SMG

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)

ANNUAL REPORT 2012

* *For identification purpose only*

Contents

Corporate Information

DIRECTORS

Executive Directors

Lim Ho Sok *(Chairman)*
Shin Min Chul

Non-executive Director

Pang Ngoi Wah Edward

Independent Non-executive Directors

Cho Min Je (appointed on 22 February 2012)
Liew Swee Yean
Tam Tak Wah
Young Yue Wing Alvin

COMPANY SECRETARY

Lo Suet Fan

AUTHORISED REPRESENTATIVES

Lim Ho Sok
Lo Suet Fan

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Lim Ho Sok *(Chairman)*
Cho Min Je
Liew Swee Yean

AUDITOR

BDO Limited

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HKEX STOCK CODE

1142

Chairman's Statement

On behalf of the board of directors (the "Board") of Siberian Mining Group Company Limited (the "Company"), I would like to present to the shareholders the annual results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2012.

The economic environment for the year under review had been becoming exceptionally complicated with the Eurozone sovereignty debt crisis depicting no signs of alleviation coupled with the apparent slow growth in most emerging economies, while economy of Mainland China had been lackluster. All these adversely impacted the coal price.

The Group for the year under review recorded a substantial increase in loss after tax to HK$451.6 million (2011: HK$167.7 million), the major reasons causing such increase have been detailed in the next section "Management Discussion and Analysis" under the heading of "Financial Review", which are not going to repeat here. What really worths noting is that such increase in loss was primarily resulted from purely accounting treatments of non-cash items arising from changes in impairment loss from year end professional valuation exercises. The casflow position of the Group in fact would remain unaffected by such impairment losses.

The year under review marked the debut of the Group's scrapped iron trading which started in September 2011 and contributed HK$9.3 million (2011: nil) to the Group's turnover. The erratic movements in coal price called for a prudent approach in conducting coal trading and hence no turnover was recorded in coal trading in current year (2011: HK$10.2 million).

The current year also marked the successful business rationalization of the Group with the completion of disposal of vertical farming business in November 2011, followed by the completion of disposal of digital television technology services business in March 2012. These disposals contributed aggregated gains of HK$15.4 million (2011: nil) to the Group. Since then, financial burdens from maintaining vertical farming and digital television technology services businesses had been eradicated. The Group can now be more dedicated to develop its core businesses of purely mineral resources oriented, and the Board believes that this clear focus on mineral resources core business would be welcomed by potential investors and fund houses.

The year under review also witnessed another distinct development of the Group in the Russian coal mines. The prospecting and exploration design for the New Mining License (Lot 1 Extension and Lot 2) was approved by the Russian authority in December 2011 and shortly after that, the Group engaged a Russian contractor to conduct geological and hydrogeological surveys in accordance with the approved exploration design. As of 31 March 2012, the total capital expenditure on the Russian coal mines amounted to approximately HK$25.6 million (31 March 2011: HK$24.2 million). Exploration drilling of boreholes had begun since late April 2012.

Looking ahead, the uncertainties in global economic climate will continue to impact the commodity prices, including the coal price. However, the Group will continue to cautiously manage its core businesses relating mineral resources.

The first phase of exploration drilling is expected to be completed by September 2012 with a total length of drilling to approximately 3,160 metres. As of 28 June 2012, a total length of approximately 1,850 metres has been drilled in a total of four boreholes. All the three coal seams have been discovered, namely, Kemerovsky coal seam, Volkovsky coal seam and Vladimirovsky coal seam. The very preliminary on-site measurements reveal that (i) the Kemerovsky coal seam, mainly deposited with G-coke coal, has a thickness ranging from approximately 4 metres to 5 metres; (ii) Volkovsky coal seam, mainly deposited with weakly caking coal, has a thickness ranging from approximately 2 metres to 5 metres; and (iii) Vladimirovsky coal seam, mainly deposited with coke weakly caking low metamorphic coal, has a thickness ranging from approximately 2 metres to 4 metres. Analysis of fieldwork data and laboratory studies of coal samples obtained from drilling will be conducted after completion of drilling.

Chairman's Statement

The Group will proceed step by step in accordance with the requirements of the New Mining License, namely, (a) finishing all phases of drilling by October 2014, specifically with drilling of no less than 3,000 metres by October 2012, drilling of another 6,000 metres at least by October 2013, and drilling of a further 6,000 metres at least by October 2014; (b) making submission of feasibility study of deposit development conditions and geological statement by November 2016; (c) obtaining approval of the development technical design by November 2017; (d) commencing the construction of coal mine infrastructure facilities by May 2018; and (e) proceeding with coal mines commissioning by May 2019. To comply with the requirements of the New Mining License, the analysis of fieldwork data and laboratory studies of the samples for the preparation of feasibility study of deposit development conditions and geological statement with coal reserves estimation will be in accordance with GKZ (Russian State Reserves Committee) classification standards and regulations. However, the Group will also consider to engage a qualified professional firm to prepare coal reserves estimation report using JORC Code standards.

Given the various necessary steps and procedures that the Group has to go through before the coal mines under the New Mining License could actually yield coal production, it is expected that the Lot 1 Extension and Lot 2 coal mines will not contribute revenue to the Group in the foreseeable future, but the Board believes that the Russian coal mines will be able to deliver long term economic benefits to the shareholders in the years to come.

Scrapped iron trading will still be the Group's prime revenue generator, and the Group will keep on striving to make strategic alliance with established commodity traders to rejuvenate coal trading business.

It will be another strategic move of the Group to proactively pursue investment opportunities in mining assets, especially coal mines, which are already producing and with good profit track records. The Board will remain cautious in looking for such potential mining assets with a view to deliver sustainable long term profits to the shareholders.

To finance the exploration drilling of Lot 1 Extension and Lot 2, and the potential investments in mining assets, the Group will consider various kinds of financing activities, including but not limited to the recent proposed placing of convertible notes through a placing agent up to an aggregated principal amount of US$70 million (approximately HK$546 million).

On behalf of the Board, I would like to express my heartfelt gratitude to our board members, shareholders, business partners and our staff members for their dedication and hard work during the past year.

Lim Ho Sok
Chairman

Hong Kong, 28 June 2012

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 31 March 2012, the Group recorded a total turnover of HK$11.4 million (2011: HK$18.3 million), representing a decrease of 37.7% as compared to last year. The reduction was mainly caused by decrease in turnover of digital television technology services business to HK$2.1 million (2011: HK$8.0 million) for the reasons of severe competition and rapid emergence of product substitutions from mobile multimedia players. During the year under review, the Group commenced the scrapped iron trading and generated a turnover of HK$9.3 million (2011: Nil).

The loss after income tax for the reporting year was HK$451.6 million (2011: HK$167.7 million), representing a 169.3% increase as compared to the same period last year. The substantial increase in loss was mainly attributable to the net effects of the following items, (i) impairment loss of HK$253.0 million (2011: Nil) on the carrying amount of the mining rights of the Russian coal mines in current year mainly due to decrease in international coal prices that impacted the valuation results; (ii) no impairment loss of customer base of the digital television technology services business in current year since the customer base had already been fully impaired in last year (2011: impairment loss of HK$34.7 million); (iii) no fair value gain on the conversion option of the Company's convertible notes in current year since all the convertible notes had been fully converted in prior year (2011: fair value gain of HK$90.3 million); (iv) increase in impairment loss to HK$8.0 million (2011: HK$4.7 million) on technical know-how in vertical farming in current year; (v) reduction in selling and distribution costs to HK$2.1 million (2011: HK$5.5 million), which was in line with the reduction in turnover of digital television technology services business; (vi) reduction in administrative and other expenses to HK$177.6 million (2011: HK$182.9 million), due to cost control measures and less business activities from digital television technology services business and vertical farming; (vii) drop in finance costs to HK$23.2 million (2011: HK$32.1 million) mainly resulted from no imputed interest on the Company's convertible notes in current year (2011: imputed interest of HK$7.4 million) as all convertible notes had been fully converted; and (viii) gain on disposal of subsidiaries of HK$15.4 million (2011: Nil).

As revealed by the above-mentioned analysis, the substantial increase in loss after tax for the year under review was in fact primarily caused by purely accounting treatments of non-cash items arising from changes in impairment loss from year end valuation exercises. The Board was of the opinion that these changes in impairment losses would not affect the cashflow position of the Group.

OPERATION REVIEW

Coal and Scrapped Iron Trading

The Group had adopted a prudent approach in coal trading in view of the fluctuating and yet capriciously downturn of the international coal prices, therefore no turnover was recorded in coal trading during the year under review (2011: turnover of HK$10.2 million). The scrapped iron trading of the Group, which commenced in September 2011, had since then contributed turnover in the current year.

Coal Mining

As planned, the Group had been steadily moving forward step by step to develop the Russian coal mines. The Group submitted the prospecting and exploration design for the New Mining License and in December 2011 obtained the relevant approval on the submitted design. Exploration drilling was planned to commence in the second quarter of 2012. Given the coal mining business is still at a preliminary development stage, no revenue was recorded from this segment during the year under review.

Management Discussion and Analysis

Digital Television Technology Services

As part of the on-going business rationalisation, the Group in January 2012 decided to dispose of the digital television technology services business, due to its unsatisfactory performance. This business segment was thus discontinued from March 2012 when the completion of the disposal took place. The Group since then can channel more resources to grow its other core business. The disposal contributed a gain of HK$10.0 million (2011: Nil) to the Group.

Vertical Farming

The stagnant development in this business segment had also called for proactive business rationalisation, the Group in September 2011 decided to dispose of its entire 70% holding in the issued share capital of SOFOCO Development Limited to a connected party. Completion of the disposal took place in November 2011, and since then this business segment had been discontinued. A gain of HK$5.4 million (2011: Nil) was recognised on the said disposal during the year under review.

Geographical

In the year under review, the People's Republic of China (the "PRC") and the Republic of Korea (" Korea") are the Group's major market segments which accounted for 18.5% (2011: 44.0%) and 81.5% (2011: 55.9%), respectively, of the Group's total revenue.

PROSPECTS

Looking forward, amid the increasingly complex economic environment intertwined with escalating and deteriorating Eurozone sovereignty debt crisis, and the slowing down in emerging economies, the year ahead will remain extremely challenging for the Group. The Company will maintain a very cautious view of prospect and will carefully assess and modify its strategies in order to adapt to the changing operational parameters. After the business rationalisation during the year under review, the Group now demonstrates its focus on its core businesses relating mineral resources and commodity trading.

Coal Mining

The Russian subsidiary has engaged a Russian exploration contractor on 25 April 2012 to conduct the geological and hydrogeological surveys in the New Mining License areas in accordance with the approved exploration design, and the exploration drilling has already been commenced on 26 April 2012. In the first stage, boreholes and water wells with a total length of approximately 3,160 metres will be drilled, and geophysical logging and sampling will also be performed during the process. It is expected that the drilling work of this first stage will be completed by the end of September 2012. The Russian subsidiary will continue with further geological exploration drilling stage by stage in 2013 and 2014.

Coal and Scrapped Iron Trading

For the sake of mitigating unnecessary trading loses, the Group will keep on prudently managing the coal trading business, and its long-term objective is to establish strategic alliance with appropriate business partners to invigorate the coal trading business. Scrapped iron trading will still be the prime contributor to the Group's turnover in the foreseeable future.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2012, the Group had net current liabilities of HK$41.9 million (2011: HK$5.0 million). The Group's current ratio, being a ratio of current assets to current liabilities, was 14.9% (2011: 88.9%). The Group's gearing ratio, being a ratio of total interest-bearing borrowings to total assets, was 2.95% (2011: 2.0%). The Group generally finances its operations with internally generated cash flows, and facilities provided by Cordia Global Limited ("Cordia"), a shareholder of the Company and through the capital market available to listed companies in Hong Kong.

During the reporting period, the Company had successfully raised net proceeds of approximately HK$70 million (2011: approximately HK$125 million), out of which approximately HK$47 million (2011: nil) was for direct set off of liabilities of the Company, by four separate placements of totaling 92.3 million (2011: 740 million) new shares of HK$0.2 each (2011: HK$0.01 each) at the price ranged from HK$0.23 to HK$2.24 (2011: HK$0.135 to HK$0.225) per share as adjusted to reflect the share consolidation during the year. The proceeds were used for general working capital, repayment of liabilities and setting off outstanding promissory notes due by the Company.

During the year under review, the Group recorded a net cash outflow of HK$9.4 million (2011: HK$51.7 million), which reduced the total cash and cash equivalents to HK$1.5 million (2011: HK$9.6 million) as at the end of reporting period.

The management will endeavour to further enhance the Group's financial strengths so as to tackle the net current liabilities of the Group as at 31 March 2012. Cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The management will continue to closely review the Group's financial resources in a cautious manner and explore opportunities in potential financial institutions financing and equity funding. As a matter of fact, the Company had successfully completed the allotments of new shares to generate net proceeds of approximately HK$70 million for the year ended 31 March 2012. As of 31 March 2012, the Company has secured standby financial support totalling HK$100 million from the following two connected persons: (i) undertaking of financial support up to HK$50 million from Mr. Choi Sung Min who is currently the sole shareholder of Cordia and also a director of a subsidiary of the Company; (ii) undertaking of financial support up to HK$50 million from Mr. Lim Ho Sok who is currently the Chairman of the Board and an Executive Director of the Company. Another standby financial support up to US$6 million (equivalent to HK$46.8 million) is obtained from an independent third party.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

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

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

Management Discussion and Analysis

DISPOSALS

On 8 September 2011, the Group entered into a sale and purchase agreement with Cordia Global Limited to dispose of the Group's 70% equity interest in SOFOCO Development Limited and its subsidiary (collectively referred to as the "SOFOCO Group") and all amounts owing by SOFOCO Group to a subsidiary of the Company at a consideration of HK$16 million which is to be satisfied by the set off of the equivalent outstanding amount in the Company under the Promissory Notes upon completion. More detailed information in connection with the disposal of SOFOCO Group is set out in the Company's announcement and circular dated 9 September 2011 and 30 September 2011, respectively. The disposal was completed on 25 November 2011. Subsequent to the completion of the disposal of SOFOCO Group, the Group had discontinued its operation in vertical farming business.

