
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Siberian Mining Group Company Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



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)

- (1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION FOR NEW SHARES
TO BE ISSUED BY WAY OF SPECIFIC MANDATE;
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF 70% OF THE ISSUED SHARE CAPITAL OF
SOFOCO DEVELOPMENT LIMITED; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders of the Company**



A letter from the board of directors of the Company is set out on pages 6 to 20 of this circular. A letter from the independent board committee to the independent shareholders of the Company is set out on page 21 of this circular. A letter from First Shanghai Capital Limited, the independent financial adviser, containing its advice to the independent board committee and independent shareholders of the Company in respect of the Subscription and the Disposal (both as defined herein) is set out on pages 22 to 51 of this circular.

A notice convening an extraordinary general meeting of Siberian Mining Group Company Limited to be held at 3:00 p.m. on 19 October 2011 at The Jasmine Room of Ramada Hong Kong Hotel at 3rd Floor, 308 Des Voeux Road West, Hong Kong is set out on pages 59 to 61 of this circular. Whether or not you intend to attend the meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event no less than 48 hours before the time appointed for holding such meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

This circular will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and the Company's website at www.ilinkfn.net/siberian_mining

30 September 2011

* For identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	21
Letter from First Shanghai	22
Appendix — General information	52
Notice of EGM	59

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 8 September 2011 in relation to the Subscription and the Disposal
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Siberian Mining Group Company Limited (Stock code: 1142), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal Agreement
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed to it in the Listing Rules, and “connected” shall be construed accordingly
“Consideration”	the consideration of HK\$16,000,000 (equivalent to approximately US\$2,051,282) to be satisfied by Cordia for the acquisition of the Sale Shares and the Sale Loans
“Consolidated Share(s)”	ordinary share(s) of par value of HK\$0.2 each in the share capital of the Company upon the Share Consolidation becoming effective
“Cordia”	Cordia Global Limited, a company incorporated in the British Virgin Islands with limited liability, being a Shareholder interested in approximately 2.5% of the existing issued share capital of the Company as at the Latest Practicable Date, and being the Noteholder and a substantial shareholder of Langfeld Enterprises Limited, a non-wholly owned subsidiary of the Company
“Discharged Amount”	the outstanding principal amount of US\$5,897,436 (equivalent to approximately HK\$46 million) under the Promissory Notes to be discharged upon completion of the Subscription
“Disposal”	the disposal by Grandvest of the Sale Shares and the Sale Loans subject to and upon the terms and conditions of the Disposal Agreement

DEFINITIONS

“Disposal Agreement”	the sale and purchase agreement entered into between Grandvest, Cordia and Mr. Choi Sungmin on 8 September 2011 in connection with the sale and purchase of the Sale Shares and the Sale Loans
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 3:00 p.m. on 19 October 2011 at The Jasmine Room of Ramada Hong Kong Hotel at 3rd Floor, 308 Des Voeux Road West, Hong Kong for considering and, if thought fit, approving (i) the Subscription Agreement and transactions contemplated thereunder, together with the granting of the Specific Mandate; and (ii) the Disposal Agreement and the transactions contemplated thereunder
“First Convertible Note”	the convertible notes in the principal amount of US\$253 million (equivalent to approximately HK\$1,973.4 million) issued by the Company to Cordia on 25 May 2009, which had subsequently been replaced by the Promissory Notes and the Restated First Convertible Note, as announced by the Company on 14 December 2009
“Grand Farm”	Grand Farm Development Limited, which is interested in 30% of the issued share capital of SOFOCO
“Grandvest”	Grandvest International Limited, a direct wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising Mr. Liew Swee Yean, Mr. Tam Tak Wah and Mr. Young Yue Wing Alvin, being all the independent non-executive Directors, who have no interest in the Subscription and the Disposal, which has been formed to consider (i) the terms of the Subscription Agreement and the transactions contemplated thereunder; and (ii) the terms of the Disposal Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Disposal
“Independent Shareholders”	Shareholders other than (i) Cordia and its associates; and (ii) any other Shareholders who have an interest in the Subscription and/or the Disposal (as the case may be)
“Last Trading Day”	8 September 2011, being the last trading day immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	27 September 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Noteholder”	holder of the Promissory Notes
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Promissory Notes”	the promissory notes in the principal amount of US\$35 million (approximately HK\$273.0 million) issued by the Company in favour of Cordia on 23 February 2010, the outstanding principal amount of which is US\$26.2 million (approximately HK\$204.4 million) as at the Latest Practicable Date
“Restated First Convertible Note”	the convertible note in the principal amount of US\$107 million (approximately HK\$834.6 million) issued by the Company to Cordia on 23 February 2010, which had been wholly converted into Shares as at the Latest Practicable Date
“Sale Loans”	all amounts owing by the SOFOCO Group to Grandvest as at the Completion Date
“Sale Shares”	23,334 shares of par value of HK\$1.00 each in the capital of SOFOCO, representing 70% of the issued share capital of SOFOCO
“SFO”	Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the issued share capital of the Company
“Share Consolidation”	the proposed consolidation of every 20 Shares into one Consolidated Share as announced by the Company on 19 August 2011
“Shareholder(s)”	person(s) whose name(s) appear in the register of members of the Company as the holder(s) of Share(s)
“SOFOCO”	SOFOCO Development Limited, a company established in Hong Kong and a direct 70% owned subsidiary of Grandvest
“SOFOCO Group”	SOFOCO and SOFOCO (Zhenjiang)
“SOFOCO (Zhenjiang)”	SOFOCO (Zhenjiang) Development Company Limited, a company established in the PRC and a direct wholly-owned subsidiary of SOFOCO
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to approval by the Independent Shareholders voting by way of poll at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by Cordia as contemplated under the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 8 September 2011 and made between the Company and Cordia in connection with the Subscription
“Subscription Completion Date”	the day on which the completion of Subscription takes place, which shall be the immediately next business day after the date on which the last condition precedent to the Subscription Agreement as specified in the section headed “THE SUBSCRIPTION AGREEMENT — Conditions Precedent” in the “Letter from the Board” in this circular is fulfilled or such other date as the parties may agree in writing
“Subscription Shares”	1,150,000,000 Shares (or such equivalent number of new Shares as adjusted after any capital reorganisation of the Company, being 57,500,000 Consolidated Shares upon the Share Consolidation becoming effective) to be subscribed by Cordia according to the Subscription Agreement

DEFINITIONS

“Subscription Price”	the subscription price of HK\$0.04 per Subscription Share under the Subscription Agreement (or HK\$0.80 per Subscription Share upon the Share Consolidation becoming effective)
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this circular, for illustration purposes only, the conversion of US dollars into HK dollars is based on the approximate exchange rate of US\$1.00 to HK\$7.80.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. LIM Ho Sok (*Chairman*)

Mr. SHIN Min Chul

Non-executive Director:

Mr. PANG Ngoi Wah Edward

Independent non-executive Directors:

Mr. LIEW Swee Yean

Mr. TAM Tak Wah

Mr. YOUNG Yue Wing Alvin

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

16/F

No. 8 Queen's Road Central

Central

Hong Kong

30 September 2011

*To the Shareholders and, for information only,
the holders of the share options of the Company*

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION FOR NEW SHARES
TO BE ISSUED BY WAY OF SPECIFIC MANDATE; AND
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF 70% OF THE ISSUED SHARE CAPITAL OF
SOFOCO DEVELOPMENT LIMITED**

INTRODUCTION

Reference is made to the announcement made by the Company on 8 September 2011.

** For identification purpose only*

LETTER FROM THE BOARD

As stated in the Announcement, after trading hours of the Stock Exchange on 8 September 2011, the Company entered into the Subscription Agreement with Cordia, pursuant to which the Company agrees to allot and issue, and Cordia agrees to subscribe for the Subscription Shares at the Subscription Price of HK\$0.04 per Share, which shall be satisfied by the discharge of the Discharged Amount of the Promissory Notes. Contemporaneous with the issue and allotment of the Subscription Shares on the Subscription Completion Date, Cordia will surrender the Promissory Notes to the Company in exchange for a new certificate of promissory notes representing the remaining balance of the Promissory Notes after deducting the Discharged Amount. Upon the issue and allotment of the Subscription Shares by the Company to Cordia, all the liabilities and obligations of the Company relating to the Discharged Amount under the Promissory Notes shall be fully satisfied and discharged. The Subscription Shares shall be allotted and issued by way of the Specific Mandate, the approval of which shall be sought at the EGM.

Also as stated in the Announcement, after trading hours of the Stock Exchange on 8 September 2011, Grandvest, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with Cordia and Mr. Choi Sungmin, pursuant to which Grandvest has agreed to sell and Cordia has agreed to purchase the Sale Shares and the Sale Loans, the consideration of which is to be satisfied by the set off of the equivalent outstanding amount (taken as US\$2,051,282) under the Promissory Notes upon Completion. Upon Completion, all the liabilities and obligations under the Promissory Notes relating to the amount equivalent to the Consideration (taken as US\$2,051,282) shall be satisfied and discharged.

The purpose of this circular is to provide you with, among other things, (i) details of the proposed Subscription; (ii) details of the proposed Disposal; (iii) other information in compliance with the Listing Rules; and (iv) the notice of the EGM.

THE SUBSCRIPTION AGREEMENT

Date: 8 September 2011 (entered into after trading hours of the Stock Exchange)

Parties:

- (a) The Company, as the issuer of the Subscription Shares; and
- (b) Cordia Global Limited, as the subscriber

The Subscription Shares

Pursuant to the Subscription Agreement, the Company agrees to allot and issue, and Cordia agrees to subscribe for, 1,150,000,000 new Shares (the aggregate nominal value of which amounts to HK\$11.5 million) at the Subscription Price of HK\$0.04 per Share, which shall be satisfied by the discharge of the Discharged Amount of the Promissory Notes.

LETTER FROM THE BOARD

In the event that the Share Consolidation becomes effective before the Subscription Completion Date, 57,500,000 new Consolidated Shares will be allotted and issued to Cordia at the Subscription Price of HK\$0.80 per Share under the Subscription Agreement.

The Subscription Shares represent:

- (a) approximately 38.6% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (b) approximately 27.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares,

assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Subscription Completion Date.

The Subscription Shares are not subject to any lock-up arrangements.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with all other Shares in issue as at the date of allotment and issue of the Subscription Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company in respect of the Shares, the record date for which falls on or after the Subscription Completion Date, on which the Subscription Shares will be allotted and issued.

An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued on the Subscription Completion Date. None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Specific Mandate to issue the Subscription Shares

The Subscription Shares will be issued under a specific mandate proposed to be sought from the Independent Shareholders at the EGM.

The Subscription Price

The Subscription Price of HK\$0.04 per Share represents:

- (a) a premium of approximately 37.9% to the closing price of HK\$0.0290 per Share on the Stock Exchange on the Last Trading Day of the Shares;
- (b) a premium of approximately 22.7% to the average closing price of approximately HK\$0.0326 per Share for the last 5 consecutive trading days immediately prior to the Last Trading Day;
- (c) a premium of approximately 31.6% to the average closing price of approximately HK\$0.0304 per Share for the last 10 consecutive trading days immediately prior to the Last Trading Day;

LETTER FROM THE BOARD

- (d) a premium of approximately 1.3% to the average closing price of approximately HK\$0.0395 per Share for the last 20 consecutive trading days immediately prior to the Last Trading Day;
- (e) a premium of approximately 110.5% to the closing price of HK\$0.0190 per Share on the Stock Exchange on the Latest Practicable Date; and
- (f) a discount of approximately 92.0% to the audited consolidated net assets value of the Company attributable to the Shareholders of approximately HK\$0.50 per Share as at 31 March 2011 (based on the audited consolidated net assets of the Company attributable to the Shareholders of approximately HK\$1,358,683,000 and 2,712,413,060 Shares in issue as at 31 March 2011).

The Subscription Price was determined after arm's length negotiations between the Company and Cordia with reference to the share price prevailing at the time of the negotiation and the financial position of the Group. The Directors consider that the Subscription Agreement is entered into upon normal commercial terms and the terms of the Subscription Agreement (including, without limitation the Subscription Price) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon the satisfaction of the following conditions:

- (a) the Independent Shareholders having approved the Subscription and the grant of the Specific Mandate in accordance with the requirements of the Listing Rules; and
- (b) the Listing Committee of the Stock Exchange agreeing to grant a listing of, and permission to deal in, the Subscription Shares.

None of the above conditions precedent can be waived by any of the parties to the Subscription Agreement. In the event that the above conditions precedent have not been fulfilled by 31 December 2011, or such later date as may be agreed between the Company and Cordia in writing, the obligations of the Company and Cordia under the Subscription Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise in respect of the Subscription.

