 March 2009 which was an unlisted entity, was as follows:–

Name of company	**Form of business structure**	**Place of establishment and operation**	**Percentage of equity interest indirectly held by the Company**	**Principal activities**
Rontex Co., Ltd. ("Rontex Ningbo")	Corporate	PRC	51	Manufacture and sale of garment products

The statutory financial statements of the above company were not audited by BDO Limited or any of its member firms.

In the prior periods, the Group shared joint control over the financial and operating policy of this jointly-controlled entity with other investor notwithstanding that the Group had a 51% equity interest thereon.

NOTES TO THE FINANCIAL STATEMENTS

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY (continued)

During the year ended 31 March 2009, the Group had not recognised its share of loss of Rontex Ningbo in excess of the Group's interest in this jointly-controlled entity. Summarised financial information in respect of the Group's interest in the jointly-controlled entity was as follows:

	2010 HK$'000	2009 HK$'000
Non-current assets	**–**	14,528
Current assets	**–**	943
Current liabilities	**–**	(16,803)
Net liabilities	**–**	(1,332)
Amount in excess of the Group's interest in the jointly-controlled entity	**–**	1,332
Net assets of the jointly-controlled entity attributable to the Group	**–**	–
Income	**6,561**	18,109
Expenses	**(5,783)**	(19,075)
Profit/(loss) for the year	**778**	(966)
Amount in excess of the Group's interest in the jointly-controlled entity	**(778)**	966
Loss of the jointly-controlled entity attributable to the Group	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

19. INTERESTS IN ASSOCIATES

	The Group	
	2010 HK$'000	2009 HK$'000
Share of net assets	**–**	14,119

The Group's share of results of associates for the current and the prior years were attributable to the associates of Falcon Vision. On 6 August 2009, the Group disposed of its entire 100% equity interests in the Falcon Vision Group and as a result, Falcon Vision's associates have been derecognised from the consolidated statement of financial position of the Group on the same date.

Particulars of the Group's associates as at 31 March 2009, all of which are unlisted entities, are as follows:

Name of company	Form of business structure	Place of establishment and operation	Percentage of equity interest attributable to the Company	Principal activities
北京朗迪服裝有限公司 (Beijing Rontex Garments Co., Ltd.)	Corporate	PRC	44	Manufacture and sale of garment products
北京朗坤服裝有限公司 (Rontex Pukuno Garments Co., Ltd.)	Corporate	PRC	30	Manufacture and sale of garment products

The statutory financial statements of the above companies are not audited by BDO Limited or any of its member firms.

Summarised financial information in respect of the Group's associates were set out below:

	2010 HK$'000	2009 HK$'000
Turnover	**56,386**	139,921
Profit/(loss) for the year	**591**	(3,510)
Profit/(loss) attributable to the Group	**276**	(773)
Total assets	**–**	126,138
Total liabilities	**–**	(78,574)
Net assets	**–**	47,564
Net assets attributable to the Group	**–**	14,119

NOTES TO THE FINANCIAL STATEMENTS

20. DIRECT COSTS FOR ACQUISITION OF SUBSIDIARIES

	The Group	
	2010 **HK$'000**	2009 HK$'000
Direct costs for the acquisition of subsidiaries	**–**	8,717

As at 31 March 2009, the amount represented costs directly attributable to the acquisition of a 90% equity interest in the Langfeld Group. The acquisition was completed on 25 May 2009. Further details are set out in the announcement of the Company dated 25 May 2009 and Note 35(a).

21. PROMISSORY NOTE RECEIVABLE

	The Company and the Group	
	2010 **HK$'000**	2009 HK$'000
At the date of inception (Note 37)	**6,844**	–
Interest credited (Note 6)	**486**	–
At end of year	**7,330**	–
Within 1 year and included in current assets as other receivables	**439**	–
After 1 year and included in non-current assets		
– After 1 year but within 2 years	**6,891**	–
	7,330	–

On 12 August 2009, a promissory note in the principal amount of HK$7,680,000 was issued to the Group by Billion Master Holdings Limited ("Billion Master"), a company wholly owned by a former executive director of the Company as part of consideration for the disposal of the Group's wholly-owned equity interests in the Falcon Vision Group. The promissory note carries coupon interest at Hong Kong prime rate plus 1% per annum or 6% per annum, whichever is the higher, on the outstanding principal amount and the interest is receivable annually from the date of issuance of this promissory note. Billion Master shall repay the outstanding principal and all interests accrued thereon under this promissory note, to the Group on the date falling 2 years from the date of issuance of this promissory note (i.e. 11 August 2011). The fair value of the promissory note was HK$6,844,000 as at the issue date, based on the professional valuation performed by Vigers. The effective interest rate of the promissory note was determined to be 11.82% per annum.

The promissory note receivable is classified as a non-current asset and is carried at the amortised cost basis until extinguished or redeemed, with the exception of the current portion of the promissory note receivable which is classified as a current asset and included in other receivables, deposits and prepayments.

NOTES TO THE FINANCIAL STATEMENTS

22. INVENTORIES

	The Group	
	2010	2009
	HK$'000	HK$'000
Finished goods	**450**	341

23. TRADE RECEIVABLES

	The Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**11,109**	16,100
Less: allowance for doubtful debts	**(490)**	(398)
	10,619	15,702

(i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. For digital television technology services business, because of the industry nature in the PRC, certain well-established customers have strong financial strength, good repayment history and creditworthiness, where the terms are extended beyond 90 days. In the prior year, the Group generally allowed an average credit term of 60 to 120 days to its trade customers for garment trading business. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

(ii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, were as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**398**	77
Additional allowance for doubtful debts (Note 6)	**91**	1,304
Uncollectible amounts written off	**–**	(982)
Exchange realignments	**1**	(1)
At end of year	**490**	398

As at 31 March 2010, the Group's trade receivables of HK$490,000 (2009: HK$398,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods or provision of services.

NOTES TO THE FINANCIAL STATEMENTS

23. TRADE RECEIVABLES (continued)

(iii) The ageing analysis of the Group's trade receivables as at the end of the reporting period, based on invoice date, is as follows:

	The Group	
	2010 HK$'000	2009 HK$'000
Within 30 days	**1,364**	8,074
31 to 60 days	**–**	1,604
61 to 90 days	**1,348**	2,398
Over 90 days	**8,397**	4,024
	11,109	16,100
Less: allowance for doubtful debts	**(490)**	(398)
	10,619	15,702

(iv) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2010 HK$'000	2009 HK$'000
Not yet past	**2,263**	13,313
Past due	**8,356**	2,389
	10,619	15,702

Receivables that were neither past due nor impaired relate to a large number of diversified customers for which there is no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The carrying amounts of the trade receivables approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

24. TRADING SECURITIES

	The Group	
	2010 **HK$'000**	2009 HK$'000
Listed equity securities – Hong Kong, at market value	**–**	587

The above trading securities were classified as held for trading. They are stated at fair value based on quoted market prices as at the end of each reporting periods.

During the year ended 31 March 2010, the entire listed equity securities were disposal of by the Group, a gain on disposal of trading securities of HK$119,000 (2009: HK$46,000) (Note 6) was recognised in the profit or loss.

25. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the cash and cash equivalents approximate their fair values.