On 27 January 2012, the Group entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire interest in Digital New Century Co. Limited and its subsidiaries (collectively referred to as the "DNC Group") at a consideration of HK$100,000 in cash. More detailed information in connection with the disposal of DNC Group is set out in the Company's announcement and circular dated 27 January 2012 and 8 March 2012, respectively. The disposal was completed on 30 March 2012. Subsequent to the completion of the disposal of DNC Group, the Group had discontinued its operation in digital television technology services business.

CONTINGENT CONSIDERATIONS

As of 31 March 2012, the Group had a contingent consideration payable for the acquisition of Lot 2 of LLC "Shakhta Lapichevskaya" ("Lapi") to be settled by the issuance of another convertible note with the principal amount to be determined by an agreed formula which, inter alia, takes into account the proven reserves and probable reserves of Lot 2 of the Coal Mine to be confirmed in a technical report to be issued by a technical expert. It is expected that the principal amount of this convertible note will range from the minimum amount of US$255,150,000 (equivalent to approximately HK$1,990,170,000) to the maximum amount of US$550,800,000 (equivalent to approximately HK$4,296,240,000).

LITIGATIONS

During the year and up to the date of this report, the Group has been involved in (i) legal proceedings taken by three former shareholders of a Russian subsidiary against the Group; and (ii) civil proceedings taken by the Company against three former directors of the Company.

Details of the litigations are set out in Note 40 to the financial statements.

CAPITAL COMMITMENTS

As of 31 March 2012, the Group had capital commitments in respect of property, plant and equipment of HK$1.0 million (2011: HK$2.0 million).

PLEDGE OF ASSETS

The Group had not pledged any of its assets for bank facilities as at 31 March 2012 or 31 March 2011.

SHARE OPTION SCHEMES

The Group has adopted share option scheme whereby directors, employees and consultants of the Group may be granted options to subscribe for the new shares of the Company. Details of the share option scheme are set out in Note 33 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 March 2012, the Group had approximately 30 staff in Hong Kong and Russia. Remuneration policy is reviewed by the management periodically and is determined by reference to industry practice, company performance, and individual qualifications and performance. Remuneration packages comprised salary, commissions and bonuses.

Report of the Directors

The Board of directors (the "Board") of Siberian Mining Group Company Limited (the "Company") presents their report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group include (i) holding of mining rights of coal mine located in Russia; and (ii) conducting the business of coal trading and scrapped iron trading.

The analysis of the principal activities of the subsidiaries are set out in note 19 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2012 and the state of affairs of the Group and the Company as at 31 March 2012 are set out on pages 25 to 107.

The Board does not recommend the payment of any dividend for the year ended 31 March 2012 (2011 : Nil).

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical segments of operations for the year ended 31 March 2012 is set out in note 6 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 108.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and consolidated statement of changes in equity, respectively.

As at 31 March 2012, the Company's distributable reserves amounted to HK$888,236,000 (2011: HK$1,144,145,000). Under the laws of the Cayman Islands, a company may make distributions to its members out of the contributed surplus account under certain circumstances. In addition, the Company's share premium account amounted to HK$1,689,092,000 (2011: HK$1,661,540,000) may be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options are set out in notes 31 and 33 respectively to the financial statements.

DONATION

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2012.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 96.7% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 76.5% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for approximately 100% of the Group's total purchases for the year, In particular, purchases from the Group's largest supplier accounted for approximately 91.3% of the Group's total purchases for the year.

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

DIRECTORS

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

Executive Directors

Mr. Lim Ho Sok *(Chairman)*
Mr. Shin Min Chul

Non-executive Director

Mr. Pang Ngoi Wah Edward

Independent Non-executive Directors

Mr. Cho Min Je (appointed on 22 February 2012)
Mr. Liew Swee Yean
Mr. Tam Tak Wah
Mr. Young Yue Wing Alvin

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

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company has a service contract with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTOR'S INTERESTS IN CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Lim Ho Sok, aged 47, was appointed as an executive director and chairman of the Company on 12 September 2008 and 16 June 2009 respectively. Mr. Lim is also a member of the remuneration committee and nomination committee of the Company and a director of certain subsidiaries of the Group. Prior to his joining of the Company, Mr. Lim has extensive experience in the business of banking, securities trading, property investment, financial advisory and related services. Mr. Lim holds a master degree and a bachelor degree in Economics from Brown University, USA and Indiana University, USA, respectively.

Mr. Shin Min Chul, aged 40, was appointed as an executive director of the Company with effect from 15 October 2009. Mr. Shin was also a director of a subsidiary of the Group. Mr. Shin started his career as a civil and environmental engineer since 1999. He worked for various companies in Korea and overseas, and co-founded an environmental engineering company. After pursuing his Master of Business Administration degree in 2005, he focused on private equity practice including major merger and acquisition projects in the Asia region and services for various global private equity funds. Mr. Shin holds a Bachelor of Science degree in urban engineering and a Master of Science degree in environmental engineering from Seoul National University, Korea. He also holds a Master of Business Administration degree from Kellogg School of Management, United States.

Non-executive director

Mr. Pang Ngoi Wah Edward, aged 51, was appointed as a non-executive director of the Company on 3 January 2011. Mr. Pang has over 20 years of experience in interbank foreign exchange and money market field in which Mr. Pang holds senior management positions. Mr. Pang has been working in Hong Kong, Singapore and the Republic of Korea.

Report of the Directors

Independent non-executive directors

Mr. Cho Min Je, aged 44, was appointed as an independent non-executive director of the Company on 22 February 2012. Mr. Cho is currently a member of the nomination committee of the Company. Mr. Cho graduated from Seoul National University with a Bachelor Degree in Business Administration in 1993. He was admitted to the Korean Bar Association in 1997. Mr. Cho has extensive experience in practices in mergers and acquisitions, corporate restructuring, finance and securities, civil and criminal litigation, and in general corporate areas. Mr. Cho currently practises as a solicitor at Sigong Law P.C., of which he holds a partner position. He is currently a member of Securities Law Forum and also a member of Korea Securities Law Association. Mr. Cho is currently an independent director of Tongyang Value Ocean Special Purpose Acquisition Company, the securities of which was listed on KOSPI (Korea Composite Stock Price Index) of Korea Stock Exchange.

Mr. Liew Swee Yean, aged 48, was appointed as an independent non-executive director of the Company on 3 December 2008. Mr. Liew is currently a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Liew has over 20 years of experience in financing and general management. Mr. Liew holds a Master of Business Administration (Executive) Degree from City University of Hong Kong. Mr. Liew is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, respectively. Mr. Liew is currently an independent non-executive director of Kaisun Energy Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Tam Tak Wah, aged 46, was appointed as an independent non-executive director of the Company on 11 June 2007. Mr. Tam is currently a member of the audit committee and remuneration committee of the Company. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. He has over 20 years of experience in accounting, corporate finance and corporate development. Mr. Tam is currently an executive director of New Smart Energy Group Limited and an independent non-executive director of Tech Pro Technology Development Limited and China Packaging Group Company Limited, all of these companies are listed on the Main Board of the Stock Exchange, and Goldenway, Inc, a company the common stock of which are traded in the OTCQB of the U.S.A. He was an independent non-executive director of National Arts Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange during the period from 8 November 2004 to 23 June 2009.

Mr. Young Yue Wing Alvin, aged 51, was appointed as an independent non-executive director of the Company on 9 August 2010. Mr. Yong is currently a member of the audit committee of the Company. Mr. Young holds a Bachelor degree of Arts in Mathematics from York University, Canada. He has over 20 years of experience in foreign exchange field and has been working in Hong Kong, Singapore and the Republic of Korea.

Senior management

Mr. Wong Wing Cheong, aged 48, joined the Company as the chief financial officer in May 2011. He graduated from the University of Hong Kong with a Bachelor of Social Sciences degree in Management and Economics, and received his Master of Business Administration degree in Investment and Finance from the University of Hull, United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators, and the Hong Kong Institute of Company Secretaries. He has extensive experience in accounting, corporate finance, and mergers and acquisition projects of local listed companies.

Ms. Lo Suet Fan, aged 46, joined the Company as financial controller in August 2009. She is also the company secretary and authorized representative of the Company. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. She has extensive experience in accounting and financial management.

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

At 31 March 2012, the interests of the directors, chief executives and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(i) Long position in shares of HK$0.20 each in the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Executive director :			
Lim Ho Sok ("Mr. Lim") (Note 1)	Interests in controlled corporation	11,400,000	5.00%
Non-executive director :			
Pang Ngoi Wah Edward	Beneficial owner	175,000	0.08%

Note 1: These 11,400,000 shares are beneficially owned by Goldwyn Management Limited ("Goldwyn"). The entire issued share capital of Goldwyn is legally and beneficially owned by Mr. Lim.

(ii) Long position in underlying shares of HK$0.20 each in the Company - share options

Name	Date of grant	Number of underlying shares comprised in the options	Exercise price per share	Exercisable period
Executive director :				
Lim Ho Sok	30 January 2012	2,000,000	0.355	30 January 2012 to 29 January 2022
Non-executive director :				
Pang Ngoi Wah Edward	30 January 2012	2,000,000	0.355	30 January 2012 to 29 January 2022

Save as disclosed above, as at 31 March 2012, none of the directors or any of their associates or chief executive of the Company (as defined in the Listing Rules) had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to SFO (including interests which they are taken or deemed to have under SFO) or which are, pursuant to Section 352 of the SFO, entered in the register referred to therein or, pursuant to the Model Code as otherwise notified to the Company and the Stock Exchange.

Report of the Directors

CONTINUING CONNECTED TRANSACTION

On 12 January 2010, Grandvest International Limited, a wholly-owned subsidiary of the Company, entered into a consultancy agreement ("Consultancy Agreement") with Mr. Choi Sung Min ("Mr. Choi"), the beneficial owner of Cordia Global Limited, a substantial shareholder of the Company and Langfeld Enterprises Limited, a non-wholly owned subsidiary of the Company, to provide business development advice and explore business opportunities in relation to the current business of the Grandvest group and any other business that may be developed by the Grandvest group for a term of two years commencing from 1 January 2010, and may be terminated by either party during the term by giving to the other at least one month's notice in writing. Mr. Choi is entitled to a monthly consultancy fee of HK$150,000. The Consultancy Agreement constituted a continuing connected transaction of the Company and details of which were announced on 12 January 2010. The Consultancy Agreement expired on 31 December 2011 and was not renewed.

The Board has approved and the Independent Non-executive Directors have reviewed and confirmed that the above continuing connected transaction has been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders as a whole.

The board had received the letter from the Company's auditor according to the rule 14A.38 of the Listing Rules.

The external auditor of the Company, BDO Limited, has also confirmed that the above continuing connected transaction:

(1) has been approved by the Board;

(2) has been entered into in accordance with the terms as contained in the Consultancy Agreement; and

(3) has not exceeded the cap as disclosed in the announcement of the Company dated 12 January 2010.

The disclosure requirements in accordance with the Listing Rules in relation to the connected transactions including continuing connected transactions, for the year under review have been complied with.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 33 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such right in any other body corporate.

Report of the Directors

SHARE OPTION SCHEME

On 19 October 2002, the Company had adopted a share option scheme (the "Scheme"). Further details of the Scheme is set out in note 33 to the financial statements.

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

Name or category of participant	Number of shares options							Date of grant of share options	Exercise period of share options	Exercise price of share options
	At 1/04/2011	Lapsed during the year before share consolidation	Share consolidation during the year	Lapsed during the year after share consolidation	Granted during the year after share consolidation	Exercised during the year after share consolidation (Note)	At 31/03/2012			HK$
Executive director										
Lim Ho Sok	–	–	–	–	2,000,000	–	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Non-executive director										
Pang Ngoi Wah Edward	–	–	–	–	2,000,000	–	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	–	–	–	–	4,000,000	–	4,000,000			
Employees and consultants other than directors										
In aggregate	5,868,000	(1,956,000)	(3,716,400)	(195,600)	–	–	–	10/09/2007	10/09/2007 to 09/09/2017	89.04*
In aggregate	–	–	–	–	3,080,000	(200,000)	2,880,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	5,868,000	(1,956,000)	(3,716,400)	(195,600)	3,080,000	(200,000)	2,880,000			
Total	5,868,000	(1,956,000)	(3,716,400)	(195,600)	7,080,000	(200,000)	6,880,000			

* Exercise price of share options issued in the prior periods has been adjusted with the effect of share consolidation on 3 October 2011.

