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)

INTERIM REPORT 2011

* For identification only

Corporate Information

DIRECTORS

Executive Directors

Lim Ho Sok *(Chairman)*
Shin Min Chul

Non-executive Director

Pang Ngoi Wah Edward

Independent Non-executive Directors

Liew Swee Yean
Tam Tak Wah
Young Yue Wing Alvin

COMPANY SECRETARY

Lo Suet Fan

AUTHORISED REPRESENTATIVES

Lim Ho Sok
Lo Suet Fan

AUDIT COMMITTEE

Tam Tak Wah *(Chairman)*
Liew Swee Yean
Young Yue Wing Alvin

REMUNERATION COMMITTEE

Lim Ho Sok *(Chairman)*
Liew Swee Yean
Tam Tak Wah

AUDITOR

BDO Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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HKEX STOCK CODE

1142

Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 29, which comprises the condensed consolidated statement of financial position of Siberian Mining Group Company Limited (the "Company") and its subsidiaries (together the "Group") as at 30 September 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company are responsible for the preparation and presentation of these interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim financial information based on our review. 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.

SCOPE OF REVIEW

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

CONCLUSION

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

EMPHASIS OF MATTER

Without qualifying our conclusion, we draw attention to Note 2.1 to the consolidated financial information which indicates that the Group incurred a net loss of HK$119,226,000 for the six months ended 30 September 2011 (six months ended 30 September 2010: HK$78,376,000) and, as of that date, the Group had net current liabilities of HK$29,163,000 (31 March 2011: HK$5,045,000). These conditions, along with other matters as set forth in Note 2.1 indicate the existence of a material uncertainty that may cast significant about the Group's ability to continue as a going concern.

BDO Limited
Certified Public Accountants

Shiu Hong Ng
Practising Certificate Number: P03752
29 November 2011

The board of directors (the "Board") of Siberian Mining Group Company Limited (the "Company") presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 September 2011 together with the comparative figures as follows:

Condensed Consolidated Income Statement

For the six months ended 30 September 2011

	Notes	**2011 (unaudited) HK$'000**	2010 (unaudited) HK$'000
Turnover	4	**3,069**	4,079
Cost of sales		**(1,937)**	(2,047)
Gross profit		**1,132**	2,032
Other income	4	**319**	1,783
Other gains and losses	4	**(8,965)**	26,387
Selling and distribution costs		**(1,425)**	(3,506)
Administrative and other expenses		**(94,354)**	(93,785)
Finance costs	6	**(16,116)**	(20,342)
Loss before income tax	5	**(119,409)**	(87,431)
Income tax	7	**183**	9,055
Loss for the period		**(119,226)**	(78,376)
Attributable to:			
Owners of the Company		**(96,916)**	(54,869)
Non-controlling interests		**(22,310)**	(23,507)
		(119,226)	(78,376)
			(Restated)
Loss per share	9		
Basic (Hong Kong cents)		**(68.42)**	(84.20)
Diluted (Hong Kong cents)		**(68.42)**	(144.12)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011

	2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Loss for the period	**(119,226)**	(78,376)
Other comprehensive income for the period, net of tax:		
— Exchange differences on translation of financial statements of foreign operations	**(148,055)**	(46,867)
Total comprehensive income for the period, net of tax	**(267,281)**	(125,243)
Attributable to:		
Owners of the Company	**(229,868)**	(97,594)
Non-controlling interests	**(37,413)**	(27,649)
	(267,281)	(125,243)

Condensed Consolidated Statement of Financial Position

30 September 2011

	Notes	As at 30 September 2011 (unaudited) HK$'000	As at 31 March 2011 (audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**26,585**	29,561
Prepayments for acquisition of property, plant and equipment		**1,897**	4,493
Goodwill	11	**—**	—
Other intangible assets	12	**1,205,441**	1,423,093
Prepayments for acquisition of additional mining rights	13	**249,600**	249,600
Direct costs for possible acquisition of subsidiaries	14	**—**	618
		1,483,523	1,707,365
Current assets			
Inventories		**852**	432
Trade receivables	15	**2,398**	15,659
Other receivables, deposits and prepayments		**10,445**	12,278
Amounts due from non-controlling interests of subsidiaries	21(b)	**557**	524
Amount due from a related party	21(c)	**—**	2,018
Cash and cash equivalents		**5,757**	9,639
		20,009	40,550
Current liabilities			
Trade payables	16	**1,184**	846
Other payables, accrued expenses and trade deposits received		**17,960**	11,768
Provision of purchase consideration payable for additional acquisition	19	**24,143**	31,943
Amount due to a related party	21(d)	**4,972**	—
Tax payable		**913**	1,038
		49,172	45,595
Net current liabilities		**(29,163)**	(5,045)
Total assets less current liabilities		**1,454,360**	1,702,320

Condensed Consolidated Statement of Financial Position *(Continued)*

30 September 2011

	Notes	As at 30 September 2011 (unaudited) HK$'000	As at 31 March 2011 (audited) HK$'000
Non-current liabilities			
Amount due to a shareholder	21(a)(i)	**52,486**	39,470
Amounts due to related parties	21(d)	**—**	5,905
Promissory notes payable	17	**144,072**	156,670
Provision for close down, restoration and environmental costs		**1,650**	1,849
Deferred tax liabilities		**39**	93
		198,247	203,987
Net assets		**1,256,113**	1,498,333
Equity			
Share capital	18	**29,814**	27,124
Reserves		**1,124,062**	1,331,559
Equity attributable to owners of the Company		**1,153,876**	1,358,683
Non-controlling interests		**102,237**	139,650
Total equity		**1,256,113**	1,498,333

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011

The Group	Share capital HK$'000 (Note 18)	Share premium HK$'000 (Note 18)	Translation reserve HK$'000 (Note b)	Other reserve HK$'000 (Note c)	Equity-settled share option reserve HK$'000 (Note a(i))	Capital reserve HK$'000 (Notes a(ii) & (iii))	Statutory reserve fund HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 April 2011 (audited)	27,124	1,661,540	133,151	331,505	4,566	7,522	909	(807,634)	1,358,683	139,650	1,498,333
Loss for the period	–	–	–	–	–	–	–	(96,916)	(96,916)	(22,310)	(119,226)
Other comprehensive income for the period	–	–	(132,952)	–	–	–	–	–	(132,952)	(15,103)	(148,055)
Total comprehensive income for the period	–	–	(132,952)	–	–	–	–	(96,916)	(229,868)	(37,413)	(267,281)
Placements of new shares	2,690	17,286	–	–	–	–	–	–	19,976	–	19,976
Lapsed of share options	–	–	–	–	(1,522)	–	–	1,522	–	–	–
Discount received on the early settlement of the Modified PN (Note 17(a))	–	–	–	–	–	4,192	–	–	4,192	–	4,192
Waiver of interest on early settlement of amount due to a shareholder (Note 21(a))	–	–	–	–	–	893	–	–	893	–	893
As at 30 September 2011 (unaudited)	29,814	1,678,826	199	331,505	3,044	12,607	909	(903,028)	1,153,876	102,237	1,256,113

Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 30 September 2010

The Group	Share capital HK$'000 (Note 18)	Share premium HK$'000	Translation reserve HK$'000 (Note b)	Other reserve HK$'000 (Note c)	Equity-settled share option reserve HK$'000 (Note a(i))	Statutory reserve fund HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 April 2010 (audited)	224,441	1,079,933	85,128	360,254	4,956	909	(992,696)	762,925	174,110	937,035
Loss for the period	–	–	–	–	–	–	(54,869)	(54,869)	(23,507)	(78,376)
Other comprehensive income for the period	–	–	(42,725)	–	–	–	–	(42,725)	(4,142)	(46,867)
Total comprehensive income for the period	–	–	(42,725)	–	–	–	(54,869)	(97,594)	(27,649)	(125,243)
Issue of shares on exercise of share options	392	876	–	–	(390)	–	–	878	–	878
Issue of shares upon conversion of convertible notes	58,500	120,595	–	–	–	–	–	179,095	–	179,095
As at 30 September 2010 (unaudited)	283,333	1,201,404	42,403	360,254	4,566	909	(1,047,565)	845,304	146,461	991,765

Notes:

a. At the end of reporting period, the equity-settled share option 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) the amount of interest charged on amount due to a shareholder of the Company that was waived as a result of early settlement on the principal balance of amount due to a shareholder of the Company. The amount waived is considered as a contribution from an equity participant of the Company; and (iii) the carrying amount of the Modified PN (as defined in Note 17(a)) that was discounted as a result of early settlement on the principal balance of the Modified PN (as defined in Note 17(a)).

b. 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.

c. Other reserve represents the excess of the share of the carrying value of the subsidiary's net assets acquired from the non-controlling interests of a subsidiary over the fair value of the consideration paid on the completion date of the acquisition and the subsequent adjustment to the consideration recognised by the Group upon fulfillment of certain conditions.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September	
	2011 **(unaudited)** **HK$'000**	2010 (unaudited) HK$'000
Net cash outflow from operating activities	**(20,914)**	(12,548)
Net cash outflow from investing activities	**(5,250)**	(1,669)
Net cash inflow from financing activities	**9,395**	21,738
Effect on foreign exchange rate changes	**12,887**	(7,374)
Net (decrease)/increase in cash and cash equivalents	**(3,882)**	147
Cash and cash equivalents at beginning of the period	**9,639**	60,148
Cash and cash equivalents at end of the period	**5,757**	60,295
Analysis of the balance of cash and cash equivalents		
Cash and cash equivalents	**5,757**	60,295

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

Siberian Mining Group Company Limited was incorporated in the Cayman Islands with limited liability. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries are referred to as the "Group" hereinafter. The principal activities of the Group are holding mining rights of coal mines located in Russia, conducting the business of coal trading and scrapped iron trading, and provision of digital television technology services. During the period, the Group entered into an agreement to dispose of its business on the provision of vertical farming projects to a shareholder of the Company. The transaction was subject to the independent shareholders' approval which was subsequently approved by independent shareholders in an extraordinary general meeting held on 19 October 2011.

These condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$").

These condensed consolidated interim financial statements have been approved for issue by the Board of the Company on 29 November 2011.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2011 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the period, the Group incurred a loss of approximately HK$119,226,000 (six months ended 30 September 2010: HK$78,376,000) and had net current liabilities of approximately HK$29,163,000 as at 30 September 2011 (31 March 2011: HK$5,045,000).

In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity and financial positions of the Group in light of the conditions described in the preceding paragraph. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The directors are currently implementing the measures below to improve the operating and financial position of the Group:

(a) obtained a written undertaking from a director of a subsidiary of the Company and the Chairman of the Board of the Company to provide continuous financial support to the Group. Each of them agreed to provide loan facilities, in aggregate, of up to HK$100,000,000 to the Group repayable on or before 28 February 2013; and

(b) actively implement stringent cost control measures over administrative and other expenses.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES
(Continued)

2.1 Basis of preparation *(Continued)*

In the opinion of the directors, the successful implementation of the above measures, the Group will have sufficient cash resources to satisfy its future working capital and other financial commitments. The directors are of the opinion that the above measures will be successful implemented. Accordingly, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments may have to be made to write down assets to their recoverable amounts. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

2.2 Principal accounting policies

The Interim Financial Statements have been prepared under the historical cost convention, as modified for certain financial instruments, which are carried at fair value.

The accounting policies and methods of computation adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 March 2011 (the "Annual Financial Statements").

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2011.

HKFRSs (Amendments)	Amendment to HKFRS 2010
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues

The adoption of the new and revised HKFRSs had no material effect on the financial statements of the Group for the current or prior accounting periods.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

2.2 Principal accounting policies *(Continued)*

The following new/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:

HKAS 1 (Amendments)	Presentation of Items of the Other Comprehensive Income[3]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HK(IFRIC) Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 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 Group's Interim Financial Statements.

3. SEGMENT INFORMATION

The Group's operating segments are structured and managed separately according to the nature of their operations, 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) Mining segment engages in holding of mining rights of coal mines in the Russian Federation ("Russia") and will be engaged in the mining of coal.

(ii) Coal and scrapped iron trading segment comprises the business of coal and scrapped metal trading which the Group established in the Republic of Korea ("Korea").

(iii) 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 in the PRC.

(iv) The vertical farming segment engages in the provision of vertical farming projects in the PRC. This business was disposed of to a shareholder subsequent to the period end.

(v) Corporate segment principally engages in the Group's management services.

In determining the Group's geographical areas, revenues and results are attributed to the segments based on the locations 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.

3. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the six months ended 30 September 2011 and 2010.