As at the Latest Practicable Date, none of the conditions precedent above has been fulfilled. Subject to the fulfillment of all the conditions, the Subscription Agreement shall be completed on the Subscription Completion Date.

ENTERING INTO OF SUPPLEMENTAL AGREEMENT IN RELATION TO SOFOCO

As announced by the Company on 3 March 2010, Grandvest had, on 3 March 2010, entered into an investment and shareholders agreement with, among others, Grand Farm and SOFOCO, pursuant to which Grandvest had agreed to subscribe for 23,334 new ordinary shares in SOFOCO (representing 70% of the then interest in SOFOCO as enlarged by the issue of shares in SOFOCO to Grandvest under such agreement) for a total consideration of HK\$50 million, payable by Grandvest in three

LETTER FROM THE BOARD

instalments in accordance with the funding requirements of SOFOCO and subject to fulfillment of certain conditions. The subscription under the investment and shareholders agreement was completed in 2010 and Grandvest has paid the first two instalments in the aggregate amount of HK\$16 million in the following manner:—

- (a) HK\$2.5 million had been paid on 4 March 2010 after the signing of the investment and shareholders agreement; and
- (b) HK\$13.5 million had been paid on 15 March 2010 after (i) Grandvest was satisfied, in its absolute opinion, with the business, assets, operation, financial position and prospect, the internal control system and corporate governance framework of the SOFOCO Group; and (ii) a valuation report issued by an independent valuer acceptable to the Company on the SOFOCO Group in form and substance satisfactory to the Company was obtained.

Pursuant to the investment and shareholders agreement, Grandvest was obliged to pay the remaining HK\$34 million subject to the funding requirements of the SOFOCO Group and upon Grandvest being satisfied, in its absolute opinion notwithstanding payment under paragraph (b) above, with the business, assets, operation, financial position and prospect, and the internal control system and corporate governance framework of the SOFOCO Group. Given the stagnant developments in vertical farming projects of the SOFOCO Group, Grandvest considered that the condition precedent for the payment of the remaining HK\$34 million has not been satisfied and hence has not fulfilled such payment obligation.

As stated in the Announcement, on 8 September 2011, Grandvest, Grand Farm and SOFOCO entered into a supplemental investment and shareholders agreement, pursuant to which the parties agree that the total sum invested by Grandvest for its 70% shareholdings in SOFOCO shall be reduced from HK\$50 million to HK\$16 million, which has already been paid by Grandvest. As such, Grandvest has ceased to have any obligation in respect of the payment of the HK\$34 million to SOFOCO.

THE DISPOSAL AGREEMENT

Date

8 September 2011 (entered into after trading hours of the Stock Exchange)

Parties

- (1) Cordia Global Limited, as the purchaser;
- (2) Grandvest International Limited, as the vendor; and
- (3) Mr. Choi Sungmin, as the guarantor

Grandvest is a direct wholly-owned subsidiary of the Company incorporated in the British Virgin Islands and is principally engaged in investment holding. It holds 70% of the issued share capital of SOFOCO.

LETTER FROM THE BOARD

Subject matter and the Consideration

Under the Disposal Agreement, Grandvest shall sell and Cordia shall acquire the Sale Shares and the Sale Loans at the Consideration of HK\$16,000,000 (equivalent to approximately US\$2,051,282) which is to be satisfied by the set off of the equivalent outstanding amount (taken as US\$2,051,282) under the Promissory Notes upon Completion. Mr. Choi Sungmin as the guarantor shall guarantee the performance by Cordia of its obligations under the Disposal Agreement.

The Consideration was determined after arm's length negotiations between Grandvest and Cordia and is equivalent to the consideration that has been paid by Grandvest to date for its 70% interest in SOFOCO.

Grand Farm, being the owner of the remaining 30% of the issued share capital of SOFOCO, has given an unconditional and irrevocable confirmation to Grandvest that it has no objection to, and will not object to, the Disposal.

Conditions precedent

Completion shall be conditional upon:—

- (a) the Independent Shareholders having approved the Disposal Agreement and the transaction contemplated thereunder in accordance with the requirements of the Listing Rules; and
- (b) Grandvest having fully repaid the debts payable by it to SOFOCO (if any).

Upon the entering into of the supplemental investment and shareholders agreement by Grandvest, Grand Farm and SOFOCO on 8 September 2011, the obligation of Grandvest in respect of the payment of HK\$34 million to SOFOCO has been released. There was therefore no amount due by Grandvest to SOFOCO as at the Latest Practicable Date, and no amount will be payable by Grandvest to SOFOCO as of Completion.

Condition (a) cannot be waived by any of the parties to the Disposal Agreement. In the event that the above conditions precedent have not been fulfilled by 31 December 2011, or such later date as may be agreed between Grandvest and Cordia in writing, the obligations of Grandvest and Cordia under the Disposal Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise in respect of the Disposal.

Subject to the fulfillment of all the conditions, the Disposal Agreement shall be completed on the Completion Date. Upon Completion, both SOFOCO and SOFOCO (Zhenjiang) will cease to be subsidiaries of the Company.

As at the Latest Practicable Date, only condition (b) above has been fulfilled.

LETTER FROM THE BOARD

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 2,981,413,060 Shares in issue. The shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after the completion of the Subscription Agreement; and (c) immediately upon the Share Consolidation becoming effective, assuming that there is no other change in the issued share capital of the Company between completion of the Subscription Agreement and the Share Consolidation are as follows:

Shareholders of the Company	As at the		Immediately after the		Immediately upon the	
	Latest Practicable Date		completion of the		Share Consolidation	
	Shares	%	Shares	%	Consolidated	%
	<i>(approx.)</i>		<i>(approx.)</i>		<i>(approx.)</i>	
Goldwyn Management Limited	228,000,000	7.7%	228,000,000	5.5%	11,400,000	5.5%
Co An	147,610,000	5.0%	147,610,000	3.6%	7,380,500	3.6%
Cordia	75,000,000	2.5%	1,225,000,000	29.7%	61,250,000	29.7%
DTV China Holdings Limited	16,000,000	0.5%	16,000,000	0.3%	800,000	0.3%
Pang Ngoi Wah Edward, a non- executive Director	3,500,000	0.1%	3,500,000	0.1%	175,000	0.1%
Other public Shareholders	2,511,303,060	84.2%	2,511,303,060	60.8%	125,565,153	60.8%
Total	2,981,413,060	100.00%	4,131,413,060	100.0%	206,570,653	100.0%

INFORMATION ON CORDIA

Cordia is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Choi Sungmin, who is also the sole director of Cordia. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Cordia is an investment holding company.

INFORMATION ON THE GROUP

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

INFORMATION ON THE SOFOCO GROUP

SOFOCO is a company established in Hong Kong and a direct 70% non-wholly owned subsidiary of Grandvest. The principal activity of SOFOCO is investment holding.

LETTER FROM THE BOARD

SOFOCO (Zhenjiang) is a company established in the PRC and a direct wholly owned subsidiary of SOFOCO. SOFOCO (Zhenjiang) is principally engaged in vertical farming projects in the PRC.

Based on the unaudited consolidated accounts of the SOFOCO Group, the net assets of the SOFOCO Group were approximately HK\$52.0 million as at 31 March 2011, and for the year ended 31 March 2011, the net loss before and after taxation and extraordinary items of the SOFOCO Group amounted to approximately HK\$19.1 million and HK\$19.1 million respectively. Based on the unaudited management accounts of the SOFOCO Group prepared according to Hong Kong Financial Reporting Standards, the net loss before and after taxation and extraordinary items of the SOFOCO Group for the period from 17 December 2009 (date of incorporation) to 31 March 2010 amounted to approximately HK\$1.5 million and HK\$1.5 million respectively.

THE PROMISSORY NOTES

The Promissory Notes were issued by the Company in favour of Cordia on 23 February 2010 to amend certain terms of the First Convertible Note. The principal terms of the Promissory Notes are as follows:—

Outstanding principal amount:	US\$26.2 million (approximately HK\$204.4 million)
Interest:	Nil
Maturity:	25 May 2015
Early repayment:	The Company may in its sole discretion elect to repay all or any part of the amount outstanding under the Promissory Note at any time prior to the maturity date of the Promissory Note and the principal amount of the Promissory Note will then be reduced by the amount repaid.
Security:	Unsecured
Assignment:	Allowed

After the completion of the Subscription and the Disposal, the total outstanding principal amount of the Promissory Notes will be US\$18,251,282 (approximately HK\$142.4 million).

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

As at the Latest Practicable Date, the interest of Cordia in the issued share capital of the Company was approximately 2.5%. Immediately upon completion of the Subscription, the interest of Cordia in the issued share capital of the Company (assuming no other change in the issued share capital of the Company from the Latest Practicable Date up to and including the Subscription Completion Date) is expected to increase to approximately 29.7%. The Directors are of the view that the increase in Cordia's interest in the Company as a result of the Subscription will encourage the co-operation between Cordia and the Company which, with the experience of Cordia and Mr. Choi Sungmin in the energy and natural resources sectors, will be beneficial to the Company. The Directors consider that the satisfaction of the consideration for the Subscription Shares by way of discharge of the Discharged Amount under the Promissory Notes will enable the Group to reduce its liabilities and actual cash outflow for fulfilling its repayment obligation under the Promissory Notes when they fall due in 2015, and strengthen its capital base. They also consider that the issue of the Subscription Shares at

LETTER FROM THE BOARD

a premium to the recent closing price of the Shares is fair and reasonable so far as the Independent Shareholders are concerned. On the basis of the foregoing, the Directors are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole, notwithstanding the dilution of the interests of the Independent Shareholders in the Company, as illustrated in the section headed “Changes in the shareholding structure of the Company”. None of the Directors has a material interest in the Subscription and therefore no Directors abstained from voting on the relevant board resolution(s) in respect of the Subscription.

The proceeds from the Subscription in the amount of HK\$46.0 million (approximately US\$5.9 million) will be used to offset an equivalent outstanding principal amount of the Promissory Notes at completion of the Subscription Agreement. The expenses of the Company in connection with the implementation of the Subscription Agreement are estimated to be approximately HK\$0.8 million and thus the net price per Subscription Share is approximately HK\$0.04.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Since the SOFOCO Group has been making losses for the year ended 31 March 2011 and the period from 17 December 2009 (date of incorporation) to 31 March 2010, the Disposal provides an opportunity to the Company to realize the investment in the SOFOCO Group at a consideration equivalent to the consideration that has been paid by the Company for its 70% interest in SOFOCO. The Disposal enables the Group to focus its resources in coal mining in Russia and in its coal trading business. The satisfaction of the Consideration by way of set-off of an equivalent outstanding amount of the Promissory Notes at Completion will enable the Group to reduce its liabilities and actual cash outflow for fulfilling its repayment obligation under the Promissory Notes when they fall due in 2015, and strengthen its capital base.

Taking into account the above factors, the Directors consider that the terms of the Disposal Agreement (including the Consideration) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. None of the Directors has a material interest in the Disposal and therefore no Directors abstained from voting on the relevant board resolution(s) in respect of the Disposal.

The Consideration in the amount of HK\$16.0 million (approximately US\$2,051,282) will be used to set off against the equivalent outstanding amount (taken as US\$2,051,282) under the Promissory Notes at Completion. The expenses of the Company in connection with the implementation of the Disposal Agreement are estimated to be approximately HK\$0.7 million.

FINANCIAL EFFECTS OF THE DISPOSAL

Earnings

Upon Completion, both SOFOCO and SOFOCO (Zhenjiang) will cease to be subsidiaries of the Company. As such, the loss-making operating performance of the SOFOCO Group will cease to be consolidated into the consolidated financial statements of the Group upon Completion.

LETTER FROM THE BOARD

Based on the difference between the expected net proceeds from the Disposal and the unaudited net asset value of the SOFOCO Group attributable to the Company of approximately HK\$4.3 million as at 31 August 2011, taking into account the release of Grandvest's HK\$34 million payment obligation (which was recorded as an accounts receivable in the management accounts of the SOFOCO Group) pursuant to the supplemental investment and shareholders agreement dated 8 September 2011, the Group is expected to recognize a gain from the Disposal of approximately HK\$5.0 million (calculated on the basis of the estimated present fair value of the HK\$16.0 million attributable to the Promissory Notes due in 2015 which is approximately HK\$11.1 million, and deducting the assignment of the Sale Loans of approximately HK\$2.3 million and estimated expenses of the Company in connection with the implementation of the Disposal Agreement of approximately HK\$0.70 million, and adding back exchange reserves to be released upon Completion of approximately HK\$1.2 million, and subject to the financial position of the SOFOCO Group as of Completion and finalisation of the year-end audit of the Group).