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

As at 31 March 2012, the register of interests in shares and short positions required to be kept by the Company under Section 336 of the SFO showed that the following persons (other than the directors or chief executive of the Company) had disclosed to the Company an interest of 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company:

(i) Long position in shares of HK$0.20 each in the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cordia Global Limited ("Cordia") (Note 1)	Beneficial owner	11,000,000	4.82%
Choi Sung Min (Note 1)	Interest in controlled corporation	11,000,000	4.82%
Jung Mi Na (Note 1)	Deemed interest	11,000,000	4.82%
Kim Seon Yong	Beneficial owner	21,300,000	9.34%
Income Plus Investment Limited	Beneficial owner	20,678,685	9.07%
Master Impact Inc.	Beneficial owner	62,036,055	27.20%
Skyline Merit Limited	Beneficial owner	41,357,370	18.13%

(ii) Long position in underlying shares of HK$0.20 each in the Company

Name of shareholders	Capacity	Number of underlying shares held	Percentage of the shareholding
Cordia Global Limited ("Cordia") (Note 1)	Beneficial owner	35,805,750,000	15699.41%
Choi Sung Min (Note 1)	Interest in controlled corporation	35,805,750,000	15699.41%
	Beneficial owner	2,000,000	0.88%
Jung Mi Na (Notes 1 & 2)	Deemed interest	35,807,750,000	15700.29%

Note 1: The entire issued share capital of Cordia is beneficially owned by Mr. Choi Sung Min ("Mr. Choi"). By virtue of the SFO, Mr. Choi and Ms. Jung Mi Na, being the wife of Mr. Choi are deemed to be interested in these 11,000,000 shares and 35,805,750,000 underlying shares which Cordia has beneficial interest in.

Note 2: By virtue of the SFO, Ms. Jung Mi Na, being the wife of Mr. Choi, is deemed to be interested in all 35,807,750,000 underlying shares which Mr. Choi has beneficial interest in.

Report of the Directors

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 18 to 22 to the annual report.

SIGNIFICANT EVENTS AFTER THE REPORTING YEAR

Details of the significant events after the reporting year of the Group are set out in note 44 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

AUDITOR

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

On behalf of the Board

Lim Ho Sok
Chairman

Hong Kong, 28 June 2012

Corporate Governance Report

INTRODUCTION

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

CORPORATE GOVERNANCE PRACTICES

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

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

(ii) Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, three of the INEDs, namely Mr. Tam Tak Wah, Mr. Liew Swee Yean and Mr. Young Yue Wing Alvin, have not been appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's articles of association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board comprises seven Directors, of whom two are executive Directors, one is non-executive Director ("NED") and four are independent non-executive Directors (the "INEDs"). The Board believes that as the number of NED and INEDs exceeds the number of executive Directors, the composition of the Board is adequate to provide checks and balances that safeguard the interests of shareholders and the Group.

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

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

Corporate Governance Report

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

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

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

Executive Directors:
Lim Ho Sok *(Chairman)*
Shin Min Chul

Non-Executive Director:
Pang Ngoi Wah Edward

Independent Non-Executive Directors:
Cho Min Je (appointed on 22 February 2012)
Liew Swee Yean
Tam Tak Wah
Young Yue Wing Alvin

Brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section in the Report of the Directors on pages 11 to 12 of this annual report.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year under review, 14 Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

Directors	Attendance
Executive Directors	
Lim Ho Sok	14/14
Shin Min Chul	13/14
Non-executive Director	
Pang Ngoi Wah Edward	4/14
Independent Non-executive Directors	
Cho Min Je (appointed on 22 February 2012)	0/0
Liew Swee Yean	4/14
Tam Tak Wah	4/14
Yong Yue Wing Alvin	4/14

Under the code provision A.4.1 of the Code, non-executive director should be appointed for a specific term and subject to re-election. However, three of the INEDs, namely Mr. Liew Swee Yean, Mr Tam Tak Wah and Mr. Young Yue Wing Alvin have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company (the "Articles"). As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those in the Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of chairman and CEO should be segregated and should not be performed by the same individual.

Mr. Lim Ho Sok assumed the roles of both the chairman and CEO of the Company during the year under review, which constitutes a deviation from the code provision A.2.1.

Whilst the Company is looking for suitable replacement for the post of CEO, the Board believes that the vesting of the roles of chairman and CEO in the same person provides the Group with strong and consistent leadership during this transitional period.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005. The chairman of the committee is Mr. Liew Swee Yean (an INED) and other members included Mr. Lim Ho Sok (an executive Director) and Mr. Tam Tak Wah (an INED).

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

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

Members	Attendance
Liew Swee Yean *(Chairman)*	3/3
Lim Ho Sok	3/3
Tam Tak Wah	3/3

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

AUDIT COMMITTEE

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

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

The Audit Committee held two meetings during the year under review, in which the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters so as to ensure that an effective control environment is maintained.

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

Members	Attendance
Tam Tak Wah *(Chairman)*	2/2
Liew Swee Yean	2/2
Young Yue Wing Alvin	2/2

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

NOMINATION COMMITTEE

The Nomination Committee was established in March 2012. The chairman of the committee is Mr. Lim Ho Sok and other members included two INEDs, namely Mr. Liew Swee Yean and Mr. Cho Min Je.

The Nomination Committee is responsible for reviewing and recommending the structure, size and composition of the Board to complement the Company's corporate strategy, identifying suitably qualified individuals to become board members and assessing the independence of INEDs. It is also responsible for recommending the appointment, re-appointment and removal of directors and succession planning of directors; and ensuring at least one INED who sit in the Audit Committee posses professional qualifications in accounting or financial management.

No meeting was held by Nomination Committee in the year under review. The first Nomination Committee meeting was held on 26 June 2012.

The Board has the power to appoint Directors pursuant to the Articles. During the year ended 31 March 2012, the Board appointed one new INED on 22 February 2012 before the establishment of Nomination Committee.

AUDITOR'S REMUNERATION

During the year under review, total auditor's remuneration charged in relation to statutory audit work of the Group amounted to HK$1,821,000 (2011: HK$1,693,000) and non-audit services rendered amounted to HK$752,000 (2011: HK$220,000).

Corporate Governance Report

ACCOUNTABILITY AND INTERNAL CONTROL

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

The Board has overall responsibility for monitoring the internal control of the Group and reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of the shareholders and the Group's assets. The Board has delegated to the management the implementation of the internal control system within an established framework.

SHAREHOLDER RIGHTS AND INVESTORS RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at general meetings of the Company are contained in the Articles. Information of such rights to demand a poll procedure is included in all relevant circulars to shareholders and will be explained during the proceedings of meetings.

Poll results will be posted on the websites of the Stock Exchange and of the Company following the general meetings.

To foster effective communications, the Company provided all necessary information to its shareholders in its annual report, interim report and announcements. The Board hosts an annual general meeting each year to meet the shareholders so as to ensure that the shareholders' view is communicated to the Board. The Board will make efforts to attend the annual general meetings so that they could communicate with the shareholders and answer their questions.

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SIBERIAN MINING GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Siberian Mining Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 107, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3(b) to the consolidated financial statements which indicates that the Group incurred a net loss for the year from continuing operations of HK$448,799,000 for the year ended 31 March 2012 and, as of that date, the Group's current liabilities exceeded its current assets by HK$41,935,000. These conditions, along with other matters as set forth in Note 3(b) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

BDO Limited
Certified Public Accountants

Shiu Hong Ng
Practising Certificate number P03752

Hong Kong, 28 June 2012

Consolidated Income Statement

For the year ended 31 March 2012

	Notes	Continuing operations 2012 HK$'000	Continuing operations 2011 HK$'000	Discontinued operations 2012 HK$'000	Discontinued operations 2011 HK$'000	Total 2012 HK$'000	Total 2011 HK$'000
Turnover	7	**9,291**	10,211	**2,111**	8,040	**11,402**	18,251
Cost of sales		**(9,258)**	(10,026)	**(338)**	(3,683)	**(9,596)**	(13,709)
Gross profit		**33**	185	**1,773**	4,357	**1,806**	4,542
Other income	7	**48**	2,144	**527**	911	**575**	3,055
Other gains and losses	7	**(258,295)**	90,577	**(8,330)**	(57,312)	**(266,625)**	33,265
Selling and distribution costs		**(464)**	(120)	**(1,605)**	(5,414)	**(2,069)**	(5,534)
Administrative and other expenses		**(167,164)**	(158,487)	**(10,388)**	(24,369)	**(177,552)**	(182,856)
Finance costs	8	**(22,954)**	(31,232)	**(219)**	(896)	**(23,173)**	(32,128)
Loss before income tax	9	**(448,796)**	(96,933)	**(18,242)**	(82,723)	**(467,038)**	(179,656)
Gain on disposal of subsidiaries	35	**–**	–	**15,409**	–	**15,409**	–
Income tax	11(i)	**(3)**	2,458	**48**	9,482	**45**	11,940
Loss for the year		**(448,799)**	(94,475)	**(2,785)**	(73,241)	**(451,584)**	(167,716)
Attributable to:							
Owners of the Company	12	**(409,397)**	(81,226)	**13,398**	(49,191)	**(395,999)**	(130,417)
Non-controlling interests		**(39,402)**	(13,249)	**(16,183)**	(24,050)	**(55,585)**	(37,299)
		(448,799)	(94,475)	**(2,785)**	(73,241)	**(451,584)**	(167,716)
							(Restated)
Loss per share							
From continuing and discontinued operations							
Basic (Hong Kong dollar)	14					**2.26**	1.51
Diluted (Hong Kong dollar)	14					**2.26**	2.14
From continuing operations							
Basic (Hong Kong dollar)	14					**2.34**	0.94
Diluted (Hong Kong dollar)	14					**2.34**	1.64

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Continuing operations		Discontinued operations		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Loss for the year	**(448,799)**	(94,475)	**(2,785)**	(73,241)	**(451,584)**	(167,716)
Other comprehensive income for the year, net of tax:						
– Reclassification adjustments of translation reserve upon disposal of interests in subsidiaries	**–**	–	**(6,022)**	–	**(6,022)**	–
– Exchange differences on translation of financial statements of foreign operations	**(48,774)**	51,870	**610**	2,186	**(48,164)**	54,056
Total comprehensive income for the year, net of tax	**(497,573)**	(42,605)	**(8,197)**	(71,055)	**(505,770)**	(113,660)
Attributable to:						
Owners of the Company	**(453,317)**	(34,551)	**7,778**	(47,843)	**(445,539)**	(82,394)
Non-controlling interests	**(44,256)**	(8,054)	**(15,975)**	(23,212)	**(60,231)**	(31,266)
	(497,573)	(42,605)	**(8,197)**	(71,055)	**(505,770)**	(113,660)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**20,668**	29,561
Prepayments for acquisition of property, plant and equipment		**169**	4,493
Goodwill	16	**–**	–
Other intangible assets	17	**986,722**	1,423,093
Exploration and evaluation assets, and prepayment for acquisition of exploration and mining rights	18	**249,600**	249,600
Direct costs for possible acquisition of subsidiaries	20	**–**	618
		1,257,159	1,707,365
Current assets			
Inventories	22	**–**	432
Trade receivables	23	**–**	15,659
Other receivables, deposits and prepayments	24	**5,840**	12,278
Amounts due from non-controlling interests of subsidiaries	39(b)	**–**	524
Amounts due from related parties	39(c)	**–**	2,018
Cash and cash equivalents	25	**1,524**	9,639
		7,364	40,550
Current liabilities			
Trade payables	26	**–**	846
Other payables, accrued expenses and trade deposits received		**11,199**	11,768
Coal trading deposit received	27	**27,300**	–
Purchase consideration payable for additional acquisition	34	**10,800**	31,943
Tax payable		**–**	1,038
		49,299	45,595
Net current liabilities		**(41,935)**	(5,045)
Total assets less current liabilities		**1,215,224**	1,702,320

Consolidated Statement of Financial Position *(Continued)*

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Amount due to a shareholder	39(a)	**53,095**	39,470
Amounts due to related parties	39(d)	**–**	5,905
Promissory notes payables	29	**104,051**	156,670
Provision for close down, restoration and environmental costs	38	**1,971**	1,849
Deferred tax liabilities	30	**93**	93
		159,210	203,987
Net assets		**1,056,014**	1,498,333
EQUITY			
Share capital	31	**45,614**	27,124
Reserves		**930,553**	1,331,559
Equity attributable to owners of the Company		**976,167**	1,358,683
Non-controlling interests		**79,847**	139,650
Total equity		**1,056,014**	1,498,333

These financial statements were approved and authorised for issue by the board of directors on 28 June 2012.

Lim Ho Sok
Director

Shin Min Chul
Director

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	19	**1,100,978**	1,345,366
Current assets			
Other receivables, deposits and prepayments		**428**	76
Cash and cash equivalents	25	**952**	5,003
		1,380	5,079
Current liabilities			
Other payables and accrued expenses		**4,011**	2,027
Coal trading deposit received	27	**27,300**	–
		31,311	2,027
Net current (liabilities)/assets		**(29,931)**	3,052
Total assets less current liabilities		**1,071,047**	1,348,418
Non-current liabilities			
Amount due to a shareholder	39(a)	**33,146**	22,392
Promissory notes payables	29	**104,051**	154,757
		137,197	177,149
Net assets		**933,850**	1,171,269
EQUITY			
Share capital	31	**45,614**	27,124
Reserves	32	**888,236**	1,144,145
Total equity		**933,850**	1,171,269

These financial statements were approved and authorised for issue by the board of directors on 28 June 2012.