	The Group	
	2010 **HK$'000**	2009 HK$'000
Cash and cash equivalents were denominated in:		
Renminbi ("RMB")	**85**	1,068
Russian ruble ("RUB")	**2,214**	–
United States dollar ("US$")	**1,349**	5,048
Australian dollar ("AUD")	**–**	459
Hong Kong dollar ("HK$")	**56,500**	523
Total	**60,148**	7,098

	The Company	
	2010 **HK$'000**	2009 HK$'000
Cash and cash equivalents were denominated in:		
HK$	**38,268**	277
US$	**26**	–
Total	**38,294**	277

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO THE FINANCIAL STATEMENTS

26. TRADE PAYABLES

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

	The Group	
	2010 HK$'000	2009 HK$'000
Within 30 days	**570**	1,370
31 to 60 days	**608**	387
61 to 90 days	**803**	88
Over 90 days	**1,543**	1,283
	3,524	3,128

The trade payables are non-interest-bearing and normally settled on 90-day terms.

The Group considers that the carrying amount of the Group's trade payables approximates their fair value.

27. CONVERTIBLE NOTES AND DERIVATIVES FINANCIAL INSTRUMENTS

The Company and the Group

(i) Issue of First Convertible Note

On 25 May 2009, five secured convertible notes in the aggregate principal amount of US$253,000,000 (equivalent to approximately HK$1,973,400,000) were issued by the Company (the "First Convertible Note") to the Langfeld Vendor as consideration upon the completion of the Group's acquisition of the 90% equity interest in the Langfeld Group and 90% of the unsecured and interest-free shareholder's loan owed by the Langfeld Group to the Langfeld Vendor (the "Langfeld Shareholder Loan") as further detailed in Note 35(a). The First Convertible Note was denominated in US$ and secured by the Group's 90% equity interest in the Langfeld Group and entire equity interest in Grandvest. The First Convertible Note was non-interest-bearing and payable in one lump sum on maturity. The redemption price of the First Convertible Note was equal to 115% of the outstanding principal amount of the First Convertible Note at maturity date. The Company could not redeem the First Convertible Note prior to the respective maturity date. The First Convertible Note was convertible into ordinary shares of the Company at an initial conversion price of HK$0.12 per conversion share (subject to anti-dilutive adjustments) at any time between the date of issue of the First Convertible Note and respective maturity date, provided that (i) the holder of the First Convertible Note together with parties acting in concert with it would not hold or control such level of the voting rights of the Company as might trigger a mandatory general offer under the Hong Kong Code on Takeovers and Mergers ("the Takeovers Code") regardless of whether a waiver had been granted by the Securities and Futures Commission of Hong Kong (the "SFC"); and (ii) the conversion of the outstanding principal amount of the First Convertible Note would not cause the public float of the Company unable to meet the requirement under the Rule 8.08 of the Listing Rules.

The First Convertible Note was freely transferable in whole or any part (in integral multiples of US$100,000) of the outstanding principal amount of the First Convertible Note in accordance with any applicable requirements of the Stock Exchange, the Listing Rules, and applicable laws and regulation, to a transferee other than a connect person (as defined under the Listing Rules) of the Company, which is subject to the consent of the Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

27. CONVERTIBLE NOTES AND DERIVATIVES FINANCIAL INSTRUMENTS (continued)

The Company and the Group (continued)

(i) Issue of First Convertible Note (continued)

The exercise of the derivative component embedded in the First Convertible Note would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The embedded derivative component of the First Convertible Note was therefore accounted for as a financial liability. The initial fair value of the derivative component of the First Convertible Notes was determined by reference to a valuation carried out on the issue date by Vigers is HK$1,215,552,000 and the liability component of the First Convertible Notes representing the residual amount was HK$757,848,000.

(ii) Amendments to terms of the First Convertible Note (the "Amendments")

On 14 December 2009, the Company and the Langfeld Vendor entered into a conditional modification deed ("Modification Deed") to amend certain existing terms of the First Convertible Note. The amendments pursuant to the Modification Deed included the cancellation of the outstanding principal amount of the First Convertible Note which amounted to US$142,000,000 (equivalent to approximately HK$1,107,000,000). A secured convertible note in the principal amount of US$107,000,000 (equivalent to approximately HK$834,600,000) at a conversion price of HK$0.04 per conversion share (subject to anti-dilutive adjustments) (the "Modified First Convertible Note") and 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 the Langfeld Vendor to substitute the cancelled First Convertible Note. The redemption price of the Modified First Convertible Note is equal to 100% of the outstanding principal amount of the Modified First Convertible Note on its maturity date of falling six years after 25 May 2009. The Modification Deed became effective on 23 February 2010, when the liability component and the derivative component of the First Convertible Note was derecognised, and the Modified First Convertible Note and the Modified PN were issued and recognised by the Company.

The exercise of derivative component embedded in the Modified First Convertible Note would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. The liability component of the First Convertible Note at amortised cost and the fair value of the derivative component of the First Convertible Note were HK$501,418,000 and HK$43,915,000, respectively as at 23 February 2010. The liability component of the Modified First Convertible Note and the fair value of the derivative component of the Modified First Convertible Note determined by reference to a valuation carried out by Vigers, and the fair value of the Modified PN with reference to a valuation issued by Vigers were HK$577,615,000, HK$256,985,000 and HK$161,973,000 (Note 28) respectively as at 23 February 2010. The difference between the then carrying amount of the First Convertible Note as at that date and the aggregate amount of the principal amount of the Modified First Convertible Note and fair value of the Modified PN at its date of issue of HK$451,240,000 was charged to the profit or loss for the year ended 31 March 2010.

NOTES TO THE FINANCIAL STATEMENTS

27. CONVERTIBLE NOTES AND DERIVATIVES FINANCIAL INSTRUMENTS (continued)

The Company and the Group (continued)

(iii) Measurement of the First Convertible Note and Modified First Convertible Note

The fair values of the derivative components of the First Convertible Note and the Modified First Convertible Note were determined based on a professional valuation performed by Vigers, at the date of issue and at the end of reporting period, and the aggregate change in the fair value of the derivative component of convertible note amounted to HK$910,520,000 (2009: HK$Nil) which was credited to the consolidated income statement during the current year. The fair values of the derivative component of convertible notes were determined by using the binominal option pricing model. The effective interest rate of the liability component of the First Convertible Note and the Modified First Convertible Note were 22.14% and 7.03%, respectively, based on valuation performed by Vigers. An imputed interest of HK$83,078,000 was charged to the profit loss during the year.

The major inputs into the binominal option pricing model used to value the First Convertible Note and the Modified First Convertible Note were based on the following parameters:

For First Convertible Note

	At 25 May 2009	At 9 June 2009	At 19 June 2009	At 23 June 2009	At 14 July 2009	At 27 July 2009	At 7 August 2009	At 23 February 2010
Expected volatility	73.7%	74%	74.2%	74.3%	74.4%	74.4%	74.4%	75%
Expected life	5 years	5 years	4.9 years	4.9 years	4.9 years	4.8 years	4.8 years	4.2 years
Risk-free rate	2.23%	2.86%	2.82%	2.71%	2.37%	2.63%	2.84%	1.9%
Expected dividend yield	3.52%	3.52%	3.52%	3.52%	3.52%	3.52%	3.52%	1.15%
Bond yield	18.04%	16.24%	16.82%	17.45%	17.07%	15.57%	13.90%	10.45%

For Modified First Convertible Note

	At 23 February 2010	At 25 March 2010	At 31 March 2010
Expected volatility	75%	74.9%	74.9%
Expected life	5.2 years	5.2 years	5.2 years
Risk-free rate	2.37%	2.65%	2.55%
Expected dividend yield	1.15%	1.15%	1.15%
Bond yield	10.45%	10.10%	10.29%

The expected volatility was determined by taking into account the 3-year historical ordinary share prices of the Company before the date of valuation.