Taking into consideration the fact that the SOFOCO Group's loss-making operating performance will cease to be consolidated into the consolidated financial statements of the Group upon Completion, and the gain on Disposal to be recorded upon Completion, the Disposal is expected to bring a positive impact on the earnings of the Group.

Net asset value

Based on the unaudited consolidated accounts of the SOFOCO Group, the net asset value of the SOFOCO Group as at 31 March 2011 was approximately HK\$52.0 million. The unaudited net asset value of the SOFOCO Group as at 31 August 2011, taking into account the release of Grandvest's HK\$34 million payment obligation (which was recorded as an accounts receivable in the management accounts of the SOFOCO Group) pursuant to the supplemental investment and shareholders agreement dated 8 September 2011, was approximately HK\$6.1 million. Such decrease in the net asset value of the SOFOCO Group was mainly attributable to i) the release of Grandvest's HK\$34 million payment obligation (which was recorded as an accounts receivable in the management accounts of the SOFOCO Group) pursuant to the supplemental investment and shareholders agreement dated 8 September 2011; and ii) the decrease in the net carrying value of intangible assets in relation to technical know-how of approximately HK\$9.1 million arising from related amortization and impairment loss. After deducting minority interests of approximately HK\$1.8 million, the unaudited net asset value of the SOFOCO Group attributable to the Company amounted to approximately HK\$4.3 million as at 31 August 2011. Upon Completion, both SOFOCO and SOFOCO (Zhenjiang) will cease to be subsidiaries of the Company, and the assets and liabilities of SOFOCO and SOFOCO (Zhenjiang) will no longer be consolidated into the financial statements of the Group.

It is expected that the net asset value of the Group will be increased by the gain on Disposal upon Completion.

Working capital

The Disposal is not expected to bring in net cash proceeds to the Group, and therefore would not directly improve the working capital position of the Group immediately following the Completion. Nevertheless, given that the Consideration is to be satisfied by the set off of the equivalent outstanding amount (taken as US\$2,051,282) under the Promissory Notes upon Completion, the Disposal will enable the Group to reduce its actual cash outflow for fulfilling its repayment obligation under the Promissory Notes when they fall due in 2015.

LETTER FROM THE BOARD

Gearing

Based on the information in the latest published annual report of the Company for the year ended 31 March 2011, the gearing ratio of the Group (calculated as interest-bearing borrowings of approximately HK\$39.5 million to net asset value (excluding non-controlling interest) of approximately HK\$1,358.7 million) was approximately 2.9% as at 31 March 2011. It is expected that the gearing ratio of the Group will improve as a result of the enhancement of the Group's capital base by the expected gain on Disposal of approximately HK\$5.0 million upon Completion (calculated on the basis of the estimated present fair value of the HK\$16.0 million attributable to the Promissory Notes due in 2015 which is approximately HK\$11.1 million, and deducting the assignment of the Sale Loans of approximately HK\$2.3 million and estimated expenses of the Company in connection with the implementation of the Disposal Agreement of approximately HK\$0.70 million, and adding back exchange reserves to be released upon Completion of approximately HK\$1.2 million, and subject to the financial position of the SOFOCO Group as of Completion and finalisation of the year-end audit of the Group).

Shareholders should note that the exact amount of the financial effect of the Disposal to the earnings, the net asset value, the working capital and the gearing ratio of the Group would be calculated on the basis of the relevant figures of the Group and the SOFOCO Group as at Completion and therefore may be different from the above amount. It is expected that the financial effect of the Disposal to the Group would be reflected in the consolidated accounts of the Group for the year ending 31 March 2012.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Date of announcement	Event	Net proceeds	Intended use of proceeds as stated in the announcement	Actual use of proceeds/Remarks
4 October 2010	Placing of 60,000,000 new Shares	Approximately HK\$13.5 million	General working capital, repayment of liabilities and future business development	All proceeds had been used as intended for repayment of liabilities of the Company in the amount of approximately HK\$13.5 million
9 October 2010	Placing of 120,000,000 new Shares	Approximately HK\$22.3 million	General working capital, repayment of liabilities and future business development	All proceeds had been used as intended for repayment of liabilities of the Company in the amount of approximately HK\$22.3 million

LETTER FROM THE BOARD

Date of announcement	Event	Net proceeds	Intended use of proceeds as stated in the announcement	Actual use of proceeds/Remarks
14 October 2010	Placing of 100,000,000 new Shares	Approximately HK\$16 million	General working capital, repayment of liabilities and future business development	All proceeds had been used as intended as general working capital in the amount of approximately HK\$12.8 million and for repayment of liabilities of the Company in the amount of approximately HK\$3.2 million
27 October 2010	Subscription of 200,000,000 new Shares	Approximately HK\$37.5 million	General working capital, repayment of liabilities and future business development and investment	All proceeds had been used as intended as general working capital in the amount of approximately HK\$1.6 million and for repayment of liabilities of the Company in the amount of approximately HK\$35.9 million
16 February 2011	Placing of 260,000,000 new Shares	Approximately HK\$34.9 million	Future investment purpose, general working capital and repayment of liabilities	All proceeds had been used as intended as general working capital in the amount of approximately HK\$26.8 million and for repayment of liabilities of the Company in the amount of approximately HK\$8.1 million

LETTER FROM THE BOARD

Date of announcement	Event	Net proceeds	Intended use of proceeds as stated in the announcement	Actual use of proceeds/Remarks
11 May 2011	Subscription of 128,000,000 new Shares	Approximately HK\$14.2 million	General working capital of the Group, repayment of liabilities and for future investment purpose	All proceeds had been used as intended as general working capital in the amount of approximately HK\$5.0 million and for repayment of liabilities of the Company in the amount of approximately HK\$9.2 million
17 June 2011	Grant of the equity line of credit for up to subscription of 568,000,000 option Shares	Approximately HK\$50 million	Reimbursing the costs and expenses incidental to the potential acquisition as referred to in the announcement of the Company dated 17 April 2011 should such potential acquisition proceed. If such potential acquisition does not proceed, the net proceeds will be applied for general working capital of the Group, repayment of liabilities and for future investment purpose	Not applicable, as no option Shares had been allotted and issued up to the Latest Practicable Date
23 August 2011	Subscription of 141,000,000 new Shares	Approximately HK\$5.6 million	General working capital of the Group and repayment of liabilities	All proceeds had been used as intended as general working capital in the amount of approximately HK\$2.1 million and for repayment of liabilities of the Company in the amount of approximately HK\$3.5 million

LETTER FROM THE BOARD

IMPLICATIONS UNDER LISTING RULES

As at the Latest Practicable Date, Cordia was interested in approximately 2.5% of the existing issued share capital of the Company. Cordia is a substantial shareholder of Langfeld Enterprises Limited, a non-wholly owned subsidiary of the Company, and Mr. Choi Sungmin, the sole shareholder of Cordia, is a director of SOFOCO, a non-wholly owned subsidiary of the Company. As such, Cordia and Mr. Choi Sungmin are connected persons of the Company. The Subscription constitutes a non-exempted connected transaction for the Company under the Listing Rules by virtue of Rule 14A.31(3) and is subject to reporting and announcement requirements, and approval by the Independent Shareholders at the EGM.

Further, as the applicable percentage ratios (other than the profits ratio and the equity capital ratio) (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal are more than 5% but less than 25% and the Consideration exceeds HK\$10,000,000, the Disposal constitutes a discloseable and non-exempted connected transaction on the part of the Company under Rule 14.06 of the Listing Rules and is subject to reporting and announcement requirements, and approval by the Independent Shareholders at the EGM.

An Independent Board Committee (comprising of all the independent non-executive Directors who have no interest in the Subscription and the Disposal) has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and the Disposal Agreement. First Shanghai has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

EGM

The EGM will be held for considering and, if thought fit, passing the ordinary resolutions to approve (i) the Subscription Agreement and the transactions contemplated thereunder, together with the granting of the Specific Mandate; and (ii) the Disposal Agreement and the transactions contemplated thereunder. A notice convening the EGM to be held at 3:00 p.m. on 19 October 2011 at The Jasmine Room of Ramada Hong Kong Hotel at 3rd Floor, 308 Des Voeux Road West, Hong Kong is set out on pages 59 to 61 of this circular. Cordia, which held approximately 2.5% of the existing issued share capital of the Company as at the Latest Practicable Date, and its associates and any other Shareholder who has an interest in the Subscription and/or the Disposal will abstain from voting in respect of the relevant ordinary resolutions to be proposed at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event no less than 48 hours before the time appointed for holding such meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

LETTER FROM THE BOARD

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Independent Shareholders to be taken at the EGM must be taken by poll, and an announcement of the results of which will be published on the date of the EGM or not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the EGM as prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 21 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Subscription Agreement and the Disposal Agreement and the principal factors and reasons considered by them in arriving at such advice, as set out on pages 22 to 51 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Subscription Agreement and the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Subscription and the Disposal are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions in connection with the Subscription and the Disposal at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

If any of the conditions precedent to the completion of the Subscription Agreement and/or the Disposal Agreement is not satisfied, the Subscription and/or the Disposal will lapse and will not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

30 September 2011

To the Independent Shareholders

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION FOR NEW SHARES
TO BE ISSUED BY WAY OF SPECIFIC MANDATE; AND
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF 70% OF THE ISSUED SHARE CAPITAL OF
SOFOCO DEVELOPMENT LIMITED**

We refer to the circular of the Company dated 30 September 2011 (the “**Circular**”) of which this letter forms part. Unless the context required otherwise, capitalized terms used herein shall have the same meanings as defined in the Circular.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the Subscription Agreement and the Disposal Agreement, details of which are set out in the letter from the Board as contained in the Circular, are fair and reasonable so far as the Independent Shareholders are concerned and whether the Subscription and the Disposal are in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Subscription Agreement and the Disposal Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 22 to 51 of the Circular, we are of the opinion that the terms of the Subscription Agreement and the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Subscription and the Disposal are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the terms of the Subscription Agreement and the Disposal Agreement.

Yours faithfully,

The Independent Board Committee of

Siberian Mining Group Company Limited

Liew Swee Yeap Tam Tak Wah Young Yue Wing Alvin

Independent non-executive Directors

LETTER FROM FIRST SHANGHAI

The following is the full text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the Subscription of new Shares by Cordia pursuant to the Subscription Agreement; and (ii) the Disposal by Grandvest of the Sale Shares and the Sale Loans pursuant to the Disposal Agreement, for the purpose of inclusion in the Circular.



FIRST SHANGHAI CAPITAL LIMITED
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

30 September 2011

*To the Independent Board Committee and
the Independent Shareholders*

Siberian Mining Group Company Limited
16th Floor
No. 8 Queen's Road Central
Central
Hong Kong

Dear Sirs,

- (1) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION FOR
NEW SHARES TO BE ISSUED BY WAY OF SPECIFIC MANDATE
AND
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF 70% OF THE ISSUED SHARE CAPITAL OF
SOFOCO DEVELOPMENT LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Subscription of new Shares by Cordia pursuant to the Subscription Agreement; and (ii) the Disposal by Grandvest of the Sale Shares and the Sale Loans pursuant to the Disposal Agreement. Details of the Subscription and the Disposal are set out in the "Letter from the Board" contained in the circular dated 30 September 2011 (the "**Circular**") to the Shareholders, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

LETTER FROM FIRST SHANGHAI

On 8 September 2011, the Company entered into the Subscription Agreement with Cordia pursuant to which the Company agrees to allot and issue, and Cordia agrees to subscribe for, 1,150,000,000 new Shares at the Subscription Price of HK\$0.04 per Share, which shall be satisfied by the discharge of the Discharged Amount of the Promissory Notes, further details of which are set out below.

Further on 8 September 2011, Grandvest, a direct wholly-owned subsidiary of the Company, entered into the Disposal Agreement with Cordia and Mr. Choi Sungmin, pursuant to which Grandvest has agreed to sell and Cordia has agreed to purchase the Sale Shares and the Sale Loans at the Consideration of HK\$16.0 million (equivalent to approximately US\$2,051,282). The Consideration shall be paid by Cordia to Grandvest by the set off of the equivalent outstanding amount (taken as US\$2,051,282) under the Promissory Notes. Upon Completion, all the liabilities and obligations of the Company under the Promissory Notes relating to the amount equivalent to the Consideration (taken as US\$2,051,282) shall be fully satisfied and discharged, further details of which are set out below.

As at the Latest Practicable Date, Cordia is interested in approximately 2.5% of the existing issued share capital of the Company. Cordia is a substantial shareholder of Langfeld Enterprises Limited, a non-wholly owned subsidiary of the Company, and Mr. Choi Sungmin, the sole shareholder of Cordia, is also a director of SOFOCO, a non-wholly owned subsidiary of the Company. As such, Cordia and Mr. Choi Sungmin are connected persons of the Company. The Subscription constitutes a non-exempted connected transaction for the Company under the Listing Rules by virtue of Rule 14A.31(3) and is subject to reporting and announcement requirements, and approval by the Independent Shareholders at the EGM.