Lim Ho Sok
Director

Shin Min Chul
Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Share capital HK$'000 (Note 31)	Share premium HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note c)	Equity-settled share option reserve HK$'000 (Note d)	Capital reserve HK$'000 (Note a(i))	Statutory reserve fund HK$'000 (Note b)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2010	224,441	1,079,933	85,128	360,254	4,956	–	909	(992,696)	762,925	174,110	937,035
Loss for the year	–	–	–	–	–	–	–	(130,417)	(130,417)	(37,299)	(167,716)
Other comprehensive income for the year	–	–	48,023	–	–	–	–	–	48,023	6,033	54,056
Total comprehensive income for the year	–	–	48,023	–	–	–	–	(130,417)	(82,394)	(31,266)	(113,660)
Issue of shares on exercise of share options (Notes 31(ii) & (v))	392	876	–	–	(390)	–	–	–	878	–	878
Issue of shares upon conversion of convertible notes (Notes 31(vi) & (x))	110,370	463,051	–	–	–	–	–	–	573,421	–	573,421
Capital Reorganisation (Note 31(vii))	(315,479)	–	–	–	–	–	–	315,479	–	–	–
Placements of new shares (Note 31(ix))	7,400	117,680	–	–	–	–	–	–	125,080	–	125,080
Adjustment to the consideration of acquisition of additional interests in a subsidiary from non-controlling interests completed in the prior year (Note 34)	–	–	–	(28,749)	–	–	–	–	(28,749)	(3,194)	(31,943)
Waiver of interest on early settlement of amount due to shareholder (Note 39(a))	–	–	–	–	–	7,522	–	–	7,522	–	7,522
Balance at 31 March 2011	27,124	1,661,540	133,151	331,505	4,566	7,522	909	(807,634)	1,358,683	139,650	1,498,333

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 March 2012

	Share capital HK$'000 (Note 31)	Share premium HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note c)	Equity-settled share option reserve HK$'000 (Note d)	Capital reserve HK$'000 (Notes a(i) & (ii))	Statutory reserve fund HK$'000 (Note b)	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2011	27,124	1,661,540	133,151	331,505	4,566	7,522	909	(807,634)	1,358,683	139,650	1,498,333
Loss for the year	–	–	–	–	–	–	–	(395,999)	(395,999)	(55,585)	(451,584)
Other comprehensive income for the year	–	–	(49,540)	–	–	–	–	–	(49,540)	(4,646)	(54,186)
Total comprehensive income for the year	–	–	(49,540)	–	–	–	–	(395,999)	(445,539)	(60,231)	(505,770)
Placements of new shares (Notes 29(a), 31(i) & (iv))	18,450	27,500	–	–	–	10,649	–	–	56,599	–	56,599
Lapse of share options	–	–	–	–	(4,566)	–	–	4,566	–	–	–
Discount received on the early settlement of the Modified PN (Note 29(a))	–	–	–	–	–	4,192	–	–	4,192	–	4,192
Transfer upon disposal of subsidiaries	–	–	–	–	–	–	(909)	909	–	–	–
Disposal of subsidiaries (Note 35)	–	–	–	–	–	–	–	–	–	428	428
Issue of share options (Note 33)	–	–	–	–	1,028	–	–	–	1,028	–	1,028
Issue of shares on exercise of share options (Note 31(viii))	40	52	–	–	(21)	–	–	–	71	–	71
Waiver of interest on early settlement of amount due to shareholder (Note 39(a))	–	–	–	–	–	1,133	–	–	1,133	–	1,133
Balance at 31 March 2012	45,614	1,689,092	83,611	331,505	1,007	23,496	–	(1,198,158)	976,167	79,847	1,056,014

Notes:

(a) At the end of reporting period, capital reserve of the Group represented: (i) the amount of interest charged on amount due to a shareholder of the Company that was waived as a result of early partial settlement on the principal loan due to the shareholder, which was accounted for as capital contributions from an equity participant of the Company for the year ended 31 March 2012 and 2011; and (ii) the difference between the carrying amount of the Modified PN discharged and the fair value of the new ordinary shares of the Company issued as consideration for the early partial settlements of the Modified PN. This difference is accounted for as a contribution from an equity participant of the Company for the year ended 31 March 2012. Details are set out in Note 29(a).

(b) The Group's subsidiaries operating in the People's Republic of China (the "PRC") are required to transfer 10% of their net profit as determined in accordance with the PRC Accounting Rules and Regulations to statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of dividends to the owners of the PRC subsidiaries. The statutory reserve fund was released in the current year upon the disposal of the Group's subsidiaries operating in the PRC.

(c) Other reserve represented the excess of the share of the carrying value of the subsidiary's net assets acquired from the non-controlling interests of a subsidiary over the fair value of the consideration paid on the completion date of the acquisition and the subsequent adjustment to the consideration recognised by the Group upon fulfilment of certain conditions as set out in Note 34.

(d) At the end of reporting period, the equity-settled share option reserve represented the fair value of the outstanding share options of the Company at the respective grant dates.

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
Operating activities		
Loss before income tax	**(467,038)**	(179,656)
Adjustments for:		
Interest income	**(35)**	(357)
Interest income from promissory note	**–**	(796)
Gain on disposal of property, plant and equipment	**(643)**	–
Loss on disposal of property, plant and equipment	**145**	–
Gain on change in fair value of derivative component of convertible notes	**–**	(90,271)
Write off of property, plant and equipment	**–**	2,219
Write off of direct costs on unsuccessful acquisition of subsidiaries	**618**	–
Write back of trade payables	**–**	(293)
Equity-settled share option expense	**1,028**	–
Depreciation	**440**	734
Amortisation of other intangible assets	**123,401**	125,193
Finance costs	**23,173**	32,128
Provision for close down, restoration and environmental costs	**185**	170
Impairment loss on goodwill	**–**	13,421
Impairment loss on other intangible assets	**261,012**	39,380
Impairment loss on property, plant and equipment	**5,283**	1,555
Allowance for doubtful trade receivables	**973**	2,956
Operating cash outflow before working capital changes	**(51,458)**	(53,617)
(Increase)/decrease in inventories	**(151)**	36
Decrease/(increase) in trade receivables	**14,232**	(7,548)
Decrease/(increase) in other receivables, deposits and prepayments	**4,552**	(2,372)
Decrease in trade payables	**(556)**	(2,457)
Increase/(decrease) in other payables, accrued expenses and trade deposits received	**2,287**	(888)
Increase in coal trading deposit received	**27,300**	–
Decrease in amounts due from related parties	**–**	5
Increase in amounts due to related parties	**794**	4,749
Cash used in operations	**(3,000)**	(62,092)
Interest and bank charges paid	**(114)**	(78)
Net cash used in operating activities	**(3,114)**	(62,170)

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Investing activities			
Direct costs paid for possible acquisition of subsidiaries		**–**	(618)
Payment of purchase consideration for additional acquisition	40(i)	**(21,143)**	–
Disposal of subsidiaries	35	**(1,148)**	–
Deposits refunded from/(paid for) acquisition of property, plant and equipment		**2,181**	(392)
Purchases of property, plant and equipment		**(425)**	(13,186)
Proceeds from disposal of property, plant and equipment		**859**	–
Interest received		**35**	347
Net cash used in investing activities		**(19,641)**	(13,849)
Financing activities			
Loan received from a shareholder of the Company		**47,000**	86,947
Loan received from an independent third party		**1,350**	–
Repayment of loan from a shareholder of the Company		**(34,680)**	(186,482)
Repayment of principal of promissory notes		**(23,400)**	(10,245)
Principal and interest of promissory note received		**–**	8,126
Proceeds from issue of shares on exercise of share options, net		**71**	878
Proceeds from placements of new shares, net		**23,011**	125,080
Net cash generated from financing activities		**13,352**	24,304
Net decrease in cash and cash equivalents		**(9,403)**	(51,715)
Cash and cash equivalents at beginning of year		**9,639**	60,148
Effect of foreign exchange rate changes		**1,288**	1,206
Cash and cash equivalents at end of year		**1,524**	9,639
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**1,524**	9,639

The cash flows of the discontinued operations were as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
Net cash used in operating activities	**(2,757)**	(6,047)
Net cash generated from/(used in) investing activities	**744**	(4,665)
Net cash used in financing activities	**–**	(2,645)
Total net cash outflows	**(2,013)**	(13,357)

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. ORGANISATION AND OPERATIONS

Siberian Mining Group Company Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability, and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is at 16 Floor, No. 8 Queen's Road Central, Central, Hong Kong.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 19.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

The adoption of these new/revised standards and interpretations which are relevant to the Group's operation has no significant impact on the Group's financial statements.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationship of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in Note 39.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 1 (Revised)	Clarification of the Requirements for Comparative Information[3]
Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 27 (2011)	Separate Financial Statements[3]
HKAS 19 (2011)	Employee Benefits[3]
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine[3]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 July 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions is undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

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

Notes to the Financial Statements

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement and going concern assumptions

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

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimations are based on the best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

During the year, the Group incurred a net loss for the year from continuing operations of approximately HK$448,799,000. The Group's current liabilities exceeded its current assets by approximately HK$41,935,000 as at 31 March 2012. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The directors are currently implementing the measures (i) and (ii) as set out below to improve the operating and financial position of the Group. The directors also considered that item (iii) as set out below has improved the financial position of the Group:

(i) Actively seeking investors to inject funds into the Group to provide working capital. As set out in Note 44(a), the Company has entered into a placing agreement and a supplemental agreement with a placing agent to place convertible notes of up to an aggregate principal amount of US$70,000,000 in two tranches. Conditions precedent facilitating the issue of tranche 1 and tranche 2 must be fulfilled by 28 September 2012 and 30 October 2012 respectively. The supplemental agreement is subject to approval by shareholders of the Company in an upcoming extraordinary general meeting to be arranged;

(ii) Continue to exercise stringent cost control to reduce administrative and other expenses by further streamlining the Group operation; and

(iii) As further set out in Note 44(b), Cordia had transferred, in aggregate, US$9,000,000 (equivalent to HK$70,200,000) of the principal amount of the Modified PN to three independent third parties who entered into subscription agreements with the Company to subscribe for, in aggregate, 124,072,110 ordinary shares of the Company for an aggregate consideration of US$9,000,000 (equivalent to HK$70,200,000). The Company issued these subscription shares on 21 May 2012 which were settled in full by discharging the equivalent carrying amount of the Modified PN held by these three independent third parties. The balance of the carrying amount of the Modified PN outstanding remains payable in one sum on the maturity date of 25 May 2015.

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumptions *(Continued)*

In addition, the Group has obtained funding and financial support from the following parties:

(a) Obtained a written undertaking from a director of a subsidiary of the Company and the Chairman of the Board of the Company to provide continuous financial support to the Group. Each of them has provided a loan facility of up to HK$50,000,000 to the Group repayable on or before 20 September 2013.

(b) As set out in Note 44(c)(iii), a coal purchaser which became a shareholder of the Company subsequent to the end of the reporting period, expressed its willingness to render continuous financial support to the Group for a two-year period ending 19 June 2014 for an aggregate amount of up to US$6,000,000 by way of loans or advances at the market interest rate to be agreed mutually.

(c) As set out in Note 44(d), with regard to amount due to a shareholder, the shareholder has agreed not to demand for repayment of the amount due before 20 December 2014.

(d) As set out in Note 44(e), on 27 June 2012, the Company entered into a loan agreement with a coal purchaser who has agreed to make available an unsecured revolving loan facility to the Group of up to an aggregate amount of US$3,000,000 repayable within three years from the date of drawdown. The loan facility so withdrawn bears interest at 6% per year.

With the successful implementation of the measures and funding and financial support obtained as set out above, and having regard to the terms of the trade deposits paid by a coal purchaser during the year as set out in Note 27 and subsequent to end of the reporting period as set out in Note 44(c)(ii), in the opinion of the directors, the Group will have sufficient funds to satisfy its future working capital and other financial commitments as and when they fall due. Accordingly, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business, the effect of which has not yet been reflected in the financial statements. Adjustments may have to be made to write down assets to their recoverable amounts. In addition, the Group may have to provide further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 April 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Subsequent to acquisition, the carrying amount of non-controlling interest that represents present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interest even if this results in the non-controlling interest having a deficit balance.

(b) Subsidiaries

Subsidiaries are entities over which the Company is able to exercise control. Control is achieved where the company, directly or indirectly, has the power to govern the financial and operating policies of entities so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

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

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(d) Property, plant and equipment

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

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

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

Plant and machinery	6.67%
Furniture and fixtures	20%
Equipment	10% to 20%
Motor vehicles	10% to 30%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

(e) Construction in progress

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Captialisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for intended use.

(f) Intangible assets excluding goodwill

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with definite useful live are carried at cost less accumulated amortisation and accumulated impairment losses.

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets excluding goodwill *(Continued)*

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

Mining rights

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

Technical know-how

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that may be impaired.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Exploration and evaluation assets

Exploration and evaluation assets include the cost of obtaining and maintaining mining and exploration rights and expenditure incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, they are stated at cost less any accumulated impairment losses and no amortisation charge is recognised. Cost expensed during the exploration and evaluation phase including expenditure incurred before obtaining the legal rights to explore specific area are included in profit or loss.

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the higher of the exploration and evaluation asset's fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped into each area of interest for which exploration activities are undertaken.

When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are transferred to "Property, plant and equipment" and "Mining licence", as appropriate. These assets are tested for impairment before their reclassification.

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and cost necessary to make the sale.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty; or

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, and amount due to a non-controlling owner of a subsidiary are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Convertible notes

Convertible notes issued by the Group that contain both liability and derivative components are classified separately into their respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an embedded derivative. At the date of issue, both the liability and derivative components are recognised at fair value.

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(iv) Convertible notes *(Continued)*

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

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

(v) Effective interest method

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

(vi) Equity instruments

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

(vii) Warrants

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

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when, and only when, the obligation specified in the relevant contract is discharged, cancelled or expires.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Financial instruments *(Continued)*

(viii) Derecognition *(Continued)*

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(k) Cash and cash equivalents

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

(l) Operating leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All others leases are classified as operating leases.