NOTES TO THE FINANCIAL STATEMENTS

27. CONVERTIBLE NOTES AND DERIVATIVES FINANCIAL INSTRUMENTS (continued)

The Company and the Group (continued)

(iv) Movement of the different components of the convertible notes

	Notes	Convertible notes		
		Liability component HK$'000	**Derivative component** HK$'000	**Total** HK$'000
Recognition of the First Convertible Note	(i)	757,848	1,215,552	1,973,400
Fair value gain on derivative component of convertible notes	6 & (iii)	–	(910,520)	(910,520)
Imputed interest charged	7	83,078	–	83,078
Conversion into new shares		(618,478)	(410,097)	(1,028,575)
Derecognition of the First Convertible Note	(ii)	(501,418)	(43,915)	(545,333)
Recognition of the Modified First Convertible Note	(ii) & 28(a)	577,615	256,985	834,600
Carrying amount of the Modified First Convertible Note at 31 March 2010		298,645	108,005	406,650

28. PROMISSORY NOTES PAYABLES

	Notes	The Company		The Group	
		2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
At beginning of the year		**–**	–	**5,320**	–
Issued during the year					
– Modified PN	(a) & 27(iv)	**161,973**	–	**161,973**	–
– Others	(b) & (c)	**–**	–	**–**	68,070
Repaid during the year					
– Modified PN	(a) & 27(iv)	**(31,200)**	–	**(31,200)**	–
– Others	(b) & (c)	**–**	–	**(3,000)**	(20,000)
Imputed interest charged					
– Modified PN	7	**13,882**	–	**13,882**	–
– Others	7	**–**	–	**1,355**	5,125
Adjustment to cost of acquisition	15 & (b)	**–**	–	**–**	(47,875)
At end of year and included in non-current liabilities		**144,655**	–	**148,330**	5,320

NOTES TO THE FINANCIAL STATEMENTS

28. PROMISSORY NOTES PAYABLES (continued)

(a) The Modified PN initially recognised at HK$161,973,000 are non-interest-bearing and payable in one lump sum on maturity date of 25 May 2015. The principal amount of the Modified PN is 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, by reference to a valuation carried out on the issue date by Vigers. The effective interest rate of the Modified PN is determined to be 10.46% per annum. The Modified PN in the principal amount of US$4,000,000 (equivalent to approximately HK$31,200,000) was repaid in the current year, and the remaining outstanding Modified PN is classified as non-current liabilities and carried on the amortised cost basis until extinguished on redemption.

(b) Pursuant to the sale and purchase agreement dated 29 January 2008 entered into by Century Power, the DTV Vendor and the 100% equity owner of the DTV Vendor (the "DTV Agreement"), two promissory notes in the aggregate principal amount of HK$80,000,000 were issued by Century Power as partial consideration upon the completion of the Group's acquisition of 51% equity interest in the DTV Group in the prior year. The promissory notes were non-interest-bearing and repayable in one lump sum on maturity of five years. The fair value of the promissory notes in the aggregate principal amount of HK$80,000,000 was HK$48,539,000, as at the issue date, based on the professional valuation performed by RHL Appraisal Limited. The effective interest rate of the promissory notes was determined to be 10.035% per annum. The promissory notes were classified as non-current liabilities and carried on the amortised cost until extinguished on redemption. The principal amount of the two promissory notes was subject to the Guaranteed Profit (i.e. RMB70,000,000) from the DTV Vendor, of which the DTV Vendor had given warranty and guarantee to the Group that the Actual Profit would not be less than RMB70,000,000. If the Actual Profit is less than the Guaranteed Profit, the Vendor should pay to the Group an amount calculated as follows:

Shortfall amount = (Guaranteed Profit – Actual Profit) x 2 x 51%

In such event, the shortfall would be compensated by off-setting the promissory notes held by the escrow agent. As the Actual Profit for the period from 25 April 2008 to 30 April 2009 fell short of the Guaranteed Profit by HK$70,525,000, the principal amount of the promissory notes as at 31 March 2009 had therefore been reduced by HK$72,000,000 as calculated in accordance with the above terms of the Agreement. An adjustment of HK$47,875,000, after discounted with an appropriate effective interest rate, which was debited to the promissory notes and credited to goodwill in Note 15.

As at 31 March 2009, these promissory notes were held by an escrow agent and had been released to the DTV Vendor upon the determination of the results of the shortfall amount in the current year. The promissory notes in the principal amount of HK$3,000,000 were repaid in cash by the Group during the current year.

(c) Pursuant to the supplemental agreement dated 24 April 2008 entered into by Century Power and the DTV Vendor, another promissory note in the principal amount of HK$20,000,000 was issued by Century Power as partial consideration for the acquisition of 51% equity interest in the DTV Group in the prior year. The promissory note was non-interest-bearing and repayable in one lump sum on 30 September 2008. The fair value of the promissory note in the principal amount of HK$20,000,000 was HK$19,531,000, as at the issue date, based on the professional valuation performed by RHL Appraisal Limited. The effective interest rate of the promissory note was determined to be 4.75% per annum. The promissory note was fully repaid in cash in the prior year.

NOTES TO THE FINANCIAL STATEMENTS

29. DEFERRED TAXATION

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

	The Group		
	Customer base HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 April 2008	–	–	–
Arising from acquisition of subsidiaries (Note 34)	10,309	–	10,309
Credited to the consolidated income statement (Note 10(i))	(727)	–	(727)
Exchange realignments	174	–	174
At 31 March 2009 and 1 April 2009	9,756	–	9,756
Arising from acquisition of subsidiaries (Note 35(a))	–	1,649	1,649
Credited to the consolidated income statement (Note 10(i))	(811)	918	107
Exchange realignments	53	127	180
At 31 March 2010	8,998	2,694	11,692

At 31 March 2010, the Group had unused tax losses of HK$26,152,000 (2009: HK$17,127,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2010 and 2009 in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group entities. There was no other significant unrecognised deferred tax as at 31 March 2010 and 2009.

NOTES TO THE FINANCIAL STATEMENTS

30. SHARE CAPITAL

A summary of the movements in the issued and fully paid share capital of the Company during the year is as follows:

	Number of shares		Nominal value	
	2010	2009	**2010 HK$'000**	2009 HK$'000
Ordinary shares of HK$0.01 each:				
Authorised	**100,000,000,000**	100,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of the year	**2,913,501,200**	2,047,501,200	**29,135**	20,475
Issue of shares on exercise of warrants (Note (i))	**156,000,000**	20,000,000	**1,560**	200
Issue of shares upon conversion of convertible notes (Note (ii))	**17,355,000,000**	–	**173,550**	–
Issue of shares on exercise of share options (Note (iii))	**19,560,000**	56,000,000	**196**	560
Placements of new shares (Note (iv))	**2,000,000,000**	–	**20,000**	–
Issue of shares for acquisition of subsidiaries (Note 34)	**–**	790,000,000	**–**	7,900
At end of the year	**22,444,061,200**	2,913,501,200	**224,441**	29,135

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

NOTES TO THE FINANCIAL STATEMENTS

30. SHARE CAPITAL (CONTINUED)

Notes:

(i) During the year ended 31 March 2010, 156,000,000 (2009: 20,000,000) new ordinary shares of par value HK$0.01 (2009: HK$0.01) each were issued at a subscription price of HK$0.08 (2009: HK$0.08) each on exercise of 156,000,000 (2009: 20,000,000) warrants with an aggregate consideration of HK$12,480,000 (2009: HK$1,600,000) (before issue expense) of which HK$1,560,000 (2009: HK$200,000) was credited to share capital and the remaining balance of HK$10,920,000 (2009: HK$1,400,000) was credited to the share premium account. In addition, the related net premium of HK$1,461,000 (2009: HK$187,000) received on issue of warrants has been transferred from warrant reserve to the share premium account.