Further, as the applicable percentage ratios (other than the profits ratio and the equity capital ratio) (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal are more than 5% but less than 25% and the Consideration exceeds HK\$10,000,000, the Disposal constitutes a discloseable and non-exempted connected transaction on the part of the Company under Rule 14.06 of the Listing Rules and is subject to reporting and announcement requirements, and approval by the Independent Shareholders at the EGM.

The EGM will be held to consider, and if thought fit, pass the resolutions to approve (i) the Subscription Agreement and the transactions contemplated thereunder, together with the grant of the Specific Mandate; and (ii) the Disposal Agreement and the transactions contemplated thereunder. Cordia, its associates and any Shareholder who is involved in or has an interest in the Subscription and the Disposal will be required to abstain from voting in respect of the resolutions to be proposed at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Liew Swee Yean, Mr. Tam Tak Wah and Mr. Young Yue Wing Alvin, has been established to consider the transactions contemplated under the Subscription Agreement and the Disposal Agreement, and to advise the Independent Shareholders on the fairness and reasonableness of these transactions thereunder.

LETTER FROM FIRST SHANGHAI

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders relating to the Subscription Agreement and the Disposal Agreement, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the transactions under the Subscription Agreement and the Disposal Agreement are conducted in the ordinary and usual course of business of the Group and entered into on normal commercial terms; (ii) whether the Subscription Agreement and the Disposal Agreement are in the interests of the Company and the Shareholders as a whole; (iii) whether the terms of the Subscription Agreement and the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (iv) how the Independent Shareholders should vote in relation to the ordinary resolutions to be proposed for approving the Subscription Agreement and the Disposal Agreement, and the transactions contemplated thereunder at the EGM.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (the “**Management**”) and have assumed that they are true, accurate and complete and will remain so up to the date of the EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, nor doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not conducted any independent investigation into the business and affairs of the Group, Cordia, Grandvest, Grand Farm and the SOFOCO Group, nor have we carried out any independent verification of the information supplied. We consider that we have obtained all information and documents of the Group, Cordia and the SOFOCO Group relevant to an assessment of the fairness and reasonableness of the terms of the Subscription and the Disposal. Based on the foregoing, we confirm that we have taken the reasonable steps, which are applicable to the Subscription and the Disposal, as referred to and required under Rule 13.80 of the Listing Rules (including the notes thereto) in forming our opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation with regard to (i) the Subscription pursuant to the Subscription Agreement; and (ii) the Disposal pursuant to the Disposal Agreement, we have considered the following principal factors and reasons:

LETTER FROM FIRST SHANGHAI

(1) THE SUBSCRIPTION

1. Business and financial information on the Group

The Group is principally engaged in (i) coal mining in Russia and coal trading business; (ii) digital television broadcasting industry including provision of equipment and software of cable video-on-demand system, information broadcasting system, embedded television systems and value-added services in the PRC; and (iii) vertical farming in the PRC.

Set out below is the summary of the audited financial information of the Group for each of the three financial years (“FY(s)”) ended 31 March 2011 as extracted from each of the Company’s annual reports for the two FYs ended 31 March 2010 and 2011 (the “**Annual Report(s)**”):

	For the FY ended 31 March		
	2009	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income statements			
Turnover	115,531	14,660	18,251
Cost of sales	(84,326)	(9,279)	(13,709)
Gross profit	31,205	5,381	4,542
Gross profit margin	27.0%	36.7%	24.8%
Loss before income tax	(523)	(1,641,250)	(179,656)
Loss attributable to owners of the Company	(2,432)	(967,640)	(130,417)
Balance sheets			
Non-current assets	224,735	1,580,499	1,707,365
Intangible assets (mainly comprising mining right attributable to the coal mining business)	199,040	1,550,012	1,423,093
Current assets	31,154	83,634	40,550
Current liabilities	(94,573)	(25,223)	(45,595)
Net current (liabilities)/assets	(63,419)	58,411	(5,045)
Current ratio	32.9%	331.6%	88.9%
Non-current liabilities	(15,076)	(701,875)	(203,987)
Non-controlling interests	(21,569)	(174,110)	(139,650)
Net assets (excluding non-controlling interests)	124,671	762,925	1,358,683
Net tangible assets/(liabilities) (excluding non-controlling interests and intangible assets)	(74,369)	(787,087)	(64,410)
Statements of cash flows			
Net cash used in operating activities	(1,068)	(72,789)	(62,170)
Net cash used in investing activities	(289)	(16,790)	(13,849)
Net cash (used in)/ generated from financing activities	(10,926)	145,688	24,304
Net cash (outflow)/ inflow	(51,715)	56,109	(12,283)
Cash and cash equivalents	9,639	60,148	7,098

LETTER FROM FIRST SHANGHAI

2. Past operating and financial performance of the Group

The Group had been experiencing extremely difficult operating environment over the past three FYs mainly due to the global adverse economic environment as a consequence of the globally widespread volatility occurred in major financial markets of the world.

Review on operating performance

As extracted from the Annual Report, the FY 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.

For the FY 2010, the Group recorded a turnover of approximately HK\$14.7 million (FY 2009: approximately HK\$115.5 million), representing a decrease of approximately 87.3% as compared to that of the FY 2009. The decrease in the Group's 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 Group's turnover for the FY 2010 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. The Group recorded a substantial loss primarily attributable to the non-cash items of (i) impairment loss on fair value of mining right for its coal mining business acquired during the year of HK\$1,664.8 million (FY 2009: nil); (ii) impairment loss of goodwill of digital technology services business of HK\$147.7 million (FY 2009: nil); (iii) amortization of intangible assets in mining right attributable to the coal mining business of HK\$126.3 million (FY 2009: nil); (iv) loss on modification of convertible notes of HK\$451.2 million (FY 2009: nil); (v) imputed interest expense on convertible notes and promissory notes of HK\$98.3 million (FY 2009: nil); and (vi) a gain from fair value adjustments on the derivative component of the Group's convertible notes. The net effect of the above-mentioned accounting losses and gain resulted into a net loss of approximately HK\$1,577.8 million (FY 2009: nil), representing approximately 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 (FY 2009: HK\$2.4 million).

For the FY 2011, the Group recorded a total turnover of approximately HK\$18.3 million (FY 2010: HK\$14.7 million), representing an increase of approximately 24.5% as compared to that of the FY 2010 mainly due to the new coal trading business, which commenced in January 2011. The coal trading business contributed approximately HK\$10.2 million (FY 2010: nil) to the FY 2011's turnover, while the digital television technology services business recorded a turnover of approximately HK\$8.0 million, representing a decrease of approximately 45.6% as compared to that of the FY 2010. The underperformance of digital television technology services was likely caused by the sluggish industry growth and the aftermath of the global financial crisis which was still hovering over the real economies in many countries.

LETTER FROM FIRST SHANGHAI

The loss after income tax for the FY 2011 was HK\$167.7 million (FY 2010: HK\$1,641.3 million), representing a significant decrease of approximately 89.8% decrease as compared to that of the FY 2010. The substantial reduction in loss was mainly attributable to the following accounting treatments of various items: (i) no impairment loss required on the mining right for its coal mining business in the FY 2011 (FY 2010: HK\$1,664.8 million); (ii) amortisation of intangible assets in mining right attributable to the coal mining business of HK\$118.7 million (FY 2010: HK\$126.3 million); (iii) an impairment loss of goodwill and customer base of the digital television technology services business of total approximately HK\$48.1 million (FY 2010: HK\$147.7 million); (iv) an imputed interest expense on convertible notes and promissory notes of approximately HK\$26.0 million in aggregate (FY 2010: HK\$98.3 million); (v) modification on convertible notes was not required for the FY 2011 and thus no loss was recorded therein (FY 2010: HK\$451.2 million); (vi) gain from fair value adjustments on the derivative component of the Group's convertible notes of approximately HK\$90.3 million (FY 2010: HK\$910.5 million). The aggregate of the aforesaid accounting losses and gain amounted to a net loss of HK\$102.5 million (FY 2010: HK\$1,577.8 million), representing approximately 61.1% of the Group's loss after income tax for the FY 2011. As a result, loss attributable to owners of the Company amounted to approximately HK\$130.4 million (FY 2010: HK\$967.6 million).

Review on position of liquidity and financial stability

As at 31 March 2010, the Group had net current assets of approximately HK\$58.4 million (FY 2009: net current liabilities of approximately HK\$63.4 million), representing a current ratio of approximately 331.6% (2009: 32.9%). The Group had a low gearing ratio (which was calculated by interest-bearing borrowings over net asset value (excluding non-controlling interests)) of approximately 18.4% (FY 2009: nil). During the FY 2010, the Group recorded a net cash inflow of approximately HK\$56.1 million (FY 2009: net cash outflow of approximately HK\$51.7 million), which increased the total cash and cash equivalents to approximately HK\$60.1 million (2009: HK\$9.6 million) as at the end of FY 2010.

As at 31 March 2011, the Group had net current liabilities of approximately HK\$5.0 million (FY 2010: net current assets HK\$58.4 million). The Group had a current ratio of approximately 88.9% (FY 2010: 331.6%), which was considered to be an unsatisfactory level. However, the Group had a very minimal gearing ratio of approximately 2.9% as at 31 March 2011, merely because most of its current and non-current liabilities were non-interest bearing in nature and were excluded from the nominator for calculation of gearing ratio.

The Group had generally financed its operations with internally generated cash flows, and facilities provided by Cordia who was the then substantial Shareholder during the three FYs ended 31 March 2011.

LETTER FROM FIRST SHANGHAI

During the FY 2011, the Company had successfully raised net proceeds of HK\$125.1 million (FY 2010: HK\$56.5 million) by six separate placements totaling 740 million (FY 2010: 2,000 million) new Shares of HK\$0.01 each at the price ranged from HK\$0.135 to HK\$0.225 (FY 2010: HK\$0.029) per share. Such net proceeds were used for general working capital, repayment of non-current liabilities and investments identified by the Group. During the FY 2011, the Group recorded a net cash outflow of HK\$12.3 million (FY 2010: net cash inflow of HK\$56.1 million), which reduced the total cash and cash equivalents to approximately HK\$7.1 million (FY 2010: HK\$60.1 million) as at the end of the FY 2011.

Prospects and outlook

In the FY 2011, the recovery of global economies from recession is disappointingly slow. The Eurozone's sovereign-debt crisis, the slow-down of economic growth in the PRC and the uncertainty over "monetary quantitative easing policy" in the United States of America have hindered the global economies. Demands for coal and other mineral resources have generally rebound along with the expected inflation and the escalating power consumption in the PRC. However, the overall fundamentals are still weak. The Directors have expected the upcoming year to be a year full of challenges and opportunities.

Conclusion

Based on the above performance indicators and our further analysis, we may summarise into the following facts that:

- (i) the Group's operating scale in terms of turnover had generally declined from approximately HK\$115.5 million in the FY 2009 when compared to that of approximately HK\$14.7 million in the FY 2010 mainly due to the discontinued operations of garment and premium business in August 2009, despite slight rebound in the FY 2011 to approximately HK\$18.3 million mainly contributed from its new coal trading business commenced in January 2011;
- (ii) the Group had incurred persistent operating losses, particularly with a huge loss of approximately HK\$1,641.3 million for the FY 2010, mainly arising from non-cash items of accounting adjustments;
- (iii) the Group had also incurred net losses attributable to owners of the Company for each of the past three FYs amounted to approximately HK\$2.4 million, HK\$967.6 million and HK\$130.4 million respectively;
- (iv) the Group had not been generating meaningful operating cash inflow from its usual and ordinary business operations over the past three FYs with net operating cash outflow position of approximately HK\$1.1 million, HK\$72.8 million and HK\$62.2 million respectively;

LETTER FROM FIRST SHANGHAI

- (v) the Group had been at net current liability position as at 31 March 2009 and 2011 of approximately HK\$63.4 million and HK\$5.0 million respectively;
- (vi) the Group had a minimal gearing position of approximately 2.9% as at 31 March 2011 merely because most of its current and non-current liabilities are non-interest bearing in nature and were excluded from the nominator for calculation of gearing ratio;
- (vii) the Group has been relying on facilities provided by Cordia who was the then substantial Shareholder;
- (viii) the Group had a positive net asset value position of approximately HK\$1,358.7 million as at 31 March 2011; and
- (ix) by excluding the intangible assets (mainly comprising the mining right attributable to the coal mining business), the Group had been in net liability position of HK\$74.4 million, HK\$787.1 million and HK\$64.4 million as at the three year-end dates for each of the three FYs ended 2011 respectively.