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

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

(m) Provisions, contingent liabilities and contingent assets

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probable result in an outflow of economic benefits that can be reliably measured.

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Provisions, contingent liabilities and contingent assets *(Continued)*

Provision for close down, restoration and environmental costs

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

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

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

(n) Taxation

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

i. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Taxation *(Continued)*

ii. Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Foreign currencies

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

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

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

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

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

(p) Employees' benefits

i) Short-term benefits

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Employees' benefits *(Continued)*

ii) Pension obligations

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

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

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

iii) Share-based payments

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

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

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

(q) Borrowing costs

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(s) Revenue recognition

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

i) Revenue from the sale of products is recognised when the Group has delivered products to the customers, the customers have accepted the products;

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

(a) Critical judgements in applying accounting policies

Amortisation of mining right

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

Going concern basis

These financial statements have been prepared on a going concern basis and the details are explained in note 3(b) to the financial statements.

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

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year, are as follows:

Equity-settled share option expense

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

Impairment of non-financial assets and goodwill

Goodwill is tested for impairment at least annually. Other assets including property, plant and equipment, exploration and evaluation assets, and mining licences are assessed annually to determine for any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as selling prices, discount rates, future capital requirements and operating costs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

Cash flows are discounted to their present value using a post or pre-tax discount rate, where appropriate that reflects current market assessments of the time value of money and the risks specific to the asset. However, actual sale volume, selling price, future capital requirements and operating costs may be different from assumptions which may require a material adjustment to carrying amount of the assets affected. Management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.

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

(b) Key sources of estimation uncertainty *(Continued)*

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

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

Reserve estimates

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

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

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

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

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

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

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

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

(b) Key sources of estimation uncertainty *(Continued)*

Provision for close down, restoration and environmental costs

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

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. In this connection, the management makes certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after exploration and evaluation expenditure is capitalised, information becomes available suggesting that the recovery of this expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

Income taxes

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

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

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

(i) Mining segment comprises holding mining and exploration rights of coal mines in the Russian Federation ("Russia") and will be engaged in the exploration and mining of coal.

(ii) Scrapped iron and coal trading segment comprises the business of scrapped iron and coal trading to the Republic of Korea ("Korea").

(iii) Digital television technology services segment engages in the provision of digital television technology services, including sale of cable video-on demand systems, information broadcasting systems and embedded television systems. During the current year, the Group disposed of its business of digital television technology services. Accordingly, the business segment of digital television technology services is classified as discontinued operation, and the comparative figures of this segment are re-classified from continuing operations to discontinued operation.

(iv) The vertical farming segment engages in the provision of vertical farming projects in the People's Republic of China (the "PRC"). During the current year, the Group disposed of its business of vertical farming. Accordingly, the business segment of vertical farming is classified as discontinued operation, and the comparative figures of this segment are re-classified from continuing operations to discontinued operation.

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

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

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's reportable segments for the years ended 31 March 2012 and 2011.

For the year ended 31 March 2012

	Continuing operations			Discontinued operations			
	Mining HK$'000	Scrapped iron and coal trading HK$'000	Subtotal HK$'000	Digital television technology services HK$'000	Vertical farming HK$'000	Subtotal HK$'000	Consolidated total HK$'000
Reportable segment revenue							
Revenue from external customers	–	9,291	9,291	2,100	11	2,111	11,402
Reportable segment loss	(413,513)	(452)	(413,965)	(4,839)	(13,184)	(18,023)	(413,988)
Interest income	9	21	30	3	1	4	34
Impairment loss on other intangible assets	(253,012)	–	(253,012)	–	(8,000)	(8,000)	(261,012)
Impairment loss on property, plant and equipment	(5,283)	–	(5,283)	–	–	–	(5,283)
Depreciation	(124)	(3)	(127)	(83)	(210)	(293)	(420)
Amortisation of other intangible assets	(121,526)	–	(121,526)	–	(1,875)	(1,875)	(123,401)
Allowance for doubtful trade receivables	–	–	–	(973)	–	(973)	(973)
Equity-settled share option expenses	(47)	–	(47)	–	–	–	(47)
Reportable segment assets	1,262,973	109	1,263,082	–	–	–	1,263,082
Additions to non-current assets	2,281	–	2,281	119	–	119	2,400
Reportable segment liabilities	(66,461)	(185)	(66,646)	–	–	–	(66,646)

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

For the year ended 31 March 2011

	Continuing operations (Restated)			Discontinued operations (Restated)			
	Mining HK$'000	Coal trading HK$'000	Subtotal HK$'000	Digital television technology services HK$'000	Vertical farming HK$'000	Subtotal HK$'000	Consolidated total HK$'000 (Restated)
Reportable segment revenue							
Revenue from external customers	–	10,211	10,211	8,028	12	8,040	18,251
Reportable segment (loss)/profit	(144,590)	284	(144,306)	(62,934)	(18,893)	(81,827)	(226,133)
Interest income	341	11	352	2	2	4	356
Impairment loss on goodwill	–	–	–	(13,421)	–	(13,421)	(13,421)
Impairment loss on other intangible assets	–	–	–	(34,707)	(4,673)	(39,380)	(39,380)
Impairment loss on property, plant and equipment	–	–	–	(1,555)	–	(1,555)	(1,555)
Depreciation	(161)	–	(161)	(384)	(169)	(553)	(714)
Amortisation of other intangible assets	(118,699)	–	(118,699)	(2,074)	(4,420)	(6,494)	(125,193)
Allowance for doubtful trade receivables	–	–	–	(2,956)	–	(2,956)	(2,956)
Reportable segment assets	1,697,489	14,391	1,711,880	10,156	20,058	30,214	1,742,094
Additions to non-current assets	8,503	14	8,517	29	4,640	4,669	13,186
Reportable segment liabilities	(56,171)	(285)	(56,456)	(13,082)	(845)	(13,927)	(70,383)

6. SEGMENT INFORMATION *(Continued)*

(a) Reportable segments *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Revenue		
Reportable segment revenue and consolidated revenue from continuing and discontinued operations	**11,402**	18,251

	2012 HK$'000	2011 HK$'000 (Restated)
Loss before income tax expenses from continuing and discontinued operations		
Reportable segment loss	**(431,988)**	(226,133)
Interest income	**1**	1
Other income	**–**	924
Other gains and losses	**–**	90,717
Unallocated corporate expenses	**(11,878)**	(13,037)
Finance costs	**(23,173)**	(32,128)
Consolidated loss before income tax expenses from continuing and discontinued operations	**(467,038)**	(179,656)

	2012 HK$'000	2011 HK$'000
Assets		
Reportable segment assets	**1,263,082**	1,742,094
Unallocated corporate assets	**1,441**	5,821
Consolidated total assets	**1,264,523**	1,747,915

	2012 HK$'000	2011 HK$'000
Liabilities		
Reportable segment liabilities	**(66,646)**	(70,383)
Unallocated corporate liabilities	**(141,863)**	(179,199)
Consolidated total liabilities	**(208,509)**	(249,582)

6. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

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

	Revenue from external customers		Specific non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Continuing operations				
Russia	**–**	–	**1,257,144**	1,688,740
Korea	**9,291**	10,211	**11**	14
Others	**–**	–	**4**	641
	9,291	10,211	**1,257,159**	1,689,395
Discontinued operations				
PRC	**2,111**	8,040	**–**	17,970

(c) Information about major customers

For the year ended 31 March 2012, one customer of the scrapped iron and coal trading segment with revenue of HK$8,724,000 contributed to more than 10% of the Group's revenue.

For the year ended 31 March 2011, the sole customer of the coal trading segment with revenue of HK$10,211,000 contributed to more than 10% of the Group's revenue.

Notes to the Financial Statements

7. TURNOVER, OTHER INCOME, AND OTHER GAINS AND LOSSES

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

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

	Continuing operations		Discontinued operations		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Turnover:						
Trading of scrapped iron and coal	**9,291**	10,211	**–**	–	**9,291**	10,211
Provision of digital television technology services	**–**	–	**2,100**	8,028	**2,100**	8,028
Sales of goods	**–**	–	**11**	12	**11**	12
	9,291	10,211	**2,111**	8,040	**11,402**	18,251
Other income:						
Interest income	**31**	353	**4**	4	**35**	357
Sundry income	**17**	995	**523**	907	**540**	1,902
Interest income from promissory note receivable (Note 21)	**–**	796	**–**	–	**–**	796
	48	2,144	**527**	911	**575**	3,055
Other gains and losses:						
Allowance for doubtful trade receivables (Note 23(ii))	**–**	–	**(973)**	(2,956)	**(973)**	(2,956)
Impairment loss on goodwill (Note 16)	**–**	–	**–**	(13,421)	**–**	(13,421)
Impairment loss on other intangible assets (Note 17)	**(253,012)**	–	**(8,000)**	(39,380)	**(261,012)**	(39,380)
Impairment loss on property, plant and equipment (Notes 15 & 17(a))	**(5,283)**	–	**–**	(1,555)	**(5,283)**	(1,555)
Change in fair value of derivative component of convertible notes (Note 28(iii))	**–**	90,271	**–**	–	**–**	90,271
Gain on disposal of property, plant and equipment	**–**	–	**643**	–	**643**	–
Write back of trade payables	**–**	293	**–**	–	**–**	293
Net exchange gain	**–**	13	**–**	–	**–**	13
	(258,295)	90,577	**(8,330)**	(57,312)	**(266,625)**	33,265

8. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Interest expense on:						
Loan from a shareholder (Note 39(a))	**2,438**	6,023	**–**	–	**2,438**	6,023
Loan from a third party	**26**	–	**–**	–	**26**	–
Imputed interest on convertible notes (Note 28(iii))	**–**	7,442	**–**	–	**–**	7,442
Imputed interest on promissory notes (Note 29)	**20,395**	17,702	**200**	883	**20,595**	18,585
	22,859	31,167	**200**	883	**23,059**	32,050
Bank charges	**95**	65	**19**	13	**114**	78
	22,954	31,232	**219**	896	**23,173**	32,128

9. LOSS BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Loss before income tax is arrived at after charging:–						
Employees benefit expenses (excluding directors' remuneration (Note 10(a)):–						
Wages and salaries	**8,940**	7,902	**2,841**	7,660	**11,781**	15,562
Pension fund contributions	**481**	488	**308**	545	**789**	1,033
Equity-settled share option expense (Note 33)	**313**	–	**–**	–	**313**	–
	9,734	8,390	**3,149**	8,205	**12,883**	16,595
Amortisation of other intangible assets (Note 17)*						
– Mining right	**121,526**	118,699	**–**	–	**121,526**	118,699
– Customer base	**–**	–	**–**	2,074	**–**	2,074
– Technical know-how	**–**	–	**1,875**	4,420	**1,875**	4,420
Depreciation (Note 15)*	**147**	181	**293**	553	**440**	734
Equity-settled share option expense to directors (Notes 10(a) & 33)	**700**	–	**–**	–	**700**	–
Equity-settled share option expense to others (Note 33)	**15**	–	**–**	–	**15**	–
Write off of direct costs on unsuccessful acquisition of subsidiaries (Note 20)	**618**	–	**–**	–	**618**	–
Auditor's remuneration	**1,809**	1,485	**12**	330	**1,821**	1,815
Provision for close down, restoration and environmental costs (Note 38)	**185**	170	**–**	–	**185**	170
Minimum lease payments in respect of premises under operating leases	**4,877**	6,625	**2,129**	3,054	**7,006**	9,679
Loss on disposal of property, plant and equipment	**–**	–	**145**	–	**145**	–
Net exchange losses	**1,272**	–	**140**	–	**1,412**	–
Cost of inventories sold*	**9,258**	10,026	**219**	1,435	**9,477**	11,461

* In the current year, cost of sales disclosed on the face of the consolidated income statement represents cost of inventories sold, depreciation charges and other expenses of HK$119,000 (2011: HK$174,000). In the prior year, amortisation of customer base of HK$2,074,000 was included in cost of inventories sold.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

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

Name of directors	Fees		Salaries and allowances		Pension fund contributions		Equity-settled share option expense		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Executive directors										
Lim Ho Sok	**240**	240	**2,824**	2,250	**12**	12	**350**	–	**3,426**	2,502
Shin Min Chul	**240**	240	**1,303**	690	**–**	–	**–**	–	**1,543**	930
Li Wing Sang*	**–**	80	**–**	384	**–**	4	**–**	–	**–**	468
Chiu Chi Hong*	**–**	100	**–**	335	**–**	5	**–**	–	**–**	440
	480	660	**4,127**	3,659	**12**	21	**350**	–	**4,969**	4,340
Non-executive director										
Pang Ngoi Wah, Edward	**120**	29	**–**	–	**–**	–	**350**	–	**470**	29
Independent non-executive directors										
Tam Tak Wah	**180**	180	**–**	–	**–**	–	**–**	–	**180**	180
Liew Swee Yean	**156**	129	**–**	–	**–**	–	**–**	–	**156**	129
Young Yue Wing, Alvin	**120**	77	**–**	–	**–**	–	**–**	–	**120**	77
Cho Min Je	**26**	–	**–**	–	**–**	–	**–**	–	**26**	–
Yoshinori Suzuki*	**–**	63	**–**	–	**–**	–	**–**	–	**–**	63
	482	449	**–**	–	**–**	–	**–**	–	**482**	449
Total	**1,082**	1,138	**4,127**	3,659	**12**	21	**700**	–	**5,921**	4,818

* These directors resigned as directors of the Company during the prior year

In the current year, one executive director and one non-executive director were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 33. The fair value of such options which was expensed in the consolidated income statement over the vesting period, was determined as at the date of grant and the amount included in profit or loss for the year are included in the above directors' remuneration disclosures. There was no share option granted to any director of the Company in the prior year.