(ii) As set out in Note 27, the Company's convertible notes with aggregate carrying amount of HK$1,028,575,000 were converted into 17,355,000,000 shares of the Company at the conversion prices of HK$0.04 and HK$0.12 per share, of which HK$173,550,000 was credited to share capital and the remaining balance of HK$855,025,000 was credited to the share premium account.

(iii) During the year ended 31 March 2010, 19,560,000 (2009: 56,000,000) new ordinary shares of par value HK$0.01 (2009: HK$0.01) each were issued at subscription prices HK$0.04 (2009: HK$0.1102) each on exercise of 19,560,000 (2009: 56,000,000) share options at an aggregate consideration of HK$782,000 (2009: HK$6,171,000), of which HK$196,000 (2009: HK$560,000) was credited to share capital and the remaining balance of HK$586,000 (2009: HK$5,611,000) was credited to the share premium account. In addition, an amount attributable to the related share options of HK$469,000 (2009: HK$1,661,000) has been transferred from equity-settled share option reserve to the share premium account.

(iv) During the year ended 31 March 2010, 2,000,000,000 new ordinary shares of par value HK$0.01 each were issued at a subscription price of HK$0.029 each to the then independent third parties of the Group at an aggregate consideration of HK$56,450,000 (net of issue expense) of which HK$20,000,000 was credited to share capital and the remaining balance of HK$36,450,000 was credited to share premium account.

NOTES TO THE FINANCIAL STATEMENTS

31. RESERVES

	Share premium HK$'000	Shares held by escrow agent for settlement of acquisition consideration HK$'000 (Note 34)	Contributed surplus HK$'000 (Note (a))	Equity-settled share option reserve HK$'000 (Note (b)(i))	Warrant reserve HK$'000 (Note (b)(ii))	Accumulated losses HK$'000	Total HK$'000
The Company							
At 1 April 2008	40,553	–	42,569	4,566	3,688	(68,030)	23,346
Total comprehensive expenses for the year	–	–	–	–	–	(16,187)	(16,187)
Issue of new shares on acquisition of subsidiaries (Note 34)	125,610	(67,600)	–	–	–	–	58,010
Premium received on issue of warrants (Note 33)	–	–	–	–	1,648	–	1,648
Issue of shares on exercise of warrants	1,587	–	–	–	(187)	–	1,400
Issue of share options (Note 32)	–	–	–	1,661	–	–	1,661
Issue of shares on exercise of share options	7,272	–	–	(1,661)	–	–	5,611
At 31 March 2009 and 1 April 2009	175,022	(67,600)	42,569	4,566	5,149	(84,217)	75,489
Total comprehensive expenses for the year	–	–	(42,569)	–	–	(483,003)	(525,572)
Release of shares held by escrow agent upon satisfaction of profit guarantee (Note 34)	–	67,600	–	–	–	–	67,600
Issue of shares on exercise of warrants (Note 30(i))	12,381	–	–	–	(1,461)	–	10,920
Issue of shares upon conversion of convertible notes (Note 30(ii))	855,025	–	–	–	–	–	855,025
Release upon expiry of warrants (Note 33)	–	–	–	–	(3,688)	3,688	–
Issue of share options (Note 32)	–	–	–	859	–	–	859
Issue of shares on exercise of share options (Note 30(iii))	1,055	–	–	(469)	–	–	586
Placements of new shares (Note 30(iv))	36,450	–	–	–	–	–	36,450
At 31 March 2010	1,079,933	–	–	4,956	–	(563,532)	521,357

NOTES TO THE FINANCIAL STATEMENTS

31. RESERVES (continued)

Notes:

(a) In the prior year, the contributed surplus of the Company represents the excess of the fair value of the subsidiaries acquired pursuant to the group reorganisation, over the nominal value of the shares of the Company issued in exchange therefor.

Under the Companies Law (2001 Second Revision) of the Cayman Islands, the contributed surplus account is distributable to the shareholders of the Company under certain circumstances.

In the current year, the contributed surplus of the Company was released upon the disposal of the subsidiaries.

(b) At the end of reporting period, the equity-settled share option reserve and warrant reserve of the Company represents (i) the fair value at the respective grant dates in respect of the outstanding share options of the Company; and (ii) premium received in respect of the outstanding warrants of the Company, respectively.

32. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible persons for their contributions to the Group. Eligible persons of the Scheme include any full-time or part-time employees of the Company or any member of the Group, including any directors, advisors or consultants of the Group. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 8 November 2002, and unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the 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, which the share options must be exercised in any event not later than 10 years or a shorter period as specified, from the date of grant. The Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

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

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

NOTES TO THE FINANCIAL STATEMENTS

32. SHARE OPTION SCHEME (continued)

The following were the movements of share options outstanding under the Scheme during the year ended 31 March 2010:

Name or category of participant	At 1/04/2009 Number	Granted during the year Number	Exercised during the year Number (Note 30(iii))	At 31/03/2010 Number	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$
Executive directors							
Li Wing Sang	19,560,000	–	–	19,560,000	10/09/2007	10/09/2007 to 09/09/2017	0.2226
	–	9,800,000	–	9,800,000	04/03/2010	04/03/2010 to 03/03/2020	0.0224
Chiu Chi Hong	19,560,000	–	–	19,560,000	10/09/2007	10/09/2007 to 09/09/2017	0.2226
	–	9,800,000	–	9,800,000	04/03/2010	04/03/2010 to 03/03/2020	0.0224
Independent non-executive director							
Yoshinori Suzuki	–	19,560,000	(19,560,000)	–	05/01/2010	05/01/2010 to 04/01/2020	0.0400
Employees other than directors							
In aggregate	78,240,000	–	–	78,240,000	10/09/2007	10/09/2007 to 09/09/2017	0.2226
	–	19,600,000	–	19,600,000	04/03/2010	04/03/2010 to 03/03/2020	0.0224
	117,360,000	58,760,000	(19,560,000)	156,560,000			

NOTES TO THE FINANCIAL STATEMENTS

32. SHARE OPTION SCHEME (continued)

The following were the movements of share options outstanding under the Scheme during the year ended 31 March 2009:

Name or category of participant	At 1/04/2008 Number	Granted during the year Number	Exercised during the year Number (Note 30(iii))	At 31/03/2009 Number	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$
Directors							
Li Wing Sang	19,560,000	–	–	19,560,000	10/09/2007	10/09/2007 to 09/09/2017	0.2226
Chiu Chi Hong	19,560,000	–	–	19,560,000	10/09/2007	10/09/2007 to 09/09/2017	0.2226
Employees other than directors							
In aggregate	78,240,000	–	–	78,240,000	10/09/2007	10/09/2007 to 09/09/2017	0.2226
Consultants							
In aggregate	–	56,000,000	(56,000,000)	–	04/09/2008	04/09/2008 to 04/09/2018	0.1102
	117,360,000	56,000,000	(56,000,000)	117,360,000			

Note:

The number of issuable shares and the exercise price of the share options are subject to adjustment in the case of capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of capital of the Company. Subsequent to the end of the reporting period, on 9 April 2010, an ordinary resolution was passed at an extraordinary general meeting in connection with the share consolidation on the basis that 20 issued and unissued share of HK$0.01 each will be consolidated into one consolidated share of HK$0.2 each. The adjusted exercise prices of the outstanding share options as at 31 March 2010 after taking into effect the share consolidation subsequent to the end of the reporting period were HK$4.4520 and HK$0.4480 per share, respectively.