Based on the above findings and further analysis, we consider that the Group has not been able to generate meaningful operating cash inflow from its ordinary and usual course of business operation over the past three FYs, it is necessary and expedient for the Group to preserve its cash resources on the one hand, and alleviate its present/future financial burden/commitment on the other hand, so as to improve the overall liquidity and financial stability position in view of the current uncertain business environment and financial markets all over the world. In addition, we noted that the Group has been relying on facilities provided by Cordia (who was the then substantial Shareholder) to finance its operations over the past three FYs, so it shall be expedient to better secure its continuous financial support by increasing its long-term devotion to the Company through the Subscription, but the Subscription Shares will not be subject to any lock-up arrangement for probable subsequent disposal by Cordia.

3. The Subscription Agreement

On 8 September 2011, the Company and Cordia entered into the Subscription Agreement pursuant to which the Company agrees to allot and issue, and Cordia agrees to subscribe for, 1,150,000,000 new Shares at the Subscription Price of HK\$0.04 per Share, which shall be satisfied by the discharge of the Discharged Amount of the Promissory Notes.

Contemporaneous with the issue and allotment of the Subscription Shares on the Subscription Completion Date, Cordia will surrender the Promissory Notes to the Company in exchange for a new certificate of promissory notes, representing the remaining balance of the Promissory Notes after deducting the Discharged Amount. Upon the issue and allotment of the Subscription Shares by the Company to Cordia, all the liabilities and obligations of the Company relating to the Discharged Amount under the Promissory Notes shall be fully satisfied and discharged.

LETTER FROM FIRST SHANGHAI

In the event that the Share Consolidation becomes effective before the Subscription Completion Date, 57,500,000 new Consolidated Shares will be allotted and issued to Cordia at the Subscription Price of HK\$0.80 per Share under the Subscription Agreement.

The Subscription Shares represent:

- (i) approximately 38.6% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 27.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares,

assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Subscription Completion Date.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with all other Shares in issue as at the date of allotment and issue of the Subscription Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company in respect of the Shares, the record date for which falls on or after the Subscription Completion Date, on which the Subscription Shares will be allotted and issued.

Specific Mandate to issue the Subscription Shares

The Subscription Shares will be issued under a specific mandate proposed to be sought from the Independent Shareholders at the EGM.

Conditions precedent

Completion of the Subscription Agreement is conditional upon the satisfaction of the following conditions:

- (i) the Independent Shareholders having approved the Subscription and the grant of the Specific Mandate in accordance with the requirements of the Listing Rules; and
- (ii) the Listing Committee of the Stock Exchange agreeing to grant a listing of, and permission to deal in, the Subscription Shares.

None of the above conditions precedent can be waived by any of the parties to the Subscription Agreement. In the event that the above conditions precedent have not been fulfilled by 31 December 2011, or such later date as may be agreed between the Company and Cordia in writing, the obligations of the Company and Cordia under the Subscription Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise in respect of the Subscription.

Subject to the fulfillment of all the conditions, the Subscription Agreement shall be completed on the Subscription Completion Date.

LETTER FROM FIRST SHANGHAI

4. Reasons for the Subscription and use of proceeds

As at the Latest Practicable Date, the interest of Cordia in the issued share capital of the Company is approximately 2.5%. Immediately upon completion of the Subscription, the interest of Cordia in the issued share capital of the Company (assuming no other change in the issued share capital of the Company from the Latest Practicable Date up to and including the Subscription Completion Date) is expected to increase to approximately 29.7%. The Directors are of the view that the increase in Cordia's interest in the Company as a result of the Subscription will encourage the co-operation between Cordia and the Company which, with the experience of Cordia and Mr. Choi Sungmin in the energy and natural resources sectors, will be beneficial to the Company. The Directors consider that the satisfaction of the consideration for the Subscription Shares by way of discharge of the Discharged Amount under the Promissory Notes will enable the Group to reduce its liabilities and actual cash outflow for fulfilling its repayment obligation under the Promissory Notes when they fall due in 2015, and strengthen its capital base. The Directors also consider that the issue of the Subscription Shares at a premium to the recent closing price of the Shares is fair and reasonable and hence, the Subscription is in the interests of the Company and the Shareholders as a whole. On such basis, we concur with the Directors' view in this regard. In addition, we noted that the Group has been relying on facilities provided by Cordia (who was the then substantial Shareholder) to finance its operations over the past three FYs, so it shall be expedient to better secure its continuous financial support by increasing its long-term devotion to the Company through the Subscription, but the Subscription Shares will not be subject to any lock-up arrangement for probable subsequent disposal by Cordia.

5. Information of Cordia

Cordia is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Choi Sungmin, who is also the sole director of Cordia.

Cordia had been a substantial Shareholder of the Company prior to a series of share placement and subscription exercises conducted by the Company and disposal of some Shares by Cordia itself during the year, which had been leading to its shareholding in the Company diluting and reducing respectively. As at the Latest Practicable Date, Cordia is interested in approximately 2.5% of the existing issued share capital of the Company. Cordia is a substantial shareholder of Langfeld Enterprises Limited, a non-wholly owned subsidiary of the Company, and Mr. Choi Sungmin, the sole shareholder of Cordia, is also a director of SOFOCO, a non-wholly owned subsidiary of the Company.

LETTER FROM FIRST SHANGHAI

6. The Subscription Price and comparable value

The Subscription Price of HK\$0.040 per Share represents:

		Price/value per Share approximately HK\$	Premium/ (discount) approximately %
(i)	Closing price per Share as quoted on the Stock Exchange on the Last Trading Day	0.0290	37.9
(ii)	Average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the Last Trading Day	0.0326	22.7
(iii)	Average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the Last Trading Day	0.0304	31.6
(iv)	Average of the closing prices of the Shares as quoted on the Stock Exchange for the last 20 consecutive trading days immediately prior to the Last Trading Day	0.0395	1.3
(v)	Closing price as quoted on the Stock Exchange as at the Latest Practicable Date	0.0190	110.5
(vi)	Audited consolidated net assets (excluding non-controlling interests) attributable to the Shareholders per Share as at 31 March 2011	0.5000	(92.0)
(vii)	Audited consolidated negative net tangible assets (excluding non-controlling interests and intangible assets of the Group) attributable to the Shareholders per Share as at 31 March 2011	(0.0237)	268.8 (Note)

Note: The audited consolidated net negative tangible assets are calculated by excluding the balance of other intangible assets (mainly comprising mining right attributable to the coal mining business) of approximately HK\$1,423.1 million from the net assets of the Group of approximately HK\$1,358.7 million as at 31 March 2011. The premium represents that the Subscription Price of HK\$0.040 was over the negative net tangible assets of approximately HK\$0.0237 per Share.

LETTER FROM FIRST SHANGHAI

The Subscription Price was determined after arm's length negotiations between the Company and Cordia with reference to the share price prevailing at the time of the negotiation and the financial position of the Group. The Directors consider that the Subscription Agreement is entered into upon normal commercial terms and the terms of the Subscription Agreement (including, without limitation to the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on our review on the Annual Report, the Group's coal mining (i.e. instead of coal trading) business is still at a preliminary development stage, which has not yet recorded any turnover, operating profit and meaningful operating cash inflow since its acquisition completion of such coal mining businesses as early in 2009. In view of such scenario, we consider that quantification of the operating performance attributable to the Group's coal mining business is subject to applicable assumptions in the relevant valuation modeling in relation to the mining acquisition, which is still not very certain at this stage. Based on our understanding from the mining industry, it is not unusual that the relevant intangible assets attributable to mining exploration rights form a major portion of the total assets of such mining companies, recognition for which is generally based on the projected cash flow upon exploration results and further development in the future. On such basis, our further analysis of the Share price performance in terms of the net negative tangible assets of the Group is for the purpose of providing an additional comparison of value for Independent Shareholders' consideration, hence without an aim of excluding its intangible assets for comparison. Independent Shareholders are advised to consider the Subscription Price and all the comparable value as a whole, not solely rely on any one single indicator out of the seven indicators as listed in the above comparison.

LETTER FROM FIRST SHANGHAI

7. Share price performance and liquidity of the Shares

Historical Share price performance

When comparing and analysing the Subscription Shares relative to the historical Share price performance, we have analysed the monthly highest and lowest closing prices and the monthly average daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 September 2010 up to and including the Last Trading Day (the “**Review Period**”) with 12 full calendar months, which are shown as follows:

	Highest closing price HK\$	Lowest closing price HK\$	Average daily closing price HK\$	Number of trading days in each month
2010				
September	0.375	0.091	0.209	21
October	0.265	0.179	0.206	20
November	0.244	0.200	0.221	22
December	0.209	0.174	0.194	22
2011				
January	0.193	0.170	0.182	21
February	0.190	0.148	0.168	18
March	0.169	0.148	0.158	23
April	0.173	0.119	0.151	18
May	0.126	0.106	0.115	20
June	0.110	0.090	0.098	21
July	0.097	0.088	0.091	20
August	0.090	0.027	0.055	23
September (up to 8 September 2011)	0.035	0.029	0.032	6

Source: the Stock Exchange’s website

During the Review Period, the average daily closing price of the Shares ranged from HK\$0.032 to HK\$0.221 per Share in each month and followed a general downward moving trend since November 2010 until September 2011 and up to the Last Trading Day. We noted that the Share price had generally been decreasing from the daily highest of HK\$0.445 on 16 September 2010 to the daily lowest of HK\$0.021 and closing lowest of HK\$0.027 on 29 and 30 August 2011 during the Review Period. After the release of the Announcement and up to the Latest Practicable Date, the Shares closed between HK\$0.019 and HK\$0.030 and closed at HK\$0.019 as at the Latest Practicable Date, it represents a significant discount of approximately 52.5% to the Subscription Price of HK\$0.040.

LETTER FROM FIRST SHANGHAI

Historical trading liquidity of the Shares

The average daily number of Shares traded per month, and the respective percentages of the Shares' monthly trading volume during the Review Period as compared to the total number of issued Shares during the Review Period are tabulated as follows:

	Total monthly trading volume of the Shares	Average trading volume of the Shares per trading day during the month	% of average daily trading volume of the Shares to the total issued Shares	Number of trading days in each month
2010				
September	4,139,634,350	197,125,445	13.91%	21
October	2,006,528,000	100,326,400	5.17%	20
November	910,603,000	41,391,045	2.13%	22
December	159,571,000	7,253,227	0.34%	22
2011				
January	90,284,750	4,299,274	0.20%	21
February	226,387,000	12,577,056	0.52%	18
March	106,769,000	4,642,130	0.17%	23
April	1,172,257,000	65,125,389	2.40%	18
May	398,524,000	19,926,200	0.70%	20
June	228,406,000	10,876,476	0.38%	21
July	211,074,000	10,553,700	0.37%	20
August	1,228,192,900	53,399,691	1.79%	23
September (up to 8 September 2011)	346,954,000	57,825,667	1.94%	6

Note: The total number of issued Shares was extracted from the "monthly return of equity issuer on movement in securities" submitted by the Company to the Stock Exchange at each of the calendar month.

Source: the Stock Exchange's website

The above table illustrates that the average daily trading volume of the Shares per month was generally thin during the Review Period. Save and except for September and October 2010, the average daily trading volume of the Shares was below 3.0% of the then total number of issued Shares during the entire Review Period. The average daily trading volume of the Shares was even below 1.0% of the then total number of issued Shares during the first eight full calendar months in 2011 except for April and August 2011 with slightly higher average trading volume of 2.40% and 1.79% respectively.

LETTER FROM FIRST SHANGHAI

Based on our research into the market information from the Stock Exchange's website, we noted that the Company conducted a series of top-up placing and subscription exercises in October 2010 with accumulated issuance of 480 million new Shares between the placing/subscription price range from HK\$0.172 to HK\$0.225, which can explain the reasons for the exceptionally higher average closing prices and trading volume of the Shares during the two months between September and October 2010.

Based on the above same source of information, we also noted that Cordia had disposed of certain Shares in the market (including both on and off the Stock Exchange) (the "**Cordia Disposal**") amounting to 70.0 million Shares in September 2010, 232.0 million Shares in April 2011 and 380.07 million Shares in August 2011.