	Six months ended 30 September 2011					
	Mining (unaudited) HK$'000	Coal and scrapped iron trading (unaudited) HK$'000	Digital television technology service (unaudited) HK$'000	Corporate (unaudited) HK$'000	Vertical farming (unaudited) HK$'000	Consolidated total (unaudited) HK$'000
Reportable segment revenue						
Revenue from external customers	–	1,601	1,457	–	11	3,069
Reportable segment loss	(83,096)	(318)	(3,287)	(3,669)	(12,923)	(103,293)
Impairment loss on other intangible assets	–	–	–	–	(8,000)	(8,000)
Income tax	48	–	135	–	–	183
Depreciation	(64)	(2)	(36)	(10)	(186)	(298)
Amortisation of other intangible assets	(63,071)	–	–	–	(1,694)	(64,765)
Allowance for doubtful trade receivables	–	–	(965)	–	–	(965)

	Six months ended 30 September 2010				
	Mining (unaudited) HK$'000	Digital television technology service (unaudited) HK$'000	Corporate (unaudited) HK$'000	Vertical farming (unaudited) HK$'000	Consolidated total (unaudited) HK$'000
Reportable segment revenue					
Revenue from external customers	–	4,079	–	–	4,079
Reportable segment (loss)/profit	(76,193)	(50,126)	66,257	(7,027)	(67,089)
Change in fair value of derivative component of convertible notes	–	–	71,085	–	71,085
Impairment loss on goodwill	–	(13,421)	–	–	(13,421)
Impairment loss on other intangible assets	–	(25,967)	–	–	(25,967)
Impairment loss on property, plant and equipment	–	(1,407)	–	–	(1,407)
Interest income from promissory note receivable	–	–	796	–	796
Income tax	2,050	7,005	–	–	9,055
Depreciation	(77)	(316)	(10)	(57)	(460)
Amortisation of other intangible assets	(58,757)	(1,627)	–	(2,178)	(62,562)
Allowance for doubtful trade receivables	–	(3,903)	–	–	(3,903)

3. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

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

	Six months ended 30 September	
	2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Revenue		
Reportable segment revenue and consolidated revenue	**3,069**	4,079

	Six months ended 30 September	
	2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Loss before income tax expenses		
Reportable segment loss	**(103,293)**	(67,089)
Finance costs	**(16,116)**	(20,342)
Consolidated loss before income tax expenses	**(119,409)**	(87,431)

	As at 30 September 2011 (unaudited) HK$'000	As at 31 March 2011 (audited) HK$'000
Assets		
Reportable segment assets and consolidated total assets	**1,503,532**	1,747,915

	As at 30 September 2011 (unaudited) HK$'000	As at 31 March 2011 (audited) HK$'000
Liabilities		
Reportable segment liabilities and consolidated total liabilities	**(247,419)**	(249,582)

3. SEGMENT INFORMATION *(Continued)*

(b) Geographical areas

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

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 September 2011 (unaudited) HK$'000	Six months ended 30 September 2010 (unaudited) HK$'000	**As at 30 September 2011 (unaudited) HK$'000**	As at 31 March 2011 (audited) HK$'000
PRC	**1,468**	4,079	**8,253**	17,970
Russia	**—**	—	**1,475,167**	1,688,740
Korea	**1,601**	—	**12**	14
Others	**—**	—	**91**	641
Total	**3,069**	4,079	**1,483,523**	1,707,365

(c) Information about major customers

For the six months ended 30 September 2011, two customers of the coal and scrapped iron trading segment had sales of HK$1,005,000 and HK$506,000 respectively, and two customers of the digital television technology services segment had sales of HK$997,000 and HK$437,000 respectively, each contributed to more than 10% of the Group's revenue.

For the six months ended 30 September 2010, three customers of the digital television technology services segment had sales of HK$868,000, HK$835,000 and HK$493,000 respectively, each contributed to more than 10% of the Group's revenue.

4. TURNOVER, OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Turnover:		
Trading of coal and scrapped iron	**1,601**	—
Provision of digital television technology services	**1,457**	4,079
Sales of fresh products	**11**	—
	3,069	4,079
Other income:		
Interest income	**32**	317
Sundry income	**287**	670
Interest income from promissory note receivable	**—**	796
	319	1,783
Other gains and losses:		
Allowance for doubtful trade receivables (Note 15)	**(965)**	(3,903)
Impairment loss on goodwill (Note 11)	**—**	(13,421)
Impairment loss on property, plant and equipment	**—**	(1,407)
Impairment loss on other intangible assets (Note 12)	**(8,000)**	(25,967)
Change in fair value of derivative component of convertible notes	**—**	71,085
	(8,965)	26,387

5. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Loss before income tax has been arrived at after charging:		
Amortisation of intangible assets		
— Mining rights	**63,071**	58,757
— Customer base	**—**	1,627
— Technical know-how	**1,694**	2,178
Depreciation	**298**	460

6. FINANCE COSTS

	Six months ended 30 September	
	2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Interest expenses on:		
Bank loans and overdrafts, wholly repayable within five years	**—**	5
Loan from a shareholder (Note 21(a))	**1,090**	2,977
Imputed interest on convertible notes	**—**	6,310
Imputed interest on promissory notes (Note 17)	**14,994**	10,986
	16,084	20,278
Bank charges	**32**	64
	16,116	20,342

7. INCOME TAX

	Six months ended 30 September	
	2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Current tax — PRC	**(135)**	(106)
Current tax — Russia and overseas	**—**	—
Deferred tax — PRC	**—**	(6,899)
Deferred tax — Russia and overseas	**(48)**	(2,050)
	(183)	(9,055)

No provision had been made for Hong Kong profits tax as the Hong Kong subsidiaries of the Group sustained losses for taxation purposes for both the current and prior periods. No provision for PRC taxation has been made in the interim financial statements as the PRC subsidiary of the Group sustained losses during the current and prior periods. No provision for overseas taxation has been made in the interim financial statements as the overseas subsidiaries sustained losses during the current and prior periods.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the period attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the period. Basic loss per share for the six months ended 30 September 2010 are restated to take into effect the adjustment on share consolidation as further detailed in Note 18(ii).

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

As the Company's outstanding share options had an anti-dilutive effect to the basic loss per share calculation for the current and prior periods, the conversion of the share options was therefore not assumed in the computation of dilutive loss per share for the current and prior periods. The dilutive effect of the outstanding convertible notes to the basic loss per share calculation in the prior period is shown below.

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

	Six months ended 30 September	
	2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Loss		
Loss attributable to the owners of the Company, used in the basic loss per share	**(96,916)**	(54,869)
Imputed interests on convertible notes	**–**	6,310
Change in fair value of derivative component of convertible notes	**–**	(71,085)
Loss attributable to the owners of the Company, used in the diluted loss per share	**(96,916)**	(119,644)

Number of shares	**30 September 2011**	2010 (Restated)
Weighted average number of ordinary shares for basic loss per share calculation	**141,648,249**	65,164,809
Effect of dilutive potential ordinary shares: Convertible notes	**–**	17,851,024
Weighted average number of ordinary shares for dilutive loss per share calculation	**141,648,249**	83,015,833

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group acquired items of property, plant and equipment with a total cost of HK$199,000 (six months ended 30 September 2010: HK$10,112,000) and did not have any significant disposal of property, plant and equipment.