At 31 March 2010, the Company had 156,560,000 (2009: 117,360,000) share options outstanding under the Scheme accounting for 0.7% (2009: 4.0%) of the Company's issued share capital. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 31 March 2010, result in the issue of 156,560,000 (2009: 117,360,000) additional ordinary shares of HK$0.01 (2009: HK$0.01) each of the Company and additional share capital of HK$1,566,000 (2009: HK$1,173,000) and share premium account of HK$25,437,000 (2009: HK$24,951,000) (before issue expense). In addition, amount attributable to the related share options of HK$4,956,000 (2009: HK$4,566,000) would be transferred from equity-settled share option reserve to the share premium account.

NOTES TO THE FINANCIAL STATEMENTS

32. SHARE OPTION SCHEME (continued)

Valuation of share options

Based on a professional valuation report issued by Vigers (2009: RHL Appraisal Limited), the aggregate fair value of the share options granted during the year ended 31 March 2010 was estimated at HK$859,000 (2009: HK$1,661,000) (Note 8) which was recognised as an equity-settled share option expense during the year.

The above fair value was estimated as at the date of grant, using a Binomial option pricing model (2009: Black-Scholes option pricing model), taking into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used for valuation of share options granted during the year:

	5 January 2010	**4 March 2010**
Exercise price of option	HK$0.0400	HK$0.0224
Spot price of shares	HK$0.0400	HK$0.0210
Expected volatility (%)	74.50	74.90
Risk-free interest rate (%)	2.701	2.683
Expected dividend yield (%)	1.15	1.15

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

33. WARRANTS

In the prior years, the Company entered into two warrant placing agreements with two independent third parties in relation to the private placing of an aggregate of 176,000,000 unlisted warrants ("Warrants"). Each Warrant was issued at the premium price of HK$0.01 each in registered form and entitles the holder thereof to subscribe for fully-paid new ordinary shares of the Company at the initial subscription price of HK$0.08 per share. The aggregate premium, net of issue expense, of HK$1,648,000 was received and credited to warrant reserve in the prior year. During the year, 156,000,000 (2009: 20,000,000) were converted into ordinary shares of the Company (Note 30(i)).

In the prior years, 391,000,000 Warrants were issued and subscribed by independent investors at a premium price of HK$0.01 each and the aggregate premium, net of issue expense, of HK$3,688,000 was received. The amount was credited to warrant reserve. In the current year, as the Warrants are still not exercised at its expiry date, the aggregate premium, net of issue expense, of HK$3,688,000 previously recognised in warrant reserve was transferred to accumulated losses.

34. BUSINESS COMBINATION

On 25 April 2008, the Group acquired 51% equity interest in the DTV Group from the DTV Vendor, an independent third party, at a total consideration of HK$253,510,000, of which HK$20,000,000 was satisfied in cash, HK$100,000,000 by way of issuing the promissory notes and HK$133,510,000 was satisfied by the issue of 790,000,000 ordinary shares (Note 30) of HK$0.01 each of the Company. At the date of acquisition, total consideration was HK$223,651,000, net of direct costs of HK$2,071,000 and discount on promissory notes of HK$31,930,000.

The DTV Group is engaged in the provision of digital television technology services, including digital video-on-demand system, information broadcasting system and embedded television system.

NOTES TO THE FINANCIAL STATEMENTS

34. BUSINESS COMBINATION (continued)

Details of net assets acquired and goodwill were as follows:

	Notes	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Net assets acquired:				
Property, plant and equipment	14(a)	86	–	86
Other intangible assets	16	–	41,237	41,237
Inventories		1,205	–	1,205
Trade receivables		4,429	–	4,429
Other receivables, deposits and prepayments		2,297	–	2,297
Amount due from a related party		27	–	27
Cash and cash equivalents		2,630	–	2,630
Trade payables		(986)	–	(986)
Amounts due to minority shareholders		(1,644)	–	(1,644)
Other payables, accrued expenses and deposits received		(2,067)	–	(2,067)
Tax payables		(415)	–	(415)
Deferred tax liabilities	29	–	(10,309)	(10,309)
		5,562	30,928	36,490
Less: 49% of interest owned by minority shareholders				(17,880)
Fair value of net assets acquired				18,610
Goodwill arising from acquisition (Note (ii))				205,041
Total consideration (Note (i))				223,651
Consideration satisfied by:				
Cash paid in the prior year				10,000
Ordinary shares of the Company-at fair value (Note (i))				133,510
Promissory notes at fair value (Note (ii) & Note 28)				68,070
Deposits and direct costs paid for acquisition of subsidiaries in prior years				12,071
				223,651
Net cash inflow arising on acquisition:				
Consideration paid in cash				(10,000)
Cash and cash equivalents balances acquired				2,630
				(7,370)

NOTES TO THE FINANCIAL STATEMENTS

34. BUSINESS COMBINATION (continued)

Notes:

(i) The fair value of the 790,000,000 ordinary shares (Note 30) of the Company issued as part of the consideration was determined with reference to the market share price of HK$0.169 of the Company's shares at the completion date, at the total fair value of HK$133,510,000 of which HK$7,900,000 was credited to share capital and the remaining balance of HK$125,610,000 was credited to the share premium account, of which the 400,000,000 consideration shares are held by an escrow agent, valued at the date of completion of the acquisition of the DTV Group, amounting to HK$67,600,000 as at 31 March 2009 and are presented as "Shares held by escrow agent for settlement of acquisition consideration" and deducted from total equity as at 31 March 2009. The 400,000,000 shares were released by an escrow agent during the year.

The acquisition was completed on 25 April 2008. The revenue and the profit for the prior year of the Group has no significant difference as if the acquisition had been completed on 1 April 2008. In the financial year ended 31 March 2009, the DTV Group generated revenue and net profit of HK$25,778,000 and HK$6,759,000, respectively. Since the acquisition date, the DTV Group contributed HK$25,778,000 to the Group's revenue and HK$6,889,000 to the Group's consolidated profit for the prior year.

(ii) On acquisition, the consideration was subject to adjustment in relation to the difference between the Guaranteed Profit and the Actual Profit, At the end of the prior reporting period, the consideration was decreased by HK$47,875,000, details of which are set out in Notes 15 and 28(b).

NOTES TO THE FINANCIAL STATEMENTS

35. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

(a) Acquisition of a mining right

On 25 May 2009, the Group acquired from Langfeld Vendor the mining right located in Russia and related assets and liabilities through the acquisition of (i) 90% equity interest in Langfeld, an investment holding company, which owns 70% equity interest in Lapi; and (ii) 90% of the Langfeld Shareholder Loan, at an aggregate consideration of US$253,000,000 (equivalent to HK$1,973,400,000) which was satisfied by the issuance of the First Convertible Note of the Company. In the opinion of the directors, this transaction did not constitute a business combination for accounting purpose and therefore was accounted for as an acquisition of assets and liabilities.