The Company made an announcement on 15 April 2011 in relation to, among others, a very substantial acquisition in relation to the subscription of 70% of the enlarged issued share capital of Trenaco SA, a company incorporated in Switzerland and principally engaged in sourcing, trading and supplying of commodities, such as oil and its related products, coal, biofuel, agricultural products and fertilizers, at a consideration of US\$15.0 million (equivalent to approximately HK\$117.0 million) (the "**Acquisition**"), more details of which were set out in that announcement. We are of the view that the Cordia Disposal, the Acquisition and the associated speculation activities in the stock market are the main reasons for the sudden considerable increase in trading volume of the Shares in April 2011. Trading volume of the Shares has gradually decreased to more usual level during the period between May to July 2011. Average daily trading volume of the Shares decreased to a level below 0.80% again in the subsequent three calendar months. The considerable pick-up in monthly trading volume of the Shares in August 2011, in our view, could also be mainly due to the Cordia Disposal. In our view, the increased Share price and trading volume of the Shares in April 2011, which were considered driven by the Cordia Disposal and the Acquisition; while the increased trading volume of the Shares in August 2011 which was considered driven by the Cordia Disposal, are both not considered reflecting or being supported by the actual operating performance and financial position of the Company given a number of facts that (i) the Group's existing business of digital television technology services has been experiencing operating difficulties over the past few FYs as a consequence of the global financial crisis; (ii) the Directors are not optimistic over the future of the digital television technology service industry in view of its sluggish industry growth and the rising operating costs; (iii) the Group's then core existing business operation, namely digital television technology service business, had been deteriorating over the past three FYs with a substantial segment loss of approximately HK\$2.3 million, HK\$160.1 million and HK\$62.9 million incurred for each of the three FYs from 2009 to 2011 respectively is yet to be recovered. Based on such scenario, we consider that the unusual higher Share price level during the former part (i.e. from September 2010 to April 2011) of the Review Period may not be a meaningful benchmark for the purpose of analysing the fairness and reasonableness of the Subscription Price of the Subscription Shares.

LETTER FROM FIRST SHANGHAI

Given (i) the recent volatile market condition and adverse business environment all over the world; (ii) the low transaction volume in the stock market; (iii) the uncertain prospect of the Group's existing business of digital television technology service business associated with the substantial loss-making situation in the past three FYs ended 31 March 2011; and (iv) the negative net tangible asset value of HK\$(0.0237) per Share as at 31 March 2011, it would be difficult for the Company to raise such a similar size of funding by way of issuing new Shares to independent placees/subscribers without a relatively deeper discount to the market price. On such basis, we are of the view that the Subscription Price of HK\$0.040 per Subscription Share, representing a considerable premium over the recent closing price(s) of the Shares prior to the Last Trading Day, is fair and reasonable.

8. Comparables

In assessing the fairness and reasonableness of the Subscription Price, we have conducted, on a best effort basis, a comparable analysis based on a representative sample, which is a full list of all the companies listed on the Main Board with subscription or placement of shares completed and/or announced by the relevant listed companies during the past three months before the Last Trading Day. Based on the website of the Stock Exchange, we have identified 31 share subscriptions or placements, including that of the Company itself dated 23 August 2011 (the "Comparables"). We consider that the Comparables are eligible and sufficient for us to make a meaningful and fair comparison to and analysis for the Subscription given the sample size is representable in our view, details of the analysis are as follows.

Date of announcement	Company (Stock code)	Subscription/ placing price HK\$	Premium/(discount) of subscription/placing price over closing price			
			Last closing price before relevant announcement/ suspension		5-day average	
			HK\$	%	HK\$	%
7/9/2011	Asia Telemedia Limited (376)	3.00	4.300	(30.23)	4.368	(31.32)
1/9/2011	China Financial Leasing Group Limited (2312)	0.051	0.059	(13.56)	0.0614	(16.94)
31/8/2011	Sino Resources Group Limited (223)	0.36	0.33	9.09	0.33	9.09

LETTER FROM FIRST SHANGHAI

Date of announcement	Company (Stock code)	Subscription/ placing price HK\$	Premium/(discount) of subscription/placing price over closing price		5-day average	
			Last closing price before relevant announcement/ suspension HK\$	%	HK\$	%
23/8/2011	Siberian Mining Group Company Limited (1142)	0.040	0.030	33.33	0.0466	(14.16)
22/8/2011	Smart Union Group (Holdings) Limited (2700)	0.185	0.660	(71.97)	0.827	(77.63)
17/8/2011	Universe International Holdings Limited (1046)	0.115	0.109	5.50	0.1136	1.23
15/8/2011	China Properties Investment Holdings Limited (736)	0.027	0.033	(18.18)	0.0318	(15.09)
4/8/2011	Universal International Holdings Limited (1046)	0.115	0.142	(19.01)	0.135	(14.81)
4/8/2011	New Environmental Energy Holdings Limited (3989)	0.80	0.560	42.86	0.576	38.89
29/7/2011	Sinopoly Battery Limited (729)	0.52	0.580	(10.34)	0.598	(13.04)
29/7/2011	Ko Yo Chemical (Group) Limited (827)	0.172	0.175	(1.71)	0.1806	(4.76)
29/7/2011	China ZhengTong Auto Services Holdings Limited (1728)	10.45	11.22	(6.86)	10.69	(2.25)

LETTER FROM FIRST SHANGHAI

Date of announcement	Company (Stock code)	Subscription/ placing price <i>HK\$</i>	Premium/(discount) of subscription/placing price over closing price		5-day average	
			Last closing price before relevant announcement/ suspension <i>HK\$</i>	%	<i>HK\$</i>	%
28/7/2011	G-Resources Group Limited (1051)	0.60	0.66	(9.09)	0.65	(7.69)
26/7/2011	China Railsmedia Corporation Limited (745)	0.078	0.093	(16.13)	0.0952	(18.07)
15/7/2011	Carry Wealth Holdings Limited (643)	0.65	0.75	(13.33)	0.78	(16.67)
15/7/2011	Brilliant Circle Holdings International Limited (1008)	6.50	7.34	(11.44)	7.35	(11.56)
15/7/2011	Cheung Kong Infrastructure Holdings Limited (1038)	40.41	43.45	(7.00)	42.10	(4.01)
13/7/2011	Solartech International Holdings Limited (1166)	0.20	0.305	(34.43)	0.343	(41.69)
12/7/2011	Daido Group Limited (544)	0.199	0.240	(17.08)	0.248	(19.76)
30/6/2011	Xiwang Sugar Holdings Company Limited (2088)	2.35	2.000	17.50	1.952	20.389
30/6/2011	RCG Holdings Limited (802)	1.00	1.11	(9.91)	1.14	(12.28)

LETTER FROM FIRST SHANGHAI

Date of announcement	Company (Stock code)	Subscription/ placing price HK\$	Premium/(discount) of subscription/placing price over closing price		5-day average	
			Last closing price before relevant announcement/ suspension HK\$	%	HK\$	%
29/6/2011	Global Green Tech Group Limited (274)	0.10	0.087	14.94	0.092	8.70
23/6/2011	Haitong International Securities Group Limited (665)	4.25	4.240	0.24	4.248	0.05
21/6/2011	Hunan Nonferrous Metals Corporation Limited (2626)	2.7295	2.67	2.23	2.56	6.69
20/6/2011	eForce Holdings Limited (943)	0.05	0.059	(15.25)	0.061	(18.03)
17/6/2011	Ko Yo Chemical (Group) Limited (827)	0.174	0.167	4.19	0.172	1.16
15/6/2011	Loudong General Nice Resources (China) Holdings Limited (988)	1.04	1.050	(0.95)	1.034	0.58
14/6/2011	Suncorp Technologies Limited (1063)	0.022	0.027	(18.52)	0.0274	(19.71)
9/6/2011	Capital VC Limited (2324)	0.30	0.350	(14.29)	0.362	(17.13)
9/6/2011	ChinaVision Media Group Limited (1060)	0.40	0.375	6.67	0.381	4.99
9/6/2011	The Hong Kong Building and Loan Agency Limited (145)	0.160	0.183	(12.57)	0.190	(15.79)

LETTER FROM FIRST SHANGHAI

Date of announcement	Company (Stock code)	Subscription/ placing price HK\$	Premium/(discount) of subscription/placing price over closing price			
			Last closing price before relevant announcement/ suspension		5-day average	
			HK\$	%	HK\$	%
8/9/2011	The Company (1142)	0.040	0.029	37.93	0.0326	22.70
	Highest			42.86		38.89
	Median			(9.91)		(12.28)
	Average			(6.95)		(9.70)
	Lowest			(71.97)		(77.63)

Source: the Stock Exchange's website

Based on the above table, the premium/(discounts) represented by the subscription/placing prices of the Comparables over/(to) their respective closing prices on the last trading day before signing of the relevant agreements range from a deep discount of approximately 71.97% to a considerable premium of approximately 42.86%. Upon comparison, we note that the relevant premium of the Company represented by the Subscription Price per Subscription Share over the closing price of HK\$0.0290 per Share on the Last Trading Day of approximately 37.93% was close to the upper range of the Comparables of a premium of approximately 42.86%, and hence falls within the range of the premium/discount rate thereof. Similarly, the relevant premium of the Company represented by the Subscription Price per Subscription Share over the 5-day average closing price of HK\$0.0326 per Share for the last 5 consecutive trading days immediately prior to the Last Trading Day of approximately 22.70% was below the upper range of the Comparables of a premium of approximately 38.89%, and hence falls within the range of the premium/discount rate thereof.

We also noted that, on 23 August 2011, the Company entered into a conditional subscription agreement with the subscriber, who is an Independent Third Party, pursuant to which that independent subscriber has agreed with the Company to subscribe for the 141,000,000 new Shares at a price of HK\$0.040 per subscription share, subject to the terms and conditions contained therein. That subscription price of HK\$0.040 per subscription share was negotiated and agreed at arm's length between the Company and that independent subscriber with reference to the then trading price of the Shares and representing: (i) a premium of approximately 33.33% over the closing price of HK\$0.030 per Share as quoted on the Stock Exchange on the then last trading day; (ii) a discount of approximately 14.16% to the average closing price of HK\$0.0466 per Share for the five consecutive trading days immediately prior to the date of the relevant announcement; and (iii) a discount of approximately 27.67% to the average closing price of HK\$0.0553 per Share for the ten consecutive trading days immediately prior to the date of the relevant announcement.

LETTER FROM FIRST SHANGHAI

Based on the market information as extracted from the Stock Exchange's website and our further analysis, we have noted that most of the companies listed on the Stock Exchange have been experiencing a significant decrease in their share prices since the beginning of August 2011 mainly as a consequence of the facts that (i) the credit ratings of the Government of the United States of America was down-graded; and (ii) the serious financial crisis occurred, and widely spread over, in the European countries, while over one-third of such listed companies had recorded record-low in their share prices for the past 52 weeks. In view of such scenario, we consider that the decrease in the Share price of the Company itself has basically been comparable to the general market condition, and therefore is not an isolated case.

Pursuant to the Subscription Agreement, the Subscription Price of HK\$0.040 represented a significant premium over the closing prices as quoted on the Last Trading Day and the average closing prices for the last 5 to 20 consecutive trading days immediately prior to the Last Trading Day, we consider that it would be impracticable to offer similar subscription arrangement with high premium over the recent closing prices of the Shares to independent places given the facts that (i) externally, the current extremely volatile market condition as a consequence of the uncertain financial environment globally; and (ii) internally, the Group's unsatisfactory operating performance and financial position over the past three FYs.

9. Dilution effects of the Subscription

The shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) immediately after the completion of the Subscription Agreement (by issuing and allotting 1,150,000,000 new Shares before the Share Consolidation); and (iii) immediately upon the Share Consolidation becoming effective (assuming that there is no other change in the issued share capital of the Company between completion of the Subscription Agreement and the Share Consolidation), are set out in the section headed "Change in the shareholding structure of the Company" in the "Letter from the Board" of the Circular. Assuming none of further new Shares are to be issued for any existing convertible securities of the Company, the shareholding interests of the existing public Shareholders in the Company will be decreased from approximately 84.2% to 60.8% as a result of the issue of the Subscription Shares. Based on the estimated net proceeds from the Subscription of approximately HK\$46.0 million (though not in cash form) and an aggregate of 1,150,000,000 new Shares are to be issued and allotted, (i) the net asset value of the Group will slightly increase, while the net asset value per Share will conversely decrease because the Subscription Price of HK\$0.040 per new Share is much lower than net asset value per Share of HK\$0.500 based on the audited consolidated net assets (excluding non-controlling interests) attributable to the Shareholders as at 31 March 2011; but (ii) the negative net tangible asset value (excluding the intangible assets of approximately HK\$1,423.1 million) as at 31 March 2011 will decrease from HK\$(64.4) million to HK\$(32.5) million, while the negative net tangible asset value per Share will be improved from approximately HK\$(0.0237) to HK\$(0.008).