11. GOODWILL

	HK$'000
Cost:	
At 1 April 2010	160,892
Exchange realignments	6,676
At 31 March 2011 (audited)	**167,568**
Exchange realignments	4,417
At 30 September 2011 (unaudited)	**171,985**
Accumulated impairment losses:	
At 1 April 2010	147,682
Impairment loss	13,421
Exchange realignments	6,465
At 31 March 2011 (audited)	**167,568**
Exchange realignments	4,417
At 30 September 2011 (unaudited)	**171,985**
Net carrying value:	
At 30 September 2011 (unaudited)	—
At 31 March 2011 (audited)	—

The directors allocated the carrying amount of goodwill, net of impairment loss, entirely to the cash generating unit of digital television technology services (the "DTV CGU").

12. OTHER INTANGIBLE ASSETS

	Mining rights HK$'000 (Note a)	Customer base HK$'000 (Note b)	Technical know-how HK$'000 (Note c)	Total HK$'000
Cost				
At 1 April 2010	3,324,120	42,215	21,736	3,388,071
Exchange realignments	127,773	1,751	902	130,426
At 31 March 2011 (audited)	**3,451,893**	**43,966**	**22,638**	**3,518,497**
Exchange realignments	(371,996)	1,159	597	(370,240)
At 30 September 2011 (unaudited)	**3,079,897**	**45,125**	**23,235**	**3,148,257**
Accumulated amortisation and impairment				
At 1 April 2010	1,844,683	6,224	362	1,851,269
Charge for the year	118,699	2,074	4,420	125,193
Impairment loss	—	34,707	4,673	39,380
Exchange realignments	78,479	961	122	79,562
At 31 March 2011 (audited)	**2,041,861**	**43,966**	**9,577**	**2,095,404**
Charge for the period	63,071	—	1,694	64,765
Impairment loss	—	—	8,000	8,000
Exchange realignments	(226,783)	1,159	271	(225,353)
At 30 September 2011 (unaudited)	**1,878,149**	**45,125**	**19,542**	**1,942,816**
Net carrying value				
At 30 September 2011 (unaudited)	**1,201,748**	**—**	**3,693**	**1,205,441**
At 31 March 2011 (audited)	**1,410,032**	**—**	**13,061**	**1,423,093**

12. OTHER INTANGIBLE ASSETS *(Continued)*

(a) Mining rights

The mining rights relating to the cash generating unit of coal mining (the "Coal Mining CGU") was acquired in the prior periods.

As at 30 September 2011, the recoverable amount of the Coal Mining CGU was assessed by the directors with reference to the professional valuation as at 30 September 2011 performed by Vigers Appraisal and Consulting Limited ("Vigers"), a firm of independent professionally qualified valuers. 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 the senior management for the next 5 years at an estimated growth rate of 5% (31 March 2011: 5%), and extrapolates cash flows beyond the 5 years based on a steady growth rate of 3% (31 March 2011: 3%). The discount rate applied to the cash flow projection is 25.2% (31 March 2011: 24.8%). 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 that based on the professional valuation, carrying value of the mining rights associated with the Coal Mining CGU as at 30 September 2011 was not impaired.

The key assumptions on which 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 the management's expectation of market development and future performance of the Coal Mining CGU.
Discount rate —	The discount rate used is before tax and reflects specific risks relating to the relevant unit.

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

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

(b) Customer base

Customer base relates to the DTV CGU and was acquired as part of the acquisition of the DTV Group. The customers base had been fully impaired in prior year.

12. OTHER INTANGIBLE ASSETS *(Continued)*

(c) Technical know-how

Technical know-how on vertical farming (the "Vertical Farming CGU") was acquired as part of the acquisition of SOFOCO Development Limited ("SOFOCO") and its subsidiary (collectively referred to as the "SOFOCO Group") in the prior period, and has an estimated useful life 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 30 September 2011 performed by Roma Appraisals Limited ("Roma"), an independent firm of professional qualified valuers. The recoverable amount of the Vertical Farming CGU is determined by the professional valuers by reference to a value in use calculation using a cash flow projection and financial budgets covering a 4-year period (31 March 2011: 5-year period) approved by the senior management. The discount rate and growth rate applied to the cash flow projection is 40.3% (31 March 2011: 38.1%) and 33.9% (31 March 2011: 46.7%), respectively. The directors of the Company are of the opinion that based on the professional valuation, an impairment loss of HK$8,000,000 (30 September 2010: nil) for the technical know-how associated with the Vertical Farming CGU should be recognised as compared with its recoverable amount as at 30 September 2011.

The key assumptions based on which the 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.

13. PREPAYMENT FOR ACQUISITION OF ADDITIONAL MINING RIGHTS

The amount represents prepayment for acquisition of a subsoil user right for the purpose of exploration and bituminous coal mining in the Kemerovsky, Volkovsky and Vladimirovsky seams from the level of 65 metres underground to 400 metres underground, and Petrovsky and adjoining lot of Kemerovsky (collectively referred to as the "New Mining Licence").

The total consideration for the acquisition of the New Mining Licence can only be determined when the technical person has completed and issued the technical report, when the prepayment will be re-classified as part of the consideration for the New Mining Licence.

The total consideration for the acquisition of the New Mining Licence will range from a lower limit of US$255,150,000 (equivalent to approximately HK$1,990,170,000) to an upper limit of US$550,800,000 (equivalent to approxiatmely HK$4,296,240,000) depending on the technical report to be issued, and the prepayment just represents about 12.5% of the total consideration at the lower limit or about 5.8% of the total consideration at the upper limit, the directors are of the opinion that no impairment for the prepayment for acquisition of mining rights is needed for the period under review.

14. DIRECT COSTS FOR POSSIBLE ACQUISITION OF SUBSIDIARIES

As at 31 March 2011, the amount represented direct costs attributable to the proposed subscription of 70% of the enlarged share capital of Trenaco SA (the "Proposed Subscription"). Subsequent to the end of the reporting period, the Group is in preliminary discussion with Trenaco SA to terminate the Proposed Subscription. As it is unlikely that the Group will proceed with the Proposed Subscription, direct costs have been written off during the period.

15. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group generally allows an average credit term of 30 days (31 March 2011: 80 days) to customers of the coal and scrapped iron trading business. For the digital television technology services business, credit terms are extended beyond 90 days for certain well-established customers with strong financial strengths and good repayment history and credit worthiness. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the senior management. Trade receivables are non-interest-bearing.