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals during the year included two (2011: two) directors, details of whose remuneration are set out in Note (a) above. Details of the remuneration of the remaining three (2011: three) non-directors, highest paid individuals for the year are as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**4,795**	4,850
Pension fund contributions	**23**	4
	4,818	4,854

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

	2012	2011
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	–
	3	3

11. INCOME TAX

(i) Taxation in the consolidated income statement represents:

	Continuing operations		Discontinued operations		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Group:						
Current – Hong Kong						
Charge for the year	-	–	-	–	-	–
Current – Russia and other overseas						
Deferred taxation (Note 30)	3	(2,458)	-	–	3	(2,458)
Current – PRC						
Written back for the year	-	–	(48)	(286)	(48)	(286)
Deferred taxation (Note 30)	-	–	-	(9,196)	-	(9,196)
	3	(2,458)	(48)	(9,482)	(45)	(11,940)

No provision for Hong Kong profits tax was made for the current and prior years as the Hong Kong subsidiaries of the Group have no assessable profits for Hong Kong profits tax purposes in the current and prior years. Taxation for the Russian and other foreign operations are similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

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

11. INCOME TAX *(Continued)*

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

For the year ended 31 March 2012

	Total HK$'000
Loss before income tax expenses	**(467,038)**
Tax credit calculated at the weighted average statutory tax rate	**(91,594)**
Tax effect of expenses not deductible for taxation purposes	**88,954**
Tax effect of income not taxable for taxation purposes	**(8)**
Tax effect of tax losses not recognised	**2,603**
Income tax credit for the year	**(45)**

For the year ended 31 March 2011

	Total HK$'000
Loss before income tax expenses	(179,656)
Tax credit calculated at the weighted average statutory tax rate	(39,602)
Tax effect of expenses not deductible for taxation purposes	39,543
Tax effect of income not taxable for taxation purposes	(15,292)
Tax effect of tax losses not recognised	3,411
Income tax credit for the year	(11,940)

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

Loss from ordinary activities attributable to owners of the Company for the year ended 31 March 2012 includes a loss of HK$300,442,000 (2011: loss of HK$281,430,000) which has been dealt with in the financial statements of the Company.

13. DIVIDEND

The board of directors did not recommend the payment of any dividend for the year ended 31 March 2012 (2011: Nil).

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the 2011 Share Consolidation (as set out in Note 31(iii)) effected during the year. Basic and diluted loss per share amounts for the year ended 31 March 2011 have been restated to take into effect the 2011 Share Consolidation (as set out in Note 31(iii)) effected during the current year.

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(Continued)

In the prior year, the calculation of diluted loss per share was based on the loss for the year attributable to the owners of the Company, adjusted to reflect the imputed interest on convertible notes and the change in fair value of derivative component of convertible notes, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

As the Company's outstanding share options have an anti-dilutive effect to the basic loss per share calculation for the current year, the conversion of the above potential dilutive shares is therefore not assumed in the computation of diluted loss per share for the current year. In the prior year, the outstanding share options had an anti-dilutive effect to the basic loss per share calculation. The conversion of the outstanding share options was therefore not assumed in the computation of diluted loss per share for the prior year. The dilutive effect of the outstanding convertible notes to the basic loss per share calculation in the prior year is shown below.

For continuing and discontinued operations

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

	2012 HK$'000	2011 HK$'000
Loss		
Loss attributable to the owners of the Company, used in the basic loss per share	**395,999**	130,417
Imputed interest on convertible notes	**–**	(7,442)
Change in fair value of derivative component of convertible notes	**–**	90,271
Loss attributable to the owners of the Company, used in the diluted loss per share	**395,999**	213,246

	Number of shares	
	2012	2011 (Restated)
Shares		
Weighted average number of ordinary shares for basic loss per share	**175,327,210**	86,270,987
Effect of dilutive potential ordinary shares: Convertible notes	**–**	13,508,425
Weighted average number of ordinary shares for diluted loss per share	**175,327,210**	99,779,412

14. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(Continued)

From continuing operations

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

	2012 HK$'000	2011 HK$'000
Loss		
Loss attributable to the owners of the Company from continuing operations, used in the basic loss per share	**409,397**	81,226
Imputed interest on convertible notes	–	(7,442)
Change in fair value of derivative component of convertible notes	–	90,271
Loss attributable to the owners of the Company from continuing operations, used in the diluted loss per share	**409,397**	164,055

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

From discontinued operations

Basic earnings per share amount from discontinued operations is HK$0.08 (2011: loss per share of HK$0.57 per share) and diluted earnings per share for the discontinued operation is HK$0.08 per share (2011: loss per share of HK$0.50 per share), for the year ended 31 March 2012, based on the earnings for the current year from discontinued operations of HK$13,398,000 (2011: loss for the year from discontinued operations of HK$49,191,000). The denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations.

15. PROPERTY, PLANT AND EQUIPMENT

The Group	Construction in progress HK$'000	Freehold land HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:							
At 1 April 2010	15,492	1,373	–	657	1,987	1,113	20,622
Additions	12,095	–	33	29	285	744	13,186
Written off	(2,209)	–	–	(10)	–	–	(2,219)
Transfer	(2,028)	–	2,028	–	–	–	–
Exchange realignments	1,033	53	50	28	80	63	1,307
At 31 March 2011	24,383	1,426	2,111	704	2,352	1,920	32,896
Additions	236	2,034	–	–	130	–	2,400
Transfer	(24)	–	–	24	–	–	–
Disposals	–	–	–	–	(522)	(379)	(901)
Disposal of subsidiaries (Note 35)	(1,698)	–	(2,169)	(543)	(1,830)	(1,171)	(7,411)
Exchange realignments	(734)	(42)	58	12	67	28	(611)
At 31 March 2012	**22,163**	**3,418**	**–**	**197**	**197**	**398**	**26,373**
Accumulated depreciation and impairment losses:							
At 1 April 2010	–	–	–	253	503	195	951
Charge for the year (Note 9)	–	–	2	161	300	271	734
Impairment loss (Notes 7 & 16)	–	–	–	159	996	400	1,555
Exchange realignments	–	–	–	23	46	26	95
At 31 March 2011	–	–	2	596	1,845	892	3,335
Charge for the year (Note 9)	–	–	110	67	145	118	440
Disposals	–	–	–	–	(450)	(90)	(540)
Disposal of subsidiaries (Note 35)	–	–	(113)	(511)	(1,465)	(818)	(2,907)
Impairment loss (Notes 7 & 17(a))	4,585	698	–	–	–	–	5,283
Exchange realignments	–	–	1	14	55	24	94
At 31 March 2012	**4,585**	**698**	**–**	**166**	**130**	**126**	**5,705**
Net carrying value:							
At 31 March 2012	**17,578**	**2,720**	**–**	**31**	**67**	**272**	**20,668**
At 31 March 2011	24,383	1,426	2,109	108	507	1,028	29,561

During the year, prepayment for acquisition of property, plant and equipment with carrying amount of HK$1,975,000 has been reclassified to property, plant and equipment which has been put into operation in the current year.

As explained in Note 17(a), property, plant and equipment associated with the mining right had been partially impaired during the current year.

16. GOODWILL

The Group

	HK$'000
Cost:	
At 1 April 2010	160,892
Exchange realignments	6,676
At 31 March 2011	167,568
Disposal of subsidiaries	(173,439)
Exchange realignments	5,871
At 31 March 2012	**–**
Accumulated impairment losses:	
At 1 April 2010	147,682
Impairment loss (Note 7)	13,421*
Exchange realignments	6,465
At 31 March 2011	167,568
Disposal of subsidiaries	(173,439)
Exchange realignments	5,871
At 31 March 2012	**–**
Net carrying amount:	
At 31 March 2012	**–**
At 31 March 2011	–

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

During the year, goodwill attributable to the DTV CGU was released upon the disposal of the DNC Group (as set out in Note 35 below).

16. GOODWILL *(Continued)*

* Impairment testing of goodwill

Goodwill arose from business combination of the DTV CGU in prior years, which is a reportable segment.

Management had originally anticipated that there would be a significant growth in the DTV CGU at the date of acquisition. However, in the prior years, due to the increased competition in the DTV industry, the growth rate of the DTV industry had been slower than expected.

The recoverable amount of the DTV CGU was determined by the directors of the Company with reference to a professional valuation report issued by RHL Appraisal Limited, an independent firm of professionally qualified valuers, which was based on the value in use calculation using a cash flow projection and financial budgets covering a 5-year period approved by senior management. The discount rate and average growth rate applied to the cash flow projection was 20.2% and 12.1%, respectively. The directors are of the opinion that based on value in use calculation, goodwill associated with the DTV CGU was fully impaired as at 31 March 2011 and recognised a further impairment loss of HK$13,421,000 for the year ended 31 March 2011. The directors of the Company are also of the opinion that based on value in use calculation of the DTV CGU, the customer base was fully impaired and property, plant and equipment was partially impaired compared with their recoverable amounts as at 31 March 2011. Impairment losses of HK$34,707,000 (Note 17(b)) and HK$1,555,000 (Note 15) were recognised for the customer base and property, plant and equipment respectively during the prior year.

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

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

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

17. OTHER INTANGIBLE ASSETS

	Mining right HK$'000 (Note (a))	Customer base HK$'000 (Note (b))	Technical know-how HK$'000 (Note (c))	Total HK$'000
Cost:				
At 1 April 2010	3,324,120	42,215	21,736	3,388,071
Exchange realignments	127,773	1,751	902	130,426
At 31 March 2011	3,451,893	43,966	22,638	3,518,497
Disposal of subsidiaries (Note 35)	–	(45,506)	(23,260)	(68,766)
Exchange realignments	(118,387)	1,540	622	(116,225)
At 31 March 2012	**3,333,506**	**–**	**–**	**3,333,506**
Accumulated amortisation and impairment losses:				
At 1 April 2010	1,844,683	6,224	362	1,851,269
Charge for the year (Note 9)	118,699	2,074	4,420	125,193
Impairment loss (Note 7)	–	34,707	4,673	39,380
Exchange realignments	78,479	961	122	79,562
At 31 March 2011	2,041,861	43,966	9,577	2,095,404
Charge for the year (Note 9)	121,526	–	1,875	123,401
Impairment loss (Note 7)	253,012	–	8,000	261,012
Disposal of subsidiaries (Note 35)	–	(45,506)	(19,743)	(65,249)
Exchange realignments	(69,615)	1,540	291	(67,784)
At 31 March 2012	**2,346,784**	**–**	**–**	**2,346,784**
Net carrying value				
At 31 March 2012	**986,722**	**–**	**–**	**986,722**
At 31 March 2011	1,410,032	–	13,061	1,423,093

17. OTHER INTANGIBLE ASSETS *(Continued)*

(a) Mining right

In prior years, the Company, Grandvest International Limited ("Grandvest"), a wholly-owned subsidiary of the Company, Cordia Global Limited ("Cordia") and the sole beneficial owner of Cordia entered into an acquisition agreement (the "Acquisition Agreement") to acquire a 90% equity interest in Langfeld Enterprises Limited ("Langfeld") and its subsidiaries (the "Langfeld Group") (collectively referred as the "Acquisition"). The mining right was acquired as part of the acquisition of the Langfeld Group completed in prior years and was initially recognised at its fair value of the consideration paid for the acquisition. At the end of each reporting period, the mining right is measured using the cost model subject to impairment.

In performing the impairment test for current year, the directors of the Company have engaged Cushman & Wakefield Valuation Advisory Services (HK) Limited ("Cushman"), an independent firm of professional valuer in determining the recoverable amount of the mining right which is the higher of the asset's fair value less costs to sell and its value in use. Given the current development status of the mining right, the directors have determined the fair value less costs to sell to be its recoverable amount. The recoverable amount is derived by using a discounted cash flow ("DCF") analysis. The DCF analysis has incorporated assumptions that a typical market participant would use in estimating the mining right's fair value.

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

(i) Cash flow projection is determined for a period of 13 years up to 2024 (2011: a period of 13 years up to 2023) with the first year of production taken to be from year 2015 (2011: first year of production from year 2014) based on the senior management's current best estimated production plan.

(ii) The post-tax discount rate applied to the cash flow projection is 20.72% (2011: post-tax discount rate of 20.73% and the corresponding pre-tax discount rate is 24.78%).

(iii) Coal sales prices used in the DCF in the current and prior years are determined with reference to current market information of the respective valuation dates, which show a decrease of approximately 20% when compared to that of last year.

(iv) The directors have assumed the average increment in coal sales prices for the first four years is 5% p.a. (2011: increment of 5% p.a. for the first five years), which is in line with the comparable market information. The average increment in coal sales prices in the remaining revenue-generating years is assumed to be 3% p.a. (2011: increment of 3% p.a. for the remaining years).

(v) The exchange rate for US Dollars to Russian Rubles with reference to the approximate spot rate as of 31 March 2012 is taken to be 1.00 US Dollar to 29.347 Rubles (31 March 2011: 1.00 US Dollar to 28.408 Rubles).

(vi) The inflation rate on operating costs of 3% p.a. (2011: 3% p.a.).

(vii) The Group is able to renew the relevant licence for the mining right upon its existing expiry date.