LETTER FROM FIRST SHANGHAI

Having considered the reasons for and benefits of the Subscription as set out above, in particular of that (i) the Subscription represents an opportunity for the Company to alleviate its present/future financial burden/commitment so as to improve the overall liquidity and financial stability position in view of the current uncertain business environment and financial markets all over the world; (ii) the Subscription can better secure the continuous financial support from its single largest Shareholder by the expected increasing devotion to the Company; and (iii) it may be difficult for the Company to raise similar size of funding given the recent volatile market condition, low transaction volume in the stock market as well as the Group's unsatisfactory operating performance and financial position, we are of the view that the dilution on the shareholding interests of the Independent Shareholders in the Company as a result of the issue and allotment of the Subscription Shares is acceptable.

10. Financial effects of the Subscription on the Group

Earnings

Following completion of the Subscription, the Subscription itself would have no immediate material impact on the earnings of the Group, since the Subscription is an equity transaction in nature and therefore would have no material income statement effect.

Working capital

Upon completion of the Subscription, there would be no direct material improvement or adverse impact on the working capital position of the Group. In view of the Group's incapability to generate meaningful operating cash inflow from its ordinary and usual course of business operation over the past three FYs, the Subscription is expected to preserve the Group's cash resources on the one hand, and alleviate its present/future financial burden/commitment on the other hand, so as to improve the overall liquidity and financial stability position in view of the current uncertain business environment and financial markets all over the world. In addition, we noted that the Group has been relying on facilities provided by Cordia (who was the then substantial Shareholder) to finance its operations over the past three FYs, so it shall be expedient to better secure its continuous financial support by increasing its long-term devotion to the Company through the Subscription.

Net asset value

Based on the Annual Report, the net asset value (excluding non-controlling interests) and the negative net tangible asset value (by further excluding the intangible assets of approximately HK\$1,423.1 million) of the Group as at 31 March 2011 were approximately HK\$1,358.7 million and HK\$(64.4) million respectively. Given that the estimated net proceeds (though not in cash form) from the Subscription of approximately HK\$46.0 million and an aggregate of 1,150,000,000 new Shares are to be issued and allotted, the Group's capital base is expected to be strengthened with an increase in its net asset value by approximately HK\$31.9 million (i.e. being the estimated present fair value of the

LETTER FROM FIRST SHANGHAI

HK\$46.0 million attributable to the Promissory Notes due in 2015) while the net asset value per Share will conversely decrease from approximately HK\$0.500 to approximately HK\$0.360 because the Subscription Price of HK\$0.040 per new Share is lower than the net asset value (excluding non-controlling interests) of HK\$0.500 per Share; but the negative net tangible asset value position will be improved. On such basis, we are of the view that the Subscription, on balance between the two scenarios, will not have significant adverse impact on the net asset value of the Group.

Gearing position

Since the Promissory Notes are unsecured and non-interest bearing (i.e. excluded from the nominator for calculation of gearing ratio), there would not be direct adverse impact arising from the proceeds from the Subscription of HK\$46.0 million to be set off the Discharged Amount in the Promissory Notes, but the currently expected net proceeds therefrom would slightly improve the gearing position as a consequence of the slight enhancement of capital base (i.e. increase in the net asset value) of the Group immediately upon the completion of the Subscription.

Having considered the above analysis, we are of the view that the Subscription will not generate material adverse impact to the earnings, working capital, net asset value and gearing position of the Group immediately upon completion of the Subscription.

RECOMMENDATION

Based on the above principal factors and reasons, we are of the opinion that the Subscription pursuant to the Subscription Agreement is not conducted in the ordinary and usual course of business of the Group on the basis that the Subscription shall be regarded as a corporate financing activity instead of a usual operating activity of the Group; but the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription pursuant to the Subscription Agreement.

(2) THE DISPOSAL

In formulating our opinion and recommendation on the Disposal pursuant to the Disposal Agreement, we have taken into account, among other things, the following principal factors and reasons:

LETTER FROM FIRST SHANGHAI

1. Information on the SOFOCO Group

As mentioned in the “Letter from the Board” in the Circular and previously announced by the Company on 3 March 2010, Grandvest had, on 3 March 2010, entered into an investment and shareholders agreement with, among others, Grand Farm and SOFOCO, pursuant to which Grandvest had agreed to subscribe for 23,334 new ordinary shares in SOFOCO (representing 70% of the then interest in SOFOCO as enlarged by the issue of the shares in SOFOCO to Grandvest under such agreement) for a total consideration of HK\$50.0 million, payable by Grandvest in three instalments in accordance with the funding requirements of SOFOCO and subject to fulfillment of certain conditions. The subscription under the investment and shareholders agreement was completed in 2010 and Grandvest has paid the first two instalments in the aggregate amount of HK\$16.0 million to date in the following manner:

- (i) HK\$2.5 million had been paid on 4 March 2010 after signing of the investment and shareholders agreement; and
- (ii) HK\$13.5 million had been paid on 15 March 2010 after (i) Grandvest was satisfied, in its absolute opinion, with the business, assets, operation, financial position and prospect, the internal control system and corporate governance framework of the SOFOCO Group; and (ii) a valuation report issued by an independent valuer acceptable to the Company on the SOFOCO Group in form and substance satisfactory to the Company was obtained.

Pursuant to the investment and shareholders agreement, Grandvest was obliged to pay the remaining HK\$34.0 million subject to the funding requirements of the SOFOCO Group and upon Grandvest being satisfied, in its absolute opinion notwithstanding payment under paragraph (b) above, with the business, assets, operation, financial position and prospect, and the internal control system and corporate governance framework of the SOFOCO Group. Given the stagnant developments in vertical farming projects of the SOFOCO Group, Grandvest considered that the condition precedent for the payment of the remaining HK\$34 million has not been satisfied and hence has not fulfilled such payment obligation.

On 8 September 2011, Grandvest, Grand Farm and SOFOCO entered into a supplemental investment and shareholders agreement, pursuant to which the parties agree that the total sum invested by Grandvest for its 70% shareholdings in SOFOCO shall be reduced from HK\$50.0 million to HK\$16.0 million, which had already been paid by Grandvest. As such, Grandvest has ceased to have any obligation in respect of the payment of the HK\$34.0 million to SOFOCO.

SOFOCO is an investment holding company established in Hong Kong and a direct 70% non-wholly owned subsidiary of Grandvest.

SOFOCO (Zhenjiang) is a company established in the PRC and a direct wholly owned subsidiary of SOFOCO. SOFOCO (Zhenjiang) is principally engaged in vertical farming projects in the PRC.

LETTER FROM FIRST SHANGHAI

Based on the unaudited consolidated accounts of the SOFOCO Group, the net assets of the SOFOCO Group were approximately HK\$52.0 million as at 31 March 2011, and for the FY ended 31 March 2011, the net loss before and after taxation and extraordinary items of the SOFOCO Group amounted to approximately HK\$19.1 million and HK\$19.1 million respectively. Based on the unaudited management accounts of the SOFOCO Group prepared according to Hong Kong Financial Reporting Standards, the net loss before and after taxation and extraordinary items of the SOFOCO Group for the period from 17 December 2009 (date of incorporation) to 31 March 2010 amounted to approximately HK\$1.5 million and HK\$1.5 million respectively.

2. Background of and reasons for the Disposal

Since the SOFOCO Group has been loss-making for the FY ended 31 March 2011 and the period from 17 December 2009 (date of incorporation) to 31 March 2010, the Disposal provides an opportunity to the Company to realize the investment in the SOFOCO Group at a consideration equivalent to the consideration that has been paid by the Company to date for its 70% interest in SOFOCO. The Disposal enables the Group to focus its resources in coal mining in Russia and in its coal trading business. The satisfaction of the Consideration by way of set-off of an equivalent outstanding amount of the Promissory Notes at Completion will enable the Group to reduce its liabilities and actual cash outflow for fulfilling its repayment obligation under the Promissory Notes when they fall due in 2015, and strengthen its capital base.

Taking into account the above factors, the Directors consider that the terms of the Disposal Agreement (including the Consideration) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration in the amount of HK\$16.0 million (approximately US\$2.1 million) will be used to set off against the equivalent outstanding amount (taken as US\$2,051,282) under the Promissory Notes at Completion. The expenses of the Company in connection with the implementation of the Disposal Agreement are estimated to be approximately HK\$0.7 million.

It is expected that the Group will recognize a gain from the Disposal of approximately HK\$5.0 million (taking into account (i) the estimated present fair value of the HK\$16.0 million attributable to the Promissory Notes due in 2015 which is approximately HK\$11.1 million; the assignment of the Sale Loans of approximately HK\$2.3 million; (ii) the estimated expenses of the Company in connection with the implementation of the Disposal Agreement of approximately HK\$0.7 million; and (iii) the exchange reserves to be released upon Completion of approximately HK\$1.2 million, and subject to the financial position of the SOFOCO Group as of Completion and finalisation of the year-end audit of the Group), which is calculated with reference to the difference between the expected net proceeds from the Disposal and the unaudited net asset value of the SOFOCO Group attributable to the Group of approximately HK\$4.3 million as of 31 August 2011, taking into account the release of Grandvest's HK\$34.0 million payment obligation (which was recorded as an accounts receivable in the management accounts of the SOFOCO Group) pursuant to the supplemental investment and shareholders agreement dated 8 September 2011. The exact amount of gain from the Disposal would be calculated on the basis of the relevant figures as at Completion and therefore would be different from the above amount. It is expected that the gain from the Disposal would be reflected in the consolidated accounts of the Group for the year ending 31 March 2012.

LETTER FROM FIRST SHANGHAI

Based on our understanding from the Management, the Group's original plan for business diversification into the vertical farming industry in the PRC through the SOFOCO Group has not been going smoothly. Since the acquisition of the Sale Shares by the Group, the SOFOCO Group has not experienced satisfactory progress as expected and has been loss-making since the date of its incorporation in December 2009, the Directors have considered that the potential and timing of the vertical farming project/business for generating meaningful profit and operating cash inflow would be very uncertain in view of the current stagnant development. Given the current unfavourable business environment and the global volatile financial market, the Directors consider that it would be wise to exit instead of waiting for an unforeseeable return from that investment in the future.

The Group is principally engaged in coal mining in Russia, coal trading business and digital television broadcasting industry. Currently, the SOFOCO Group is the only vertical farming project invested by the Group as at the Latest Practicable Date. Having considered that (i) the SOFOCO Group is still in its very preliminary stage with unsatisfactory progress and loss-making situation; and (ii) the Disposal will release the Group's further capital contribution into the SOFOCO Group and then alleviate its future financial burden under the Promissory Notes, which in turn can strengthen the working capital position of the Group and enable it to concentrate its limited financial resources on other more promising investment opportunities, the Board is of the view that the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole.

Based on the above scenario, the Disposal shall be regarded as a corporate action of the Group for streamlining its overall business activities instead of an usual operating activity, we are of the view that the Disposal is not conducted in the ordinary and usual course of business of the Group, but the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

3. The Disposal Agreement

On 8 September 2011, Cordia (as the purchaser), Grandvest (as the vendor) and Mr. Choi Sungmin (as the guarantor) entered into the Disposal Agreement.

Grandvest is a direct wholly-owned subsidiary of the Company incorporated in the British Virgin Islands and is principally engaged in investment holding. It holds 70% of the issued share capital of SOFOCO.

Subject matter of the Disposal and the Consideration

Under the Disposal Agreement, Grandvest shall sell and Cordia shall acquire the Sale Shares and the Sale Loans at the Consideration of HK\$16.0 million (equivalent to approximately US\$2,051,282) which is to be satisfied by the set off of the equivalent outstanding amount (taken as US\$2,051,282) under the Promissory Notes upon Completion. Mr. Choi Sungmin as the guarantor shall guarantee the performance by Cordia of its obligations under the Disposal Agreement.

LETTER FROM FIRST SHANGHAI

The Consideration was determined after arm's length negotiations between Grandvest and Cordia and is equivalent to consideration that has been paid by Grandvest to date for its 70% interest in SOFOCO.

Grand Farm, being the owner of the remaining 30% of the issued share capital in SOFOCO, has given an unconditional and irrevocable confirmation to Grandvest that it has no objection to, and will not object to, the Disposal.

Conditions precedent

Completion shall be conditional upon:

- (a) the Independent Shareholders having approved the Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules; and
- (b) Grandvest having fully repaid the debts payable by it to SOFOCO (if any).

Condition (a) cannot be waived by any of the parties to the Disposal Agreement. In the event that the above conditions precedent have not been fulfilled by 31 December 2011, or such later date as may be agreed between Grandvest and Cordia in writing, the obligations of Grandvest and Cordia under the Disposal Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise in respect of the Disposal.

Subject to the fulfillment of all the conditions, the Disposal Agreement shall be completed on the Completion Date. Upon the Completion, both SOFOCO and SOFOCO (Zhenjiang) will cease to be subsidiaries of the Company.