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

	As at 30 September 2011 (unaudited) HK$'000	As at 31 March 2011 (audited) HK$'000
Within 30 days	**1,123**	6,207
31 to 60 days	**—**	5,452
61 to 90 days	**—**	—
Over 90 days	**5,881**	7,538
	7,004	19,197
Less: allowance for doubtful debts	**(4,606)**	(3,538)
	2,398	15,659

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

16. TRADE PAYABLES

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

	As at 30 September 2011 (unaudited) HK$'000	As at 31 March 2011 (audited) HK$'000
Within 30 days	**707**	267
31 to 60 days	**—**	126
61 to 90 days	**—**	158
Over 90 days	**477**	295
	1,184	846

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

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

17. PROMISSORY NOTES PAYABLE

	Notes	HK$'000
At 1 April 2010 (audited)		
— Modified PN	(a)	144,655
— Others		3,675
Repaid during the year		
— Modified PN		(7,600)
— Others	(b)	(2,645)
Imputed interest charged		
— Modified PN		17,702
— Others		883
At 31 March 2011 (audited)		**156,670**
Modified PN repaid during the period	(a)	(23,400)
Imputed interest charged		
— Modified PN	6	14,897
— Others	6	97
Modified PN discounted during the period		(4,192)
At 30 September 2011 and included in non-current liabilities (unaudited)		**144,072**

Notes:

(a) In the prior periods, three unsecured promissory notes in the aggregate principal amount of US$35,000,000 (equivalent to approximately HK$273,000,000) ("Modified PN") were issued by the Company to Cordia Global Limited ("Cordia"), a shareholder of the Company, as a result of a conditional modification deed entered into between the Company and Cordia. The Modified PN initially recognised at HK$161,973,000 is non-interest-bearing and payable in one lump sum on maturity date of 25 May 2015.

During the period, a total repayment of US$3,000,000 (equivalent to approximately HK$23,400,000) (year ended 31 March 2011: US$974,000 (equivalent to approximately HK$7,600,000)) was made. A discount, in the principal amount and carrying amount of US$800,000 (equivalent to approximately HK$6,240,000) and US$537,000 (equivalent to approximately HK$4,192,000) respectively, was given by Cordia for the early settlement on the Modified PN. The amount of Modified PN being discounted in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company.

The remaining outstanding Modified PN is classified as non-current liabilities and carried at amortised cost until extinguished on redemption.

The effective interest rate of the Modified PN is determined to be 10.5% per annum.

As at the end of the reporting period, the carrying value of the Modified PN was HK$142,062,000 (31 March 2011: HK$154,757,000).

(b) The other promissory notes were issued as partial consideration for the acquisition of 51% equity interests in the DTV Group in prior year. The Group repaid the principal amount of HK$2,645,000 in cash during the financial year ended 31 March 2011.

As at the end of the reporting period, the carrying value of the other promissory notes payable was HK$2,010,000 (31 March 2011: HK$1,913,000).

The effective interest rate of the other promissory notes is determined to be 10.035% per annum.

18. SHARE CAPITAL

Ordinary shares of HK$0.01 each:	Number of shares As at 30 September 2011 (unaudited)	Nominal value As at 30 September 2011 (unaudited) HK$'000
Authorised:	100,000,000,000	1,000,000
Issued and fully paid:		
At beginning of the period	2,712,413,060	27,124
Placements of new shares (Note (i))	269,000,000	2,690
At end of the period	2,981,413,060	29,814

Notes:

(i) During the period ended 30 September 2011, an aggregate of 269,000,000 new ordinary shares at par value of HK$0.01 each were issued at subscription prices ranging from HK$0.040 to HK$0.112 to the then independent third parties of the Group. The aggregate consideration for the placements of these shares was HK$19,976,000 (net of issue expense) of which HK$2,690,000 was credited to share capital and the remaining balance of HK$17,286,000 was credited to share premium account.

(ii) On 19 August 2011, 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"). After the Share Consolidation 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$29,814,000 represented by 149,070,653 shares of par value of HK$0.2 each.

On 30 September 2011, an ordinary resolution was passed at an extraordinary general meeting and the Share Consolidation became effective on 3 October 2011.

19. PROVISION OF PURCHASE CONSIDERATION PAYABLE FOR ADDITIONAL ACQUISITION

During the year ended 31 March 2011, Langfeld, a subsidiary which is 90% held by the Group, acquired its remaining 30% equity interests in LLC "Shakhta Lapichevskaya" ("Lapi") from three non-controlling interests for a total consideration was US$9,490,000 (equivalent to approximately HK$74,026,000).

The above consideration includes an amount US$1,300,000 (equivalent to approximately HK$10,140,000) which is only payable as and when the Group obtains the confirmation from the relevant taxation authority in Russia of the taxation liabilities of Lapi. As the Group had not obtained the confirmation of the taxation liabilities of Lapi as at 30 September 2011, this amount has not been recognised but is included in capital commitments in Note 20.

As at 30 September 2011, US$3,095,000 (equivalent to approximately HK$24,143,000) of the consideration remained outstanding. As disclosed in Note 22(i), two former non-controlling interests of Lapi have taken legal actions against Langfeld for their shares of the outstanding consideration.

20. CAPITAL COMMITMENTS

Details of the capital expenditure contracted for but not provided in the Interim Financial Statements are as follows:

	Note	**As at 30 September 2011 (unaudited) HK$'000**	As at 31 March 2011 (audited) HK$'000
Acquisition of additional equity interest of a subsidiary	19	**10,140**	10,140
Property, plant and equipment		**1,366**	2,002

As further detailed in Note 13, the Group acquired the New Mining Licence in the prior year. As at 30 September 2011, the Group's commitment on the purchase of this intangible asset ranged from US$255,150,000 (equivalent to approximately HK$1,990,170,000) to US$550,800,000 (equivalent to approximately HK$4,296,240,000).

In addition, the Group also committed to issue a convertible note with the principal amount ranging from US$255,150,000 (equivalent to approximately HK$1,990,170,000) to US$550,800,000 (equivalent to approximately HK$4,296,240,000) for the acquisition of the New Mining Licence.

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

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

	Six months ended 30 September	
	2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Interest expenses on loans from a shareholder (Note i)	**1,090**	2,977
Consultancy fee paid to Mr. Choi Sung Min (Note ii)	**900**	900

Note:

(i) Amount due to a shareholder represents loans from the shareholder which are unsecured, interest-bearing at rate of 6-8% per annum and repayable more than one year from end of the reporting period.

During the period, the shareholder agreed to waive a portion of the interest charged in the total of US$115,000 (equivalent to approximately HK$893,000) on the amount due in view of the early settlement on the principal loan. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company.