17. OTHER INTANGIBLE ASSETS *(Continued)*

(a) Mining right *(Continued)*

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

The directors of the Company are of the opinion that based on the valuation, the mining right was impaired by HK$253,012,000 compared with its carrying value as at 31 March 2012. The impairment loss is mainly attributable to the decrease of approximately 20% in the market prices of coking coals and steam coals during the current year as compared to previous year, and the changes in parameters for the other major assumptions in the DFC analysis for items (i), (ii), (iv) and (v) mentioned above do not have material impacts on the resultant impairment loss when compared with that of coal prices decreases.

The directors of the Company are also of the opinion that based on the valuation above, property, plant and equipment associated with the mining right was partially impaired compared with their recoverable amounts as at 31 March 2012. Impairment loss of HK$5,283,000 (Note 15) was recognised for property, plant and equipment associated with the mining right during the current year.

Details of the Group's mining right are as follows:–

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

Based on the advice from the Group's legal advisors, the Group is confident that the relevant licence for the mining right will be renewed by the relevant authorities without any significant costs to be incurred upon its existing expiry date.

(b) Customer base

Customer base relates to the DTV CGU with a finite useful live, over which the assets are amortised. The amortised period for the customer base is 13 years. As explained in Note 16, the customer base had been fully impaired as at 31 March 2011.

During the year, customer base attributable to the DTV CGU was derecognised upon the disposal of the DNC Group.

17. OTHER INTANGIBLE ASSETS *(Continued)*

(c) Technical know-how

Technical know-how on vertical farming (the "Vertical Farming CGU") was acquired as part of the acquisition of the 70% equity interest in the SOFOCO Development Limited and its subsidiary (collectively referred to as the "SOFOCO Group") in prior years, and has an estimated useful live of five years, over which the assets are amortised.

The recoverable amount of the Vertical Farming CGU was re-assessed by the directors with reference to the professional valuation during the current year performed by Roma Appraisals Limited ("Roma"). The recoverable amount of the Vertical Farming CGU was determined by the professional valuers with reference to a value in use calculation using a cash flow projection and financial budgets covering a 4-year period approved by senior management. The discount rate and growth rate applied to the cash flow projection are 40.3% and 33.9%, respectively. The Vertical Farming CGU had sustained losses for a number of years and only insignificant cash inflow was generated from its vertical farming technique during the year. Having regard to the professional valuation, the directors recognised an impairment loss of HK$8,000,000 for the technical know-how associated with the Vertical Farming CGU (2011: an impairment loss of HK$4,673,000) during the current year, prior to the decision to dispose of this business.

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

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

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

During the year, technical know-how attributable to the Vertical Farming CGU was derecognised upon the disposal of the SOFOCO Group.

18. EXPLORATION AND EVALUATION ASSETS, AND PREPAYMENT FOR ACQUISITION OF EXPLORATION AND MINING RIGHTS

In prior years, Cordia had procured the Group to acquire the subsoil user right for the purpose of exploration and bituminous coal mining in the Kemerovsky, Volkovsky and Vladimirovsky seams in Russia from the level of 65 metres underground to 400 metres underground, and Petrovsky and adjoining lot of Kemerovsky (collectively referred to as the "New Exploration and Mining Licence").

When the New Exploration and Mining Licence is obtained, the Company shall issue the following convertible notes to Cordia as the consideration for the New Exploration and Mining Licence: (i) a secured convertible note in the principal amount of US$32,000,000 (equivalent to approximately HK$249,600,000) (the "Second Convertible Note") and (ii) a convertible note in the principal amount of not less than US$255,150,000 (equivalent to approximately HK$1,990,170,000) and not more than US$550,800,000 (equivalent to approximately HK$4,296,240,000) (the "Third Convertible Note") to be determined upon the proven reserves and probable reserves deriving from the New Exploration and Mining Licence being confirmed in a technical report to be issued by a technical expert acceptable to the Group and Cordia.

18. EXPLORATION AND EVALUATION ASSETS, AND PREPAYMENT FOR ACQUISITION OF EXPLORATION AND MINING RIGHTS *(Continued)*

In the prior year, the Second Convertible Note was issued to Cordia as partial consideration for the New Exploration and Mining Licence and recognised as a prepayment in the amount of HK$249,600,000. As at the end of the current and prior reporting periods, the principal amount of the Third Convertible Note could not be determined because the technical report has not yet been issued. Accordingly, the Third Convertible Note was not recognised as at 31 March 2012 and 2011. Upon the issuance of the technical report when the principal amount of the Third Convertible Note can be determined, it will be issued and recognised as part of the cost of acquisition of the New Exploration and Mining Licence.

During the second half of the year, the Group has completed the exploration design and commenced the preparation stage of the exploration drilling process. The directors consider it would be appropriate to recognise the New Exploration and Mining Licence as exploration and evaluation assets and transfer the prepayment for the New Exploration and Mining Licence of HK$249,600,000 to exploration and evaluation assets during the year.

Subsequent to the end of the reporting period, the Group has engaged a Russian exploration contractor to conduct geological and hydro-geological surveys on the New Exploration and Mining Licence areas. Exploration drilling commenced in April 2012.

The Group has adopted HKFRS 6 “Exploration for and Evaluation of Mineral Resources” which requires the Group to assess if there is any indicator for impairment at each reporting date. The directors of the Company are of the opinion that no impairment should be provided in respect of the New Exploration and Mining Licence as at 31 March 2012.

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2012 **HK$'000**	2011 HK$'000
Unlisted shares, at cost	**10**	10
Amounts due from subsidiaries	**2,418,965**	2,392,945
	2,418,975	2,392,955
Less: Impairment loss on amounts due from subsidiaries	**(1,317,997)**	(1,047,589)
	1,100,978	1,345,366

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

19. INTERESTS IN SUBSIDIARIES *(Continued)*

As at 31 March 2012, an accumulated impairment loss on amounts due from subsidiaries of HK$1,317,997,000 (2011: HK$1,047,589,000) was recognised for the carrying amount on the amounts due from subsidiaries (before deducting the impairment losses) in the amount of HK$2,418,965,000 (2011: HK$2,392,945,000) because the relevant subsidiaries had suffered continuous losses.

Particulars of the principal subsidiaries as at 31 March 2012 were as follows:–

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Langfeld (Note 1)	The Republic of Cyprus ("Cyprus")	Ordinary Euro£10,000	–	90	Investment holding
LLC "Shakhta Lapichevskaya" ("Lapi") (Note 1)	Russia	Registered capital of Russian Roubles ("RUB") of 172,315,950	–	90	Holding of mining and exploration rights
Grandvest	BVI	Ordinary US$1	100	–	Investment holding
SMG Asia Company Limited (Note 1)	Korea	Registered capital of Korean Won ("KRW") of 10,000,000	–	100	Scrapped iron and coal trading

Note:

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

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

20. DIRECT COSTS FOR POSSIBLE ACQUISITION OF SUBSIDIARIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Direct costs for possible acquisition of subsidiaries	**–**	618

As at 31 March 2011, the amount represented direct costs attributable to the proposed subscription (the "Proposed Subscription") of 70% of the enlarged share capital of Trenaco SA (the "Target"). During the year, the Group and the shareholders of the Target had mutually agreed to terminate the Proposed Subscription. The direct costs were written off during the year.

21. PROMISSORY NOTE RECEIVABLE

	The Group and the Company	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**–**	7,330
Imputed interest credited (Note 7)	**–**	796
Repayment	**–**	(8,126)
At end of year	**–**	–

In the prior years, a promissory note in the principal amount of HK$7,680,000 was issued to the Group by Billion Master Holdings Limited ("Billion Master"), a company wholly owned by a former executive director of the Company as part consideration for the disposal of the Group's wholly-owned equity interest in the Falcon Vision Group to him. The promissory note carried coupon interest of Hong Kong prime rate plus 1% per annum or 6% per annum, whichever was higher, on the outstanding principal amount and the interest was receivable annually from the date of issuance of this promissory note. Billion Master was to repay the outstanding principal and all interest accrued thereon under this promissory note to the Group on 11 August 2011. The fair value of the promissory note was HK$6,844,000 as at the issue date, based on the professional valuation performed by Vigers Appraisal and Consulting Limited ("Vigers"). The effective interest rate of the promissory note was determined to be 11.8% per annum.

The promissory note receivable was classified as non-current asset and carried at the amortised cost basis until extinguished or redeemed, with the exception of the current portion of the promissory note receivable which was classified as a current asset and included in other receivables, deposits and prepayments in the prior year. The entire principal amount of the promissory note together with accrued interest were repaid to the Group in full in the prior year.

22. INVENTORIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	–	30
Finished goods	–	402
	–	432

23. TRADE RECEIVABLES

	The Group	
	2012 HK$'000	2011 HK$'000
Trade receivables	**–**	19,197
Less: allowance for doubtful debts	**–**	(3,538)
	–	15,659

(i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group generally allows an average credit term of 30 days (2011: 80 days) to customers of the scrapped iron and coal trading business.

For the digital television technology services business which was disposed of during the year, the Group extended credit terms beyond 90 days for certain well-established customers with strong financial strength and good repayment history and creditworthiness.

Trade receivables are non-interest-bearing.

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

	The Group	
	2012 HK$'000	2011 HK$'000
At beginning of year	**3,538**	490
Additional allowance for doubtful debts (Note 7)	**973**	2,956
Disposal of subsidiaries	**(4,645)**	–
Exchange realignments	**134**	92
At end of year	**–**	3,538

As at 31 March 2012, the Group had no trade receivables. In prior year, trade receivables of HK$3,538,000 were individually determined to be fully impaired. The individually impaired receivables related to customers that were in financial difficulties or were in default in both interest and/or principal payments and the management assessed that none of the receivables was expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised. The Group did not hold any collateral over these balances.

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

23. TRADE RECEIVABLES *(Continued)*

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

	The Group	
	2012 HK$'000	2011 HK$'000
Within 30 days	–	6,207
31 to 60 days	–	5,452
61 to 90 days	–	–
Over 90 days	–	7,538
	–	19,197
Less: allowance for doubtful debts	–	(3,538)
	–	15,659

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

	The Group	
	2012 HK$'000	2011 HK$'000
Not yet past due	–	10,970
Over 90 days past due	–	4,689
	–	15,659

Receivables that were neither past due nor impaired in the prior year related to a large number of diversified customers for which there was no recent history of default.

The carrying amount of the trade receivables approximates their fair value.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

In the prior year, the balance comprised an advance of US$457,000 (equivalent to approximately HK$3,592,000) to an independent third party. The balance was unsecured, bore interest at 5% per annum and was fully repaid to the Group during the year.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represents cash at banks and earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The carrying amount of the cash and cash equivalents approximate their fair value.

	The Group	
	2012 HK$'000	2011 HK$'000
Cash and cash equivalents were denominated in:		
Renminbi ("RMB")	**–**	492
Russian Ruble ("RUB")	**104**	1,406
Korean Won ("KRW")	**37**	55
United States Dollars ("US$")	**496**	3,855
Hong Kong Dollars ("HK$")	**887**	3,831
Total	**1,524**	9,639

	The Company	
	2012 HK$'000	2011 HK$'000
Cash and cash equivalents were denominated in:		
HK$	**753**	1,323
US$	**199**	3,680
Total	**952**	5,003

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

26. TRADE PAYABLES

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

	The Group	
	2012 HK$'000	2011 HK$'000
Within 30 days	**–**	267
31 to 60 days	**–**	126
61 to 90 days	**–**	158
Over 90 days	**–**	295
	–	846

26. TRADE PAYABLES *(Continued)*

The trade payables are non-interest-bearing and normally settled on 30-day terms (2011: 90-day terms).

The carrying amount of trade payables approximates their fair value.

27. COAL TRADING DEPOSIT RECEIVED

The Group and the Company

As at 31 March 2012, coal trading deposit received represents a deposit of approximately US$3,500,000 (equivalent to approximately HK$27,300,000) (2011: Nil) received from an independent third party (the "Coal Purchaser") for future supply of coal by the Group. The Group is required to supply at least 200,000 metric tonnes of coal of Russian origin to the Coal Purchaser over a period of three years starting not later than one month from 1 June 2013. The deposit is unsecured and non-interest bearing, except interest of 5% per annum will be applied and the full amount of the deposit is refundable if the Group cannot supply coal of Russian origin to the Coal Purchaser within one month from 1 June 2013.

Subsequent to the end of the reporting period, in view of the Group had begun its exploration drilling in the New Exploration and Mining Licence and completion of the exploration drilling should be before end of October 2014, the Coal Purchaser had extended the date for the refund of the deposit received to one month from 1 December 2014.

The Coal Purchaser became a strategic shareholder of the Company subsequent to end of the reporting period and holds approximately 3.12% of the total issued share capital of the Company as at the date of this report. Details are set out in Note 44(c).

28. CONVERTIBLE NOTES AND DERIVATIVES FINANCIAL INSTRUMENTS

The Company and the Group

(i) Convertible notes

On 25 May 2009, convertible notes were issued to Cordia as consideration for the Group's acquisition of a 90% equity interest in the Langfeld Group which were subsequently modified and partially converted in prior years. During the year ended 31 March 2011, the remaining outstanding convertible notes with principal amounts of US$55,000,000 (equivalent to approximately HK$429,000,000) were converted into 536,250,000 ordinary shares (Note 31(vi)) of the Company.