Pursuant to a deed of undertaking and indemnity dated 25 May 2009, the Langfeld Vendor and shareholder of the Langfeld Vendor (the "Indemnifiers"), collectively agreed to indemnify the Group, on a joint and several basis, against certain accrued liabilities of Langfeld Group and outstanding at the time on or before the completion of the acquisition of the Langfeld Group, which amounted to HK$12,020,000. The Group and the Indemnifiers agreed to off-set the indemnified amount of HK$12,020,000 against the amount due to shareholder in the current year.

Pursuant to the Acquisition, the final consideration on the acquisition was subjected to two contingent considerations as follows:

(i) The first contingent consideration of US$32,000,000 (equivalent to approximately HK$249,600,000) was to be settled by way of issuance the convertible notes with the principal amount of US$32,000,000 (equivalent to approximately HK$249,600,000) upon the completion of the relevant registration procedures for the exercise of the call option granted by the minority equity holders of Lapi to acquire an additional 10% equity interests in Lapi for a consideration of US$4,000,000 (equivalent to approximately HK$31,200,000). The aggregate consideration of the above convertible notes and exercise price is referred to as the ("First Contingent Consideration").

Pursuant to the completion of the sales and purchase agreement dated 23 November 2009 entered into by Langfeld and the minority equity holders of Lapi to purchase the remaining 30% equity interests in Lapi (the "Additional Acquisition") and a deed of settlement dated 25 November 2009 entered into by the Company, Grandvest, Langfeld Vendor and the sole beneficial owner of Langfeld Vendor (the "Deed of Settlement"), the First Contingent Consideration was substituted by another contingent issue of convertible notes with the principal amount of US$32,000,000 (the "Second Convertible Note"). The Additional Acquisition was completed on 12 February 2010 as further details are set out in Note 36. The completion of the Deed of Settlement and the issuance of the Second Convertible Note are subject to the fulfillment of the Group obtaining the subsoil licence for exploration and production of coal on Petrovsky and adjoining lot of Kemerovsky coal mine and issued for the period determined by relevant government authority (the "Lot 2 of the Coal Mine"). In the event that the Group does not obtain the mining licence of Lot 2 of the Coal Mine, there is no obligation on the Group to issue the Second Convertible Note under the Deed of Settlement. As the Group has not obtained the mining licence of Lot 2 of the Coal Mine as at the date of this report, the Second Convertible Note has not been issued nor recognised as at 31 March 2010. The cost of consideration of the Acquisition and Second Convertible Note would be subject to adjustment in the period after the end of the reporting period upon the Group has obtained the mining licence of Lot 2 of the Coal Mine.

NOTES TO THE FINANCIAL STATEMENTS

35. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of a mining right (continued)

(ii) Another contingent consideration will be payable to the Langfeld Vendor when the following conditions are satisfied; i) the mining license for Lot 2 of the Coal Mine is obtained by Lapi and ii) a technical report issued by a technical expert confirming proven reserves and probable reserves of Lot 2 of the Coal Mine are not less than 12,000,000 tonnes (the "Certified Reserves"). The second contingent consideration is between the minimum amount of US$255,150,000 (equivalent to approximately HK$1,990,170,000) and the maximum amount of US$550,800,000 (equivalent to approximately HK$4,296,240,000) (the "Second Contingent Consideration") as shall be calculated in accordance with a set formula.

The Second Contingent Consideration will be satisfied by the issue of a convertible note of the Company with the principal amount to be determined by the set formula. In the event that the above conditions are not satisfied, the Second Contingent Consideration shall not be payable. As the conditions for issuing the Second Contingent Consideration stated above are not met up to the date of this report, and both the Certified Reserves and consideration cannot be reliably measured, the Second Contingent Consideration has not been recognised.

NOTES TO THE FINANCIAL STATEMENTS

35. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of a mining right (continued)

Details of the fair value of net assets acquired in respect of the acquisition of the Langfeld Group were as follows:

	Notes	HK$'000
Net assets acquired:		
Properties, plant and equipment	14(a)	846
Other intangible assets – mining right	16	3,139,584
Other receivables, deposits and prepayments		340
Cash and cash equivalents		1,183
The Langfeld Shareholder Loan		(59,292)
Other payables, accrued expenses and deposits received		(13,450)
Provisions for close down, restoration and environment costs	40	(1,528)
Deferred tax liabilities	29	(1,649)
Net assets acquired		3,066,034
Less: Minority interests		(1,149,176)
		1,916,858
Less: Assignment of 90% of the Langfeld Shareholder Loan		53,362
Add: Amount due from Indemnifiers as indemnity to certain liabilities of the Langfeld Group on date of acquisition		12,020
		1,982,240
Consideration satisfied by:		
First Convertible Note issued	27(iv)	1,973,400
Direct costs paid for acquisition of subsidiaries in the current and prior years		8,840
		1,982,240
Net cash inflow arising from acquisition:		
Cash and cash equivalent balances acquired		1,183
Direct costs paid for acquisition of subsidiaries in the current year		(123)
		1,060

NOTES TO THE FINANCIAL STATEMENTS

35. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of a technical know-how

On 3 March 2010, the Group acquired from Grand Farm Development Limited ("Grand Farm"), an independent third party, in respect of a technical know-how on vertical farming and its related assets and liabilities through the acquisition of 70% equity interests in SOFOCO Development Limited ("SOFOCO"), an investment holding company, which owns 100% equity interest in SOFOCO (Zhenjiang) Development Limited (collectively referred to as the "SOFOCO Group") for a consideration of HK$50,000,000 which was satisfied by way of contributing capital injection of cash. The directors considered this transaction did not constitute a business combination for accounting purpose and therefore accounted for as an acquisition of assets and liabilities.

Details of the fair value of net assets acquired in respect of the acquisition of the SOFOCO Group were as follows:

	Note	HK$'000
Net assets acquired:		
Other intangible assets – technical know-how	16	21,649
Amount due from a minority equity holder of a subsidiary		5
Cash and cash equivalents		5
Other payables, accrued expenses and deposits received		(230)
Net assets acquired		21,429
Capital injection		50,000
		71,429
Less: Minority interests		(21,429)
		50,000
Consideration satisfied by:		
Capital injection		50,000
Net cash inflow arising on acquisition:		
Cash and cash equivalents balances acquired		5

NOTES TO THE FINANCIAL STATEMENTS

36. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

On 12 February 2010, pursuant to the Additional Acquisition, Langfeld, a 90% indirectly owned subsidiary of the Company, acquired the remaining 30% equity interests in Lapi from three Russians who were the minority shareholders of Lapi for a consideration of US$9,490,000 (equivalent to approximately HK$74,026,000) to be satisfied by payment in four stages in cash. The first and second stages of payment in accordance to the Additional Acquisition had been made up to 31 March 2010 in the aggregate amount of US$4,095,000 (equivalent to approximately HK$31,943,000). The remaining consideration payable on the Additional Acquisition in the aggregate amount of US$5,395,000 (equivalent to approximately HK$42,083,000) will be settled only when the Group obtains the mining licence for Lot 2 of the Coal Mine and confirmation from the relevant taxation authority in Russia of the taxation liabilities of Lapi. In the event that the Group does not obtain the mining licence of Lot 2 of the Coal Mine or the confirmation of the taxation liabilities of Lapi, there is no obligation on the Group to settle the remaining consideration payable of US$5,395,000 under the terms of the Additional Acquisition. As the mining licence of Lot 2 of the Coal Mine or the confirmation of the taxation liabilities of Lapi has not been obtained by the Group up to the date of this report, the remaining consideration payable is disclosed as capital commitment in Note 39 and has not been recognised for the year ended 31 March 2010.