(ii) Under a renewed consultancy agreement entered into by Mr. Choi Sung Min ("Mr. Choi"), the sole shareholder of Cordia, Mr. Choi is entitled to a monthly consultancy fee of HK$150,000 for providing, inter alia, business development advice and exploring business opportunities in relation to the current business of the Group and any other business that may be developed by the Group, in particular to solicit the business of coal mining in Russia and coal trading all over the world.

(b) The amounts due from non-controlling interests of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(c) As at 31 March 2011, amount due from a related party represents an amount due from a director of certain subsidiaries. The amount was unsecured, interest-free and had no fixed terms of repayment. The maximum outstanding balance due from the related party during the six months ended 30 September 2010 was HK$1,969,000.

(d) Amounts due to related parties represent amounts due to a director of three subsidiaries (31 March 2011: certain directors of two subsidiaries). The balance at end of period is unsecured, interest-free and repayable within one year from end of the reporting period.

21. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2011 (unaudited) HK$'000	2010 (unaudited) HK$'000
Directors' remuneration		
— Executive directors	**2,138**	1,735
— Non-executive director	**60**	—
— Independent non-executive directors	**228**	230
	2,426	1,965

22. LITIGATIONS

(i) Legal Proceedings Taken By Two Former Shareholders of a Russian Subsidiary Against the Group

Each of the two former shareholders of a Russian subsidiary of the Group, namely Tannagashev Ilya Nikolaevich ("1st Claimant") and Demeshonok Konstantin Yur'evich ("2nd Claimant") are pursuing their claims made in prior year for their share of the consideration on the sale of the remaining 30% equity interests in Lapi to the Group on 12 February 2010 (Note 19).

The 1st Claimant is claiming an amount of approximately US$2,323,000 (equivalent to HK$18,119,000) (the "1st Claim") and the 2nd Claimant is claiming an amount of approximately US$1,064,000 (equivalent to HK$8,299,000) (the "2nd Claim") (collectively referred to as the "Claims"). The Central District Court of Kemerovo Region, Russia Federation (the "Central District Court") passed a judgement on 12 January 2011 in favour of the 1st Claimant in respect of the 1st Claim, the Group since launched appeals against the judgement which was rejected by the Central District Court such that the Group is required to settle the 1st Claim. The Arbitration Court of Kemerovo Region, Russia Federation (the "Arbitration Court") passed a judgement on 26 August 2011 in favour of the 2nd Claimant in respect of the 2nd Claim. The Group has since launched an appeal against the judgement in the Seventh Arbitration Court of Appeals but was rejected and the Group is required to settle the 2nd Claim. The Group is consulting its legal advisors and is currently considering a possible appeal against the judgement to the 1st Claim and the 2nd Claim.

As disclosed in Note 19, the Group has fully provided for the amounts due to the 1st Claimant and 2nd Claimant.

22. LITIGATIONS *(Continued)*

(ii) Civil Proceedings Taken by the Company Against Three Former Directors of the Company

As set out in the Company's announcement dated 25 November 2008, inter alia, the Securities and Futures Commission commenced proceedings in the High Court to seek a disqualification order and a compensation order against three former executive directors of the Company in entering into certain transactions during the period between late 2002 and late 2005 for and on behalf of the Group. The financial impacts on the Group in relation to these transactions had already been provided for and reflected in the previous financial results of the Group and there shall have no further adverse effects on the existing financial position of the Group.

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

On 15 April 2010, the Company commenced civil proceedings against these three former executive directors to claim damages in the total sum of approximately HK$18,980,000. In pursuing the proceedings, mediation has been sought with a view to settle the matter according to the Civil Justice Reform.

As at the date of this report, no settlement arrangement has been reached, and given these circumstances, the Company has proceeded further with the action against these three former directors. A statement of claim was filed to the Court of First Instance and served to these three former directors.

23. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save for those significant events after the reporting period disclosed elsewhere in these interim financial statements, details of the other significant events after the reporting period are disclosed below:

(a) On 8 September 2011, the Group entered into a subscription agreement with Cordia of which the Company agrees to allot and issue, and Cordia agrees to subscribe for 1,150,000,000 new ordinary shares of the Company at a subscription price of HK$0.04 per share (the "Proposed Subscription"). The Proposed Subscription shall be satisfied by the discharge of the principal amount of the Modified PN of approximately HK$46,000,000. On 19 October 2011, an ordinary resolution was passed at an extraordinary general meeting in connection with the Proposed Subscription which was completed on 20 October 2011.

(b) On 8 September 2011, the Group entered into a disposal agreement in connection with the disposal of its 70% equity interest in the SOFOCO Group, and the unsecured and interest-free shareholder's loan owed by the SOFOCO Group to Grandvest International Limited, a subsidiary of the Company (the "SOFOCO Shareholder Loan") at a consideration equivalent to the principal amount of the Modified PN of US$2,051,282 (equivalent to approximately HK$16,000,000) to be determined at the completion date of the disposal, to Cordia, a shareholder of the Company. The consideration will be satisfied by way of offsetting the principal amount of the Modified PN by US$2,051,282 (equivalent to approximately HK$16,000,000). On 19 October 2011, the disposal was approved by independent shareholders in an extraordinary general meeting and was subsequently completed on 25 November 2011. Further details are set out in the announcement and circular of the Company dated 9 September 2011 and 30 September 2011, respectively.

Management Discussion and Analysis

FINANCIAL REVIEW

For the six months ended 30 September 2011, the Group recorded a turnover of approximately HK$3,069,000 (2010: HK$4,079,000), representing a decrease of approximately 24.8% as compared to the corresponding period in last year. During the period under review, the Group commenced the scrapped iron trading in September 2011 and generated a turnover of approximately HK$1,601,000 (2010: nil). Digital television technology services continued to lose steam and marked further declines in turnover to approximately HK$1,457,000 (2010: HK$4,079,000) due to severe competition and rapid emergence of product substitutions from mobile multimedia players, while vertical farming demonstrated no signs of recovery and just recorded a tiny turnover of approximately HK$11,000 (2010: nil).

For the period under review, the decrease in selling and distribution costs to approximately HK$1,425,000 (2010: HK$3,506,000) was found in line with the reduction in turnover of digital television technology services. Although imputed interest on promissory notes increased to approximately HK$14,994,000 (2010: HK$10,986,000) arising from the early partial repayment of the promissory notes, the total finance costs decreased to approximately HK$16,116,000 (2010: HK$20,342,000), mainly because there was no imputed interest on the Company's convertible notes in current period (2010: imputed interest of HK$6,310,000) as all convertible notes had been fully converted before the last year end as of 31 March 2011.