On 1 December 2010, the Second Convertible Note with a principal amount of US$32,000,000 (equivalent to approximately HK$249,600,000) was issued to Cordia as stated in Note 18. The Second Convertible Note was denominated in US$ and secured by the Group's 90% equity interest in Langfeld Group and entire equity interest in Grandvest. The Second Convertible Note was non-interest-bearing and payable in one lump sum on maturity. The redemption price of the Second Convertible Note was 100% of the outstanding principal amount of the Second Convertible Note with a maturity date falling six years after 1 December 2010. Under the original term of issue, the Company did not have the right to redeem the Second Convertible Note prior to the respective maturity date. However, the Second Convertible Note was convertible into ordinary shares of the Company at the option of the holder at an initial conversion price of HK$0.80 per conversion share (subject to anti-dilutive adjustments) at any time between the date of issue of the Second Convertible Note and its maturity date.

28. CONVERTIBLE NOTES AND DERIVATIVES FINANCIAL INSTRUMENTS

(Continued)

The Company and the Group *(Continued)*

(i) Convertible notes *(Continued)*

The exercise of the derivative component embedded in the Second Convertible Note would not result in settlement by the exchange of a fixed amount of cash for a fixed number of shares of the Company. Accordingly, the embedded derivative component of the Second Convertible Note was accounted for as a financial liability. The initial fair value of the derivative component of the Second Convertible Note was determined at HK$24,804,000 by reference to a valuation carried out on the issue date by Vigers Appraisal and Consulting Limited ("Vigers") and the liability component of the Second Convertible Note was HK$224,796,000.

During the year ended 31 March 2011, the entire Second Convertible Note with a principal amount of US$32,000,000 (equivalent to approximately HK$249,600,000) was converted into 312,000,000 ordinary shares (Note 31(x)) of the Company.

(ii) Measurement of convertible notes

The fair value of the derivative components of the Second Convertible Note was determined based on a professional valuation performed by Vigers using the binomial option pricing model, at the date of issue and the date of conversion, and the aggregate decrease in the fair value of the derivative component of convertible note of HK$90,271,000 was credited to the profit or loss in the prior year. The effective interest rate of the liability component of the Second Convertible Note was 1.8%. An aggregate imputed interest of HK$7,442,000 was charged to the profit or loss in the prior year.

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

	Date of issue At 1 December 2010	Date of conversion At 25 February 2011	Date of conversion At 30 March 2011
Expected volatility	74.6%	73.2%	72.6%
Expected life	6 years	5.8 years	5.7 years
Risk-free rate	1.99%	2.42%	2.43%
Expected dividend yield	1.15%	1.15%	1.15%
Bond yield	11.10%	9.20%	9.40%

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

28. CONVERTIBLE NOTES AND DERIVATIVES FINANCIAL INSTRUMENTS *(Continued)*

The Company and the Group *(Continued)*

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

	Notes	Convertible notes: Liability component HK$'000	Convertible notes: Derivative component HK$'000	Convertible notes: Total HK$'000
Carrying amount at 1 April 2010		298,645	108,005	406,650
Recognition of the Second Convertible Note	(i)	224,796	24,804	249,600
Fair value gain on derivative component of convertible notes	7	–	(90,271)	(90,271)
Imputed interest charged	8	7,442	–	7,442
Conversion into new shares	31(vi) & (x)	(530,883)	(42,538)	(573,421)
Carrying amount at 31 March 2011 and 2012		–	–	–

29. PROMISSORY NOTES PAYABLES

	Notes	The Group 2012 HK$'000	The Group 2011 HK$'000	The Company 2012 HK$'000	The Company 2011 HK$'000
At beginning of the year					
– Modified PN		**154,757**	144,655	**154,757**	144,655
– Others		**1,913**	3,675	**–**	–
Repaid during the year					
– Modified PN	(a)	**(23,400)**	(7,600)	**(23,400)**	(7,600)
– Others	(b)	**–**	(2,645)	**–**	–
Imputed interest charged					
– Modified PN	8	**20,395**	17,702	**20,395**	17,702
– Others	8	**200**	883	**–**	–
Converted to equity and utilised to settle purchase consideration					
– Modified PN	(a)	**(47,701)**	–	**(47,701)**	–
Disposal of subsidiaries					
– Others	(b) & 35	**(2,113)**	–	**–**	–
At end of year and included in non-current liabilities		**104,051**	156,670	**104,051**	154,757

29. PROMISSORY NOTES PAYABLES *(Continued)*

(a) In prior years, three unsecured promissory notes in the aggregate principal amount of US$35,000,000 (equivalent to approximately HK$273,000,000) ("Modified PN") were issued by the Company to Cordia, a shareholder of the Company, as a result of a conditional modification deed entered into between the Company and Cordia. The Modified PN was issued on 23 February 2010, and is non-interest-bearing and payable in one lump sum on maturity date of 25 May 2015. The principal amount of the Modified PN is US$35,000,000 (equivalent to approximately HK$273,000,000) and its fair value was US$20,766,000 (equivalent to approximately HK$161,973,000) as at the issue date. The fair value was determined by reference to a valuation carried out on the issue date by Vigers Appraisal and Consulting Limited. The effective interest rate of the Modified PN was determined to be 10.5% per annum.

During the year ended 31 March 2012, a total repayment of US$3,000,000 (equivalent to approximately HK$23,400,000) (2011: US$974,000 (equivalent to approximately HK$7,600,000)) was made. A discount, in the principal amount and carrying amount of US$800,000 (equivalent to approximately HK$6,240,000) and US$537,000 (equivalent to approximately HK$4,192,000) respectively, was given by Cordia for early settlement of the Modified PN. The amount of Modified PN being discounted in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company.

On 8 September 2011, the Group entered into a subscription agreement with Cordia whereby the Company agreed to allot and issue, and Cordia agreed to subscribe for 57,500,000 new ordinary shares of the Company at a subscription price of HK$0.8 per share, as adjusted to reflect the 2011 Share Consolidation (Note 31(iii)) during the current year (the "Subscription"). The Subscription was satisfied by discharging part of the outstanding principal amount of the Modified PN of US$5,897,000 (equivalent to approximately HK$46,000,000). The Subscription was completed on 20 October 2011. The Subscription was an early partial repayment of the Modified PN in substance constituted a contribution from an equity participant of the Company and the difference of HK$10,649,000 between the carrying amount of the Modified PN of US$4,130,000 (equivalent to approximately HK$32,212,000) discharged and the fair value of HK$21,563,000 (Note 31(iv)(a)) for the 57,500,000 new ordinary shares of the Company issued as a result of the Subscription were credited to the capital reserve of the Company.

During the year, part of the Modified PN with principal amount and carrying amount of US$2,051,282 (equivalent to approximately HK$16,000,000) and US$1,448,000 (equivalent to approximately HK$11,297,000) respectively were discharged as consideration received for the disposal of SOFOCO Group.

During the year, an imputed interest of HK$20,395,000 was charged to profit or loss. The remaining outstanding Modified PN is classified as non-current liabilities and carried on the amortised cost basis until extinguished on redemption. As at the end of the reporting period, the carrying amount of the Modified PN was HK$104,051,000 (2011: HK$154,757,000).

29. PROMISSORY NOTES PAYABLES *(Continued)*

(b) The other promissory notes were issued as partial consideration for the acquisition of a 51% equity interest in the DTV Group in prior years. During the year ended 31 March 2011, the Group made a repayment in cash of HK$2,645,000 towards the principal amount of other promissory notes.

As at 31 March 2011, the carrying amount of the other promissory notes payable was HK$1,913,000.

During the year, an imputed interest of HK$200,000 was charged to the profit or loss. The remaining balances of other promissory notes with principal amount and carrying amount of HK$2,355,000 and HK$2,113,000 respectively, were derecognised upon disposal of DNC Group.

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

30. DEFERRED TAXATION

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

	The Group		
	Customer base HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 April 2010	8,998	2,694	11,692
Credited to consolidated financial statements (Note 11(i))	(9,196)	(2,458)	(11,654)
Exchange realignments	198	(143)	55
At 31 March 2011	–	93	93
Charged to consolidated financial statements (Note 11(i))	–	3	3
Exchange realignments	–	(3)	(3)
At 31 March 2012	–	93	93

At 31 March 2012, the Group had unused tax losses of HK$37,038,000 (2011: HK$44,844,000) available for offset against future profits indefinitely. No deferred tax asset has been recognised as at 31 March 2012 and 2011 in respect of such losses and temporary differences due to the unpredictability of future profit streams of the respective group entities. There was no other significant unrecognised deferred tax as at 31 March 2012 and 2011.

31. SHARE CAPITAL

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

	Number of shares		Nominal value	
	2012	2011	**2012 HK$'000**	2011 HK$'000
Ordinary shares of HK$0.2* each (2011: HK$0.01** each):				
Authorised	**5,000,000,000**	100,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of the year	**2,712,413,060**	22,444,061,200	**27,124**	224,441
Placements of new shares before share consolidation (Note (i))	**269,000,000**	–	**2,690**	–
Issue of shares on exercise of share options before 2010 share consolidation (Note (ii))	**–**	19,600,000	**–**	196
Share consolidation (Note (iii))	**(2,832,342,407)**	(21,340,478,140)	**–**	–
Placements of new shares after share consolidation (Note (iv))	**78,800,000**	–	**15,760**	–
Issue of shares on exercise of share options after 2010 share consolidation and before capital reorganisation (Note (v))	**–**	980,000	**–**	196
Issue of shares upon conversion of convertible notes before capital reorganisation (Note (vi))	**–**	536,250,000	**–**	107,250
Capital reorganisation (Note (vii))	**–**	–	**–**	(315,479)
Issue of shares on exercise of share options (Note (viii))	**200,000**	–	**40**	–
Placement of new shares (Note (ix))	**–**	740,000,000	**–**	7,400
Issue of shares upon conversion of convertible notes after capital reorganisation (Note (x))	**–**	312,000,000	**–**	3,120
At end of the year	**228,070,653**	2,712,413,060	**45,614**	27,124

* During the current year, the par value of ordinary shares of the Company was consolidated from HK$0.01 each to HK$0.2 each as a result of the 2011 Share Consolidation as set out in Note (iii) below.

** In the prior year, the par value of ordinary shares of the Company was consolidated from HK$0.01 each to HK$0.2 each as a result of the 2010 Share Consolidation (as set out in Note (iii) below) and then reduced from HK$0.2 each to HK$0.01 each as a result of the Capital Reorganisation (as set out in Note (vii) below).

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

31. SHARE CAPITAL *(Continued)*

Notes:

(i) During the year ended 31 March 2012 and before the 2011 Share Consolidation as set out in Note (iii) below, an aggregate of 269,000,000 new ordinary shares at par value of HK$0.01 each were issued at subscription prices ranging from HK$0.040 to HK$0.112 to the then independent third parties of the Group. The aggregate consideration of HK$19,976,000 (net of issue expenses) of which HK$2,690,000 was credited to share capital and HK$17,286,000 was credited to share premium.

(ii) During the year ended 31 March 2011 and before the 2010 Share Consolidation as set out in Note (iii) below, 19,600,000 new ordinary shares of par value HK$0.01 each were issued at the subscription price of HK$0.0224 each on the exercise of 19,600,000 share options. The aggregate consideration was approximately HK$439,000, of which HK$196,000 was credited to share capital and HK$243,000 was credited to the share premium. An amount attributable to the related share options of HK$195,000 was transferred from equity-settled share option reserve to share premium.

(iii) An ordinary resolution was passed at an extraordinary general meeting held on 30 September 2011 approving the share consolidation such that for every 20 issued and unissued shares of the Company of HK$0.01 each, were consolidated into 1 consolidated share of the Company of HK$0.2 each (the "2011 Share Consolidation") which became effective on 3 October 2011. Following the implementation of the share consolidation set out above, the Company's authorised share capital of HK$1,000,000,000 was divided into 5,000,000,000 shares of HK$0.2 each and its issued share capital remained at approximately HK$29,814,000 represented by 149,070,653 shares of par value HK$0.2 each.

An ordinary resolution was passed at an extraordinary general meeting held on 9 April 2010 approving the share consolidation such that for every 20 issued and unissued shares of the Company of HK$0.01 each, were consolidated into 1 consolidated share of the Company of HK$0.2 each (the "2010 Share Consolidation") which also became effective on the same date. Following the implementation of the 2010 Share Consolidation, the Company's authorised share capital of HK$1,000,000,000 was divided into 5,000,000,000 shares of HK$0.2 each and its issued share capital remained at approximately HK$224,637,000 represented by 1,123,183,000 shares of par value HK$0.2 each.

(iv) During the year ended 31 March 2012 and after the 2011 Share Consolidation:

(a) an aggregate of 57,500,000 new ordinary shares at par value of HK$0.2 each were issued to Cordia, a shareholder of the Company, to discharge part of the Modified PN with a principal amount of approximately US$5,897,000 (equivalent to approximately HK$46,000,000). The fair value of the 57,500,000 new ordinary shares of the Company issued was HK$21,563,000 determined with reference to the market share price of HK$0.375 per share on the issuance date, of which HK$11,500,000 was credited to share capital and HK$9,575,000 (net of issue expenses) was credited to share premium.

(b) an aggregate of 21,300,000 new ordinary shares at par value of HK$0.2 each were issued at subscription prices at HK$0.23 to the then independent third parties of the Group. The aggregate consideration was approximately HK$4,899,000 (net of issue expenses) of which HK$4,260,000 was credited to share capital and HK$639,000 was credited to share premium. Part of the aggregate consideration was used to set off a loan and its related accrual interests due to the then independent third party in the amount of HK$1,350,000 and HK$26,000 respectively on a dollar-to-dollar basis.

(v) During the year ended 31 March 2011 and after the 2010 Share Consolidation, 980,000 new ordinary shares of par value HK$0.2 each were issued at the subscription price HK$0.448 each on the exercise of 980,000 share options at an aggregate