The difference of HK$360,254,000 between the share of the net assets of Lapi acquired by the Group as at the date of completion of the Additional Acquisition in the amount of HK$392,197,000 and the consideration paid of HK$31,943,000 was recognised directly in equity under other reserve of the Group.

37. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2010

On 6 August 2009, the Group entered into a conditional agreement with Billion Master, a company wholly owned by a former executive director of the Company to dispose of the Group's entire 100% equity interest in Falcon Vision Group and the unsecured and interest-free shareholder's loan owed by the Falcon Vision Group to the Company (the "Falcon Vision Shareholder Loan") at a total consideration of HK$9,600,000 comprising cash of HK$1,920,000 and a promissory note in the principal amount of HK$7,680,000 issued by Billion Master to the Company as set out in the Company's announcement dated 6 August 2009. The disposal of the Falcon Vision Group was completed on 12 August 2009, and the cash consideration was fully received and the promissory note was issued to the Company at the completion date of the disposal.

Goodwill attributable to the Falcon Vision Group in the amount of HK$19,458,000 (Note 15), which was fully impaired in the prior years was also released upon the disposal of the Falcon Vision Group.

NOTES TO THE FINANCIAL STATEMENTS

37. DISPOSAL OF SUBSIDIARIES (continued)

The assets and liabilities of the Falcon Vision Group on 12 August 2009 were as follows:

	Notes	HK$'000
Net liabilities disposed of:		
Property, plant and equipment	14(a)	10
Interests in associates		14,404
Cash and cash equivalents		553
Other payables, accrued expenses and deposits received		(5,047)
Falcon Vision Shareholder Loan		(23,931)
		(14,011)
Translation reserve realised upon disposal		(2,151)
Contribution surplus realised upon disposal		(918)
Direct costs incurred for the disposal		287
Assignment of the Falcon Vision Shareholder Loan		23,931
Gain on disposal of subsidiaries	6	1,626
		8,764
Consideration satisfied by:		
Cash consideration received		1,920
Promissory note receivable	21	6,844
		8,764

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

Net cash inflow arising on disposal:	HK$'000
Cash consideration received	1,920
Cash and cash equivalents disposed of	(553)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	1,367

NOTES TO THE FINANCIAL STATEMENTS

37. DISPOSAL OF SUBSIDIARIES (continued)

For the year ended 31 March 2009

On 27 October 2008, the Group entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire 52% equity interests of Huzhou Ronco at a cash consideration of RMB770,000 (equivalent to HK$874,000) as set out in the Company's announcement dated 27 October 2008. The disposal of Huzhou Ronco was completed on 10 December 2008 and the cash consideration was fully received at the completion date of the disposal.

The assets and liabilities of Huzhou Ronco on 10 December 2008 were as follows:

	Notes	HK$'000
Net liabilities disposed of:		
Property, plant and equipment	14(a)	6,729
Leasehold land and land use rights		1,839
Other receivables, deposits and prepayments		45
Cash and cash equivalents		3,742
Trade payables		(2,777)
Other payables, accrued expenses and deposits received		(1,369)
Interest-bearing bank borrowings, secured		(9,570)
		(1,361)
Translation reserve realised upon disposal		(518)
Direct costs incurred for the disposal		172
Gain on disposal of a subsidiary	6	2,581
		874
Consideration satisfied by:		
Cash consideration received in prior year		874

An analysis of the net flow of cash and cash equivalents in respect of the disposal of subsidiary is as follows:

Net cash outflow arising on disposal:	HK$'000
Cash consideration received in prior year	874
Cash and cash equivalents disposed of	(3,742)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiary	(2,868)

NOTES TO THE FINANCIAL STATEMENTS

38. OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years. None of the leases includes contingent rentals.

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**6,020**	5,728
In the second to fifth years, inclusive	**2,856**	3,072
	8,876	8,800

39. CAPITAL COMMITMENT

Save for those capital commitment disclosed elsewhere in these financial statements, details of other capital expenditure contracted for but not provided in the consolidated financial statements are disclosed below in respect of acquisition of:

		The Group	
		2010	2009
	Note	**HK$'000**	HK$'000
Additional equity interests of a subsidiary	36	**42,083**	–
Property, plant and equipment		**9,654**	–

NOTES TO THE FINANCIAL STATEMENTS

40. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	The Group	
	2010 HK$'000	2009 HK$'000
At beginning of year	**–**	–
Acquisition of subsidiaries (Note 35(a))	**1,528**	–
Exchange realignments	**89**	–
At the end of year	**1,617**	–

The provision for close down, restoration and environmental costs, in relation to a coal mine of the Group was acquired by the Group upon the acquisition of 90% equity interests in the Langfeld Group as further set out in Note 35(a).

Under the existing Russian legislation, management believed that there were no probable 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 uncertainty 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 clean up costs was determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect of the land and the environment from the mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean-up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions were updated accordingly.

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.

(a) On 6 August 2009, the Group entered into a conditional agreement to dispose of the Falcon Vision Group for a cash consideration of HK$9,600,000 to Billion Master, a company wholly owned by a former executive director of the Company. The disposal was completed on 12 August 2009, details of which are set out in Note 37.

On 1 August 2008, the Group entered into a sale agreement to dispose of one of its properties for a cash consideration of HK$9,500,000 to a former executive director of the Company, Mr. Cheung Keng Ching. The disposal was completed on 26 September 2008. As at 31 March 2009, the total cash consideration had been fully received by the Group.

NOTES TO THE FINANCIAL STATEMENTS

41. RELATED PARTY TRANSACTIONS (continued)

(b) On 25 May 2009, the Company and the Langfeld Vendor, a substantial shareholder of the Company, entered into a loan facility agreement prior to the completion of acquisition of the Langfeld Group, pursuant to which the Langfeld Vendor had made available loan facilities of up to US$70,000,000 to the Company for the development of the coal mine acquired during the period of 24 months commencing from the date of completion of the Acquisition.

On 21 October 2009, the Company and the Langfeld Vendor, a substantial shareholder of the Company, entered into a new loan facilities letter, pursuant to which the above loan facilities between the Company and the Langfeld Vendor were terminated. Under the new loan facilities letter, the Langfeld Vendor has 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 Langfed Group and the acquisition of further equity interest in the Lapi. The new loan facilities are made available to the Company during the period commencing from the effective date of the new loan facilities on 14 December 2009 and ending on the date falling two years from the date the Group obtained the mining licence of Lot 2 of the Coal Mine to be held by Lapi.

The principal amount drawn under the loan facilities is included in amount due to a shareholder and classified as non-current liabilities as at 31 March 2010, the balance is unsecured, interest-bearing at rate of 6-8% per annum, and repayable within two to three years from the end of the reporting period. The interest payable on the principal amount drawn under the loan facilities is payable within one year from the end of the reporting period, and included as amount due to a shareholder in current liabilities as at 31 March 2010.

(c) As at 31 March 2009, the balance represented an unsecured amount due to a former executive director of the Company, Mr. Cheung Keng Ching, and was settled by the Group during the current year. The balance was unsecured, bore interest at 12% per annum and repayable in full together with accrued interest on or before 30 September 2009. Interests paid on this balance during the year amounted to HK$7,000 (2009: HK$63,000) (Note 7).

(d) The amounts due from minority equity holders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(e) As at 31 March 2010, the Group had amounts due from directors of the subsidiaries (2009: a substantial shareholder of the Company). The amounts are unsecured, interest-free and have no fixed terms of repayment. The maximum outstanding balance due from the related parties was in the aggregate amount of HK$2,241,000 (2009: HK$2,241,000).