The loss before income tax of the Group for the period under review was approximately HK$119,409,000 (2010: HK$87,431,000), representing a 36.6% increase as compared to the corresponding period in last year. The increase in loss was mainly attributable to the net effects of the accounting treatments of the following items, (i) no fair value gain on the conversion option of the Company's convertible notes was recorded in current period since all the convertible notes had been fully converted before the last year end as of 31 March 2011 (2010: fair value gain of approximately HK$71,085,000); (ii) no impairment losses on goodwill and on digital television technology customer base in current period since both of them had already been fully impaired since the last year end as of 31 March 2011 (2010: impairment loss of approximately HK$39,388,000 in aggregate); and (iii) impairment loss on technical know-how in vertical farming in current period amounted to approximately HK$8,000,000 (2010: nil).

OPERATION REVIEW

During the period under review, the global economic environment was becoming more and more complicated. While various parts of the world witnessed different extent of on-track recovery commencing the first quarter of 2011, their paces and momentum of rebound were hindered by the lingering economic uncertainties, political unrests and natural disasters. The Eurozone sovereignty debt crisis, the downgrading of the United States sovereignty debt rating, the sluggish recovery and the danger of double-dip recession in the United States, the on-going proactive macro-economic and fiscal policies of the PRC Government would all have weighed on the business environment in which the Group was operating.

Coal and Scrapped Iron Trading

Since the profit margin of coal trading of the Group was thin, and the Group had taken a prudent approach in coal trading in view of the erratic fluctuations of international coal prices, hence no turnover was recorded in coal trading during the period under review. The scrapped iron trading of the Group which commenced in September 2011 had started to contribute turnover in the current period.

Coal Mining

Following the granting of the New Mining Licence for Lot 1 Extension and Lot 2 in November 2010, the Group had been striving to formulate and to optimize the drilling plan and surface infrastructure reconstruction planning. Given the coal mining business is still at a preliminary development stage, no revenue was recorded from this segment during the period under review.

The Group had entered into a memorandum of understanding with SK Networks Co., Ltd. in August 2011 in relation to the potential investment of certain target coal mines in Columbia up to an amount of US$20 million (approximately HK$156 million), as disclosed in the announcement of the Company dated 11 August 2011.

Digital Television Technology Services

During the period under review, undoubtedly, the business environment of digital television technology services continued to deteriorate under keen competition coupled with the rapid substitution from mobile multimedia players. Its turnover dropped by 64.2% to just approximately HK$1,457,000 (2010: HK$4,079,000).

Vertical Farming

During the period under review, vertical farming was again falling short of the expectation and could barely produce a small turnover of approximately HK$11,000 (2010: nil). Due to the stagnant development in this segment, the Group decided to dispose of its entire 70% holding in the issued share capital of Sofoco Development Limited to a connected party in September 2011, as disclosed in the announcement of the Company dated 8 September 2011. The said disposal would be subject to independent shareholders' approval in extraordinary general meeting which was held on 19 October 2011 with the necessary approval granted. It is expected that the Group would recognize a gain from the said disposal of approximately HK$5 million (subject to audit).

PROSPECTS

Looking forward, the world economy will be struggling in a prolonged recovery cycle overshadowed by escalating global inflation and possible further deterioration of Eurozone sovereignty debt crisis, while China will continue to tame its economic growth rate in the midst of increasing inflation pressure and close monitoring of market liquidity. The Company maintains a cautious view of prospect for the remaining period of the financial year which will still be very challenging, and will carefully assess and modify its strategies in order to adapt to the changing operational parameters.

Coal and Scrapped Iron Trading

The Group will continue to prudently manage the coal trading business in order to isolate unnecessary trading losses, and it will be the long-term objective of the Group to form strategic alliance with established business partners in this sector to invigorate the coal trading business. Currently, the Group will continue to develop its business in scrapped iron trading which is expected to keep contributing to the Group's turnover in the second half of the financial year.

Due to the changing economic climate, the Company in the last quarter of 2011 was in preliminary discussions with Trenaco SA to explore the possibility of terminating the subscription of 70% of the enlarged issued share capital of Trenaco SA, as disclosed in the announcement of the Company dated 20 October 2011.

When suitable opportunities arise, the Company will actively consider forming joint venture companies with renowned commodity traders to tap the trading businesses in the commodity markets.

Coal Mining

Having finalised the drilling plan and surface infrastructure reconstruction planning for the Russian coal mines, the Group will submit to the local authorities and also the federal authorities in Russia for approval, and once approved, exploration drilling will be expected to commence in 2012.

The due diligence on the target coal mines in Columbia by SK Networks Co., Ltd. is still progressing. Depending very much on the satisfaction of the due diligence results, it may or may not lead to any concrete business cooperation in respect of investment in coal mines in Columbia between SK Networks Co., Ltd. and the Group, and yet this does represent one of the strategic moves of the Company towards forming an alliance with renowned international companies to tap the coal mining resources in the emerging countries.

Digital Television Technology Services

The unsatisfactory performance of the digital television technology services has called for rationalization of this segment. The Company might consider any possible teaming up with established business partners in this industry to revivify the business, or might not preclude the possibility of disposing of the investment in this segment.

Vertical Farming

The disposal of the entire 70% holding in the issued share capital of Sofoco Development Limited has been completed on 25 November 2011 as disclosed in the Company's announcement on the same date. The said disposal would enable the Group to focus its resources in the coal mining in Russia and in its coal and scrapped iron trading business.

In conclusion, under this challenging environment, the Company will continue to focus its priority on coal mining, coal and scrapped iron trading business, keep costs under control, and continue to secure new opportunities in strategic partnerships which will add value to the long-term prospects of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the Group had net current liabilities of HK$29,163,000 (31 March 2011: HK$5,045,000). The Group's current ratio, taken as the ratio of current assets to current liabilities, was 40.7% (31 March 2011: 88.9%) and the Group's gearing ratio, the ratio of total interest-bearing borrowings to total assets, was 3.5% (31 March 2011: 2.0%).

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

During the period under review, the Group recorded a net cash outflow of approximately HK$3,882,000 (2010 net cash inflow: HK$147,000), while its total cash and cash equivalents deceased to HK$5,757,000 (2010: HK$60,295,000) as at 30 September 2011.

The management will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities of the Group as at 30 September 2011. Cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The management will continue to closely review the Group's financial resources in a cautious manner and explore opportunities in potential financial institutions financing and equity funding. As a matter of fact, the Company had successfully completed the allotments of new shares in May 2011 and August 2011 to generate net proceeds of approximately HK$14.2 million and HK$5.6 million, respectively, as disclosed in the announcements of the Company dated 18 May 2011 and 29 August 2011, respectively. As of 29 November 2011, the Company has secured standby financial support totalling HK$100 million from the following two connected persons: (i) undertaking of financial support up to HK$50 million from Mr. Choi Sung Min who is currently the sole shareholder of Cordia and also a director of a subsidiary of the Company; and (ii) undertaking of financial support up to HK$50 million from Mr. Lim Ho Sok who is currently the Chairman of the Board and an Executive Director of the Company.