We consider that the payment method by setting off the equivalent outstanding amount (taken as US\$2,051,282) under the Promissory Notes upon Completion is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, on the grounds that (i) the Company may in its sole discretion electing for repayment any part of the amount outstanding under the Promissory Notes, which could release the Group's original financial burden to make cash repayment by the maturity date thereof in May 2015; while (ii) Mr. Choi Sungmin has provided guarantee for the performance by Cordia of its obligations under the Disposal Agreement.

Basis of determination of the Consideration

As set out in the "Letter from the Board" in the Circular, the Consideration was determined after arm's length negotiations between Grandvest and Cordia and is equivalent to the original consideration that had already been paid by Grandvest up to date for its 70% interest in SOFOCO.

LETTER FROM FIRST SHANGHAI

As mentioned in the above, since the SOFOCO Group has not experienced satisfactory growth as expected and obviously no concrete earnings have been generated from the SOFOCO Group so far, we consider that price-to-earning or price-to-book multiples are not appropriate for evaluating the Consideration in this case on the basis that there has been no concrete earnings generated from operation, direct comparison with other comparable listed companies with stable and continuous profit from their normal and well-developed operations shall not be appropriate. Given the major assets of the SOFOCO Group are its technology know-how and cash resources already injected by Grandvest and Grand Farm, we consider that it is reasonable for the Group to dispose of the Sale Shares to Cordia based on its original acquisition cost already paid for the Sale Shares into the SOFOCO Group.

Having considered the above factors, we are of the view that the basis for determination of the Consideration (including the settlement terms) is fair and reasonable and the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

4. Financial effects of the Group on the Disposal

Earnings

Upon Completion, the SOFOCO Group will cease to be a sub-group of subsidiaries of the Company and the financial results of which will cease to be included in the consolidated financial statements of the Group to be issued subsequent to the Completion (i.e. for the FY 2012). As a consequence, the loss-making operating performance of the SOFOCO Group will then be excluded from the consolidated financial statements of the Group.

Based on the unaudited consolidated accounts of the SOFOCO Group, the net assets of the SOFOCO Group amounted to approximately HK\$52.0 million as at 31 March 2011. The Group expects to recognise a gain on the Disposal of approximately HK\$5.0 million (taking into account (i) the estimated present fair value of the HK\$16.0 million attributable to the Promissory Notes due in 2015 which is approximately HK\$11.1 million; the assignment of the Sale Loans of approximately HK\$2.3 million; (ii) the estimated expenses of the Company in connection with the implementation of the Disposal Agreement of approximately HK\$0.7 million; and (iii) the exchange reserves to be released upon Completion of approximately HK\$1.2 million, and subject to the financial position of the SOFOCO Group as of Completion and finalisation of the year-end audit of the Group), which is calculated with reference to the difference between the expected net proceeds from the Disposal and the unaudited net asset value of the SOFOCO Group attributable to the Group of approximately HK\$4.3 million as of 31 August 2011, taking into account the release of Grandvest's HK\$34.0 million payment obligation (which was recorded as an accounts receivable in the unaudited management accounts of the SOFOCO Group)

LETTER FROM FIRST SHANGHAI

pursuant to the supplemental investment and shareholders agreement dated 8 September 2011. On such basis, we consider that the Disposal will have positive impact on the earnings of the Group by (i) exclusion of the SOFOCO Group's loss-making operating performance from; and (ii) recognition of the said gain on the Disposal in, the consolidated financial statements of the Group.

Net asset value

Upon Completion, the net asset value of the SOFOCO Group will cease to be included in the consolidated financial statements of the Group to be issued subsequently after the Completion. Save for the expected increase in net asset value of the Group as a result of the above-mentioned expected gain on the Disposal, there would not be material adverse impact on the net asset position of the Group as a result of the Disposal.

Working capital

As stated in the Annual Report for the FY 2011, the Group had net current liabilities of approximately HK\$5.0 million as at 31 March 2011. The Disposal is not expected to bring in net cash proceeds therefrom, and therefore would not directly improve the overall working capital position of the Group immediately following the Completion. Given the Consideration of HK\$16.0 million under the Disposal forming part of the Discharged Amount, which would alleviate the Group's financial burden to be payable under the Promissory Notes and fully release its original further capital contribution to the SOFOCO Group to the extent of HK\$34.0 million.

Gearing position

Since the Promissory Notes are unsecured and non-interest bearing (i.e. excluded from the nominator for calculation of the gearing ratio), there would not be direct adverse impact arising from the Consideration of HK\$16.0 million to be set off the relevant amount in the Promissory Notes (taken as US\$2.05 million), but the currently expected gain on the Disposal of HK\$5.0 million (taking into account (i) the estimated present fair value of the HK\$16.0 million attributable to the Promissory Notes due in 2015 which is approximately HK\$11.1 million; the assignment of the Sale Loans of approximately HK\$2.3 million; (ii) the estimated expenses of the Company in connection with the implementation of the Disposal Agreement of approximately HK\$0.7 million; and (iii) the exchange reserves to be released upon Completion of approximately HK\$1.2 million, and subject to the financial position of the SOFOCO Group as of Completion and finalisation of the year-end audit of the Group) would slightly improve the gearing position as a consequence of the slight enhancement of the capital base (i.e. the net asset value) of the Group immediately upon the Completion by recognising the said gain on the Disposal.

LETTER FROM FIRST SHANGHAI

RECOMMENDATION

Taking into account the above factors and reasons, though the Disposal is not conducted in the ordinary and usual course of business of the Group, the terms of the Disposal Agreement are on normal commercial terms; we are of the view that the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole, and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Disposal pursuant to the Disposal Agreement at the EGM.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Eric Lee

Managing Director

Fanny Lee

Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised</i>	<i>HK\$</i>
100,000,000,000 shares of HK\$0.01 each	1,000,000,000.00
<i>Issued and fully paid:</i>	<i>HK\$</i>
2,981,413,060 shares of HK\$0.01 each	29,814,130.60

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(i) Long positions in the shares and the underlying shares of the Company

Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Lim Ho Sok ("Mr. Lim")	Interest of controlled corporation (Note 1)	228,000,000	7.7%
Pang Ngoi Wah Edward	Beneficial owner	3,500,000	0.1%

Note:

- (1) These 228,000,000 Shares are beneficially owned by Goldwyn Management Limited ("Goldwyn"). The entire issued share capital of Goldwyn is legally and beneficially owned by Mr. Lim.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

(b) Substantial Shareholder's interests

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(i) Long position in the underlying Shares of the Company

The following persons in the underlying Shares of equity derivatives of the Company were recorded in the register.

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Cordia	Beneficial owner <i>(Note 2)</i>	35,952,000,000	1,205.9%
Choi Sungmin ("Mr. Choi")	Interest of controlled corporation <i>(Note 2)</i>	35,952,000,000	1,205.9%
Jung Mi Na	Deemed interest <i>(Note 2)</i>	35,952,000,000	1,205.9%

Note:

- (2) The entire issued share capital of Cordia is beneficially owned by Mr. Choi Sungmin. 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 35,952,000,000 underlying Shares which Cordia has beneficial interest in.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no person other than a Director or chief executive of the Company had any interests or short positions in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

(c) Interest of other persons in the Company**(i) Long position in the Shares of the Company**

The following persons in the Shares of the Company were recorded in the register.

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Goldwyn	Beneficial owner (Note 3)	228,000,000	7.7%

Note:

- (3) These 228,000,000 Shares are beneficially owned by Goldwyn. The entire issued share capital of Goldwyn is legally and beneficially owned by Mr. Lim.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, none of the Director or proposed director is a director or employee of a company, which has an interest or short position in the Shares and underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be interested in the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

6. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

7. LITIGATION

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

As at the Latest Practicable Date, each of the two former shareholders of a Russian subsidiary of the Group, namely, Tannagashev Ilya Nikolaevich (the “**1st Claimant**”) and Demeshonok Konstantin Yur’evich (the “**2nd Claimant**”) has submitted a claim for their respective share of the third stage payment by the Group for the acquisition of the remaining 30% equity interest in LLC “Shakhta Lapichevskaya”. The 1st Claimant is claiming an amount of approximately US\$2.32 million (equivalent to HK\$18.1 million) and the 2nd Claimant is claiming an amount of approximately US\$1.06 million (equivalent to HK\$8.3 million). The Group had already provided for the full amount of the third stage payment of approximately US\$4.10 million in total (equivalent to HK\$31.9 million) under current liabilities in the financial statements as of 31 March 2011.

Civil Proceedings Taken by the Company Against Three Former Directors of the Company

On 15 April 2010, the Company commenced civil proceedings against three former executive directors to claim damages in the total sum of approximately HK\$19 million. As no settlement arrangement has been reached, the Company will proceed further with the action against these three former directors.

As at the Latest Practicable Date, save for the litigation and civil proceedings as referred to above, neither the Company nor any other member of the Group was engaged in any other litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 March 2011, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. EXPERT AND CONSENT

The following is the qualifications of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualifications
First Shanghai	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

First Shanghai has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 30 September 2011 and/or references to their name in the form and context in which it appears.

First Shanghai has further confirmed that as at the Latest Practicable Date, (i) they were not interested beneficially in the shares in any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) they did not have any direct or indirect interest in any assets which have, since 31 March 2011 (being the date to which the Company's latest audited financial statements were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

- (i) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ii) The head office and principal place of business of the Company is 16/F, No. 8 Queen's Road Central, Central, Hong Kong.
- (iii) The company secretary of the Company is Ms. Lo Suet Fan, who 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.
- (iv) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (v) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 12:45 p.m. and from 2:00 p.m. to 6:00 p.m. (save for Saturdays, Sundays and public holidays) at the head office and principal place of business of the Company in Hong Kong at 16/F, No. 8 Queen's Road Central, Central, Hong Kong, up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the Subscription Agreement;
- (iii) the Disposal Agreement;
- (iv) the letter from the Independent Board Committee as set out on page 21 of this circular;
- (v) the letter from First Shanghai as set out on pages 22 to 51 of this circular;
- (vi) the written consent of First Shanghai; and
- (vii) this circular.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Siberian Mining Group Company Limited (the “Company”) will be held at 3:00 p.m. on 19 October 2011 at The Jasmine Room of Ramada Hong Kong Hotel at 3rd Floor, 308 Des Voeux Road West, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**:—

- (A) the subscription agreement dated 8 September 2011 (the “**Subscription Agreement**”) entered into between the Company and Cordia Global Limited in relation to the subscription for 1,150,000,000 shares of HK\$0.01 each (“**Share(s)**”) in the share capital of the Company (or 57,500,000 shares of HK\$0.20 each (“**Consolidated Share(s)**”) in the share capital of the Company upon the proposed consolidation of 20 Shares into one Consolidated Share (the “**Share Consolidation**”) becoming effective) (the “**Subscription Shares**”) at a price of HK\$0.04 per Share (or HK\$0.80 per Consolidated Share upon the Share Consolidation becoming effective) (the “**Subscription**”) (a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (B) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subscription Shares, the allotment and issue of the Subscription Shares by way of specific mandate be and is hereby approved; and
- (C) any one director of the Company (“**Director**”) be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such documents for and on behalf of the Company by hand, or in the case of execution of documents under seal, to do so jointly with any one of a second Director, a duly authorised representative of the Director or the secretary of the Company, and to take such steps as he may in his absolute discretion considers necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Subscription Shares by way of specific mandate.”

* For identification purpose only

NOTICE OF EGM

2. “**THAT**:—

- (A) the disposal agreement dated 8 September 2011 (the “**Disposal Agreement**”) entered into between the Company, Cordia Global Limited and Mr. Choi Sungmin in relation to the disposal of 23,334 shares of par value of HK\$1.00 each in the capital of SOFOCO Development Limited (“**SOFOCO**”) and related shareholder’s loans (the “**Disposal**”) (a copy of which has been produced to the meeting marked “**B**” and initialled by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed ; and
- (B) any one Director be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such documents for and on behalf of the Company by hand, or in the case of execution of documents under seal, to do so jointly with any one of a second Director, a duly authorised representative of the Director or the secretary of the Company, and to take such steps as he may in his absolute discretion considers necessary, appropriate, desirable or expedient to give effect to or in connection with the Disposal Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 30 September 2011

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

*Head office and principal place of
business in Hong Kong:*
16/F
No. 8 Queen’s Road Central
Central
Hong Kong

NOTICE OF EGM

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more than one, proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. In the case of joint holders of shares, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, that one of such joint holders whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the aforesaid meeting or any adjournment thereof should they so wish.
5. The voting on the proposed resolution at the EGM will be conducted by way of poll.