(f) As at 31 March 2010, the Group had an amount due to a director of a subsidiary, of which is unsecured, interest-free and has no fixed term of repayment.

(g) As at 31 March 2009, the amount due to a director is unsecured, interest-free and has no fixed term of repayment.

(h) On 1 July 2009, Grandvest, entered into a consultancy agreement for a period of six months with a shareholder of the Company, Mr. Choi Sungmin. A new consultancy agreement was entered into by both parties on 12 January 2010 as an extension of the previous agreement for a period of two years commencing from 1 January 2010. Pursuant to both consultancy agreements, Mr Choi Sungmin is entitled to a monthly consultancy fee of HK$150,000 and shall be responsible for, inter alia, providing business development advice and exploring business opportunities in relation to the current business of the Grandvest and it subsidiaries (the "Grandvest Group") and any other business that may be developed by the Grandvest Group, in particular to solicit the business of coal mining in Russia and coal trading all over the world. The total consultancy fee paid to Mr. Choi Sungmin for the current year amounted to HK$1,500,000.

(i) Members of key management personnel during the year comprised only of the executive directors of the Company whose remuneration is set out in Note 9(a).

NOTES TO THE FINANCIAL STATEMENTS

42. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company and comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

43. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's business and financial instruments are market risk (including, foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and fair value risk. The Group's historically has no policy to use derivatives for hedging purposes. The majority of the financial instruments held by the Group are for purposes other than trading.

(a) Market risk

(i) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from the business operation in the PRC denominated in the RMB and the investments denominated in the US$ and RUB. Most of the Group's assets and liabilities are denominated in HK$, US$, RMB and RUB, 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.

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from promissory notes 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 instrument to hedge potential fluctuation in interest rates.

(iii) Price risk

The Group is also exposed to equity price risk arising from changes in Company's own share price to the extent that the Company's own ordinary shares underlie the fair value of derivative component of convertible notes as further disclosed in Note 27.

If the price of the Company's share had been 10% higher/lower, profit for the year ended 31 March 2010 would decrease/increase by HK$16,031,000 (2009: HK$ Nil) and HK$15,251,000 (2009: HK$ Nil) for the Group as a result of the changes in fair value of the derivative component of convertible notes.

The sensitivity analysis above is unrepresentative of the price risk to derivative financial liability as the year end exposure does not reflect the exposure during the year.

NOTES TO THE FINANCIAL STATEMENTS

43. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 14.2% (2009: 22%) and 48.3% (2009: 53.7%) of the total trade receivable due from the Group's largest debtor, and the five largest debtors respectively within the Group.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 23.

(c) 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 to meet its liquidity requirements in the short and longer term. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents. The Group's primary cash requirements have been for purchases of goods, machinery and equipment and payment of related debts. The Group finances its working capital requirements through funds generated from operations. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

43. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial 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 and the Company can be required to pay.

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than 3 months HK$'000	More than 3 months but less than 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000
2010							
Trade payables	**3,524**	**3,524**	**1,543**	**1,981**	**–**	**–**	**–**
Other payables, accrued expenses and trade deposits received	**12,470**	**12,470**	**12,470**	**–**	**–**	**–**	**–**
Convertible notes	**406,650**	**429,000**	**–**	**–**	**–**	**–**	**429,000**
Amount due to a shareholder	**140,504**	**159,788**	**–**	**2,944**	**6,838**	**150,006**	**–**
Promissory notes payables	**148,330**	**246,800**	**–**	**–**	**–**	**5,000**	**241,800**
	711,478	**851,582**	**14,013**	**4,925**	**6,838**	**155,006**	**670,800**
2009							
Trade payables	3,128	3,128	1,283	1,845	–	–	–
Other payables, accrued expenses and trade deposits received	16,240	16,240	16,240	–	–	–	–
Promissory notes payables	5,320	8,000	–	–	–	8,000	–
	24,688	27,368	17,523	1,845	–	8,000	–

NOTES TO THE FINANCIAL STATEMENTS

43. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than 3 months HK$'000	More than 3 months but less than 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000
2010							
Other payables and accrued expenses	**1,932**	**1,932**	**1,932**	**–**	**–**	**–**	**–**
Convertible notes	**406,650**	**429,000**	**–**	**–**	**–**	**–**	**429,000**
Amount due to a shareholder	**125,781**	**143,258**	**–**	**2,539**	**2,023**	**138,696**	**–**
Promissory notes payables	**144,655**	**241,800**	**–**	**–**	**–**	**–**	**241,800**
	679,018	**815,990**	**1,932**	**2,539**	**2,023**	**138,696**	**670,800**
2009							
Other payables and accrued expenses	1,251	1,251	1,251	–	–	–	–

(d) Fair values

The fair values of financial assets and financial liabilities are determined as follow:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other 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.
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for option derivatives.

NOTES TO THE FINANCIAL STATEMENTS

43. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair values (continued)

The Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these financial statements approximate their corresponding fair values.

HKFRS 7 requires disclosure for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 March 2010, the fair value of the Group's conversion options of convertible notes was measured based on Level 3 of the fair value hierarchy as referred above. The movement of the fair value of the Group's conversion options of the convertible notes are set out in Note 27(iv).

44. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2010 and 2009 may be categorised as follows:

	2010 **HK$'000**	2009 HK$'000
Financial assets		
Fair value through profit or loss		
– Held for trading, measured at fair value	**–**	587
Loans and receivables (including cash and cash equivalents), measured at amortised cost	**87,028**	27,886
Financial liabilities		
Fair value through profit or loss:		
– Designated upon initial recognition	**(108,005)**	–
Financial liabilities, measured at amortised cost	**(599,169)**	(29,787)

NOTES TO THE FINANCIAL STATEMENTS

45. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 19 March 2010, the Company put forward a proposal to the shareholders of the Company to effect a share consolidation on the basis that every 20 issued and unissued shares of HK$0.01 each will be consolidated into 1 consolidated share of HK$0.2 each (the "Share Consolidation").

Following the implementation of the Share Consolidation set out above, the Company's authorised share capital will become HK$1,000,000,000 divided into 5,000,000,000 shares of HK$0.2 each and its issued share capital will remain as approximately HK$171,000,000 represented by 858,953,000 shares of par value HK$0.2 each.

On 9 April 2010, an ordinary resolution has been passed at an extraordinary general meeting in connection with the Share Consideration.

FINANCIAL SUMMARY

For the year ended 31 March 2010
(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 2010.

RESULTS

	as at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**14,660**	115,531	120,550	166,429	194,281
Loss before tax and minority interests	**(1,641,250)**	(523)	(14,638)	(31,523)	(38,607)
Income Tax	**(31)**	557	140	(7,831)	–
(Loss)/profit after tax and before minority interests	**(1,641,281)**	34	(14,498)	(39,354)	(38,607)
Minority interests	**673,641**	(2,466)	1,677	670	1,662
Loss attributable to owners of the Company	**(967,640)**	(2,432)	(12,821)	(38,684)	(36,945)

ASSETS AND LIABILITIES

	as at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**1,580,499**	224,735	43,858	44,106	78,491
Current assets	**83,634**	31,154	37,495	30,447	23,575
Current liabilities	**(25,223)**	(94,573)	(33,180)	(38,962)	(39,018)
Non-current liabilities	**(701,875)**	(15,076)	–	–	–
Minority interests	**(174,110)**	(21,569)	(1,001)	(2,488)	(7,610)
Equity attributable to owners of the Company	**762,925**	124,671	47,172	33,103	55,438