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"), Russia rubles ("RUB") and Korean won ("KRW"). The exchange rates of RMB and USD against HKD remained relatively stable during the period under review. Certain expenses of the Group are dominated in RUB and KRW which fluctuated in a relatively greater range in the period. Therefore, shareholders should be aware that the exchange rate volatility of RUB and KRW against HKD may have favourable or adverse effect on the operating results of the Group.

Taking into consideration the amount of revenue and expenses involved, the Group does not currently intend to hedge its exposure from foreign currency exchange rate risk involving RUB and KRW. However, the Group will constantly review exchange rate volatility, and may, in future, consider using financial instruments for hedging when necessary.

CAPITAL COMMITMENTS

Details of capital commitments of the Group as at 30 September 2011 as disclosed in Note 20 to the unaudited condensed consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2011, the Group had approximately 45 staff in Hong Kong, the PRC and the Russia Federation (31 March 2011: 76).

The Group's remuneration policy is reviewed periodically and determined largely based on industry practice, company performance and individual qualifications and performance. Remuneration packages comprise salary, commissions and bonuses based on individual performance. Share options may also be granted to eligible employees of the Group.

PLEDGE OF ASSETS

The Group has not pledged any of its assets for bank facilities as at 30 September 2011 or 31 March 2011.

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

At 30 September 2011, the interests of the directors, chief executive and their associates in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 Directors of Listed Companies, were as follows:

Shares of HK$0.01 each in the Company

Name	Capacity	Number of shares held	Percentage of shareholding
Executive directors:			
Mr. Lim Ho Sok ("Mr. Lim") (Note 1)	Interest in controlled corporation	228,000,000 Long position	7.65%
Mr. Pang Ngoi Wah Edward	Beneficial owner	3,500,000 Long position	0.12%

Note 1: These 228,000,000 shares are beneficiary owned by Goldwyn Management Limited ("Goldwyn"). The entire issued share capital of Goldwyn is legally and beneficiary owned by Mr. Lim.

Save as disclosed above, as at 30 September 2011, none of the directors or any of their associates or chief executives of the Company (as defined in the Listing Rules) had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to SFO (including interests which they are taken or deemed to have under SFO) or which are, pursuant to Section 352 of SFO, entered in the register referred to therein or, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

Pursuant to the share option scheme (the "Scheme") approved and adopted by the Company on 19 October 2002, share options were granted to subscribe for shares in the Company in accordance with the terms of the Scheme. There were no changes in any terms of the Scheme during the six months ended 30 September 2011. The detailed terms of the Scheme were disclosed in the 2011 annual report of the Company.

Movements in the Company's share options during the period under review are as follows:

Name or category of participant	Number of share options As at 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 September 2011	Date of grant of share options*	Exercise period of share options	Adjusted exercise price of share options** HK$
Employees								
In aggregate	5,868,000	–	–	(1,956,000)	3,912,000	10-09-2007	10-09-2007 to 09-09-2017	4.452
Total :	5,868,000	–	–	(1,956,000)	3,912,000			

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The number of issuable shares and the exercise price of the share options are subject to adjustment in the case of capitalization issue, rights issue, sub-division or consolidation of the Company's shares or reduction of capital of the Company.

Each option gives the holder the right to subscribe for one share. As at 30 September 2011, the Company has 3,912,000 share options outstanding under the Scheme. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 30 September 2011, result in the issue of 3,912,000 additional ordinary shares of HK$0.01 each of the Company and additional share capital of HK$3,912,000 and share premium account of approximately HK$17,377,104 (before issue expenses). Upon the approval of share consolidation granted by the shareholders with effective from 3 October 2011, the share options owned by the employees were adjusted to 195,600 share options in total which confer them the rights to acquire 195,600 consolidated shares of HK$0.20 each at an adjusted price at HK$89.04 per consolidated shares.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Director's information

Mr. Tam Tak Wah, an independent non-executive director of the Company, has been appointed as an independent non-executive director of China Packaging Group Company Limited, a company the shares of which are listed on the main board of the Stock Exchange, with effect from 1 November 2011. Mr. Tam has also been appointed as an independent non-executive director of Cyber Informatix, Inc, a company the common stock of which are traded in the OTBQB, a middle tier of the over-the-counter market of the United States with effect from 10 November 2011.

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

As at 30 September 2011 and so far as is known to the Board and according to the register of interests in shares and short positions required to be kept by the Company under Section 336 of the SFO, the following persons (other than the directors disclosed under the heading "Directors' interests and short positions in shares and underlying shares of the Company" above) have interest of 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company:

Long position in underlying shares of HK$0.01 each in the Company

Name of shareholders	Capacity	Number of underlying shares held	Percentage of the shareholding
Cordia Global Limited ("Cordia") (Note 1)	Beneficial owner	35,877,000,000	1203.36%
Mr. Choi Sung Min	Interest in controlled corporation	35,877,000,000	1203.36%
Ms. Jung Mi Na	Deemed interest	35,877,000,000	1203.36%

Note 1: The entire issued share capital of Cordia is 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 these 35,877,000,000 underlying shares which Cordia has beneficial interest in.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2011 (for the six months ended 30 September 2010: Nil).

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the period under review, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except the deviations as described below:

(i) Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") should be segregated and should not be performed by the same individual. Mr. Lim Ho Sok assumed the roles of both the chairman and CEO of the Company with effect from 31 July 2010, which constitutes a deviation from the code provision A.2.1 during the period. Whilst the Company is looking for suitable replacement for the post of CEO, the Board believes that the vesting of the roles of chairman and CEO in the same person provides the Group with strong and consistent leadership during this transitional period.

(ii) Under the code provision A.4.1 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 have not been appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's articles of association. 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.

Model Code for Securities Transactions by Directors

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

Audit Committee

The Audit Committee of the Company ("Audit Committee") consists of three independent non-executive directors of the Company, chaired by Mr. Tam Tak Wah and the other two members are Mr. Liew Swee Yean and Mr. Young Yue Wing Alvin. The unaudited condensed interim financial statements for the six months ended 30 September 2011 have been reviewed by the Audit Committee with no disagreement.

REVIEW ON INTERIM RESULTS

The unaudited condensed consolidated interim results of the Group has been reviewed by the Company's auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, the report of which is included on page 2 of this interim report.

By order of the Board
Siberian Mining Group Company Limited
Lim Ho Sok
Chairman

Hong Kong, 29 November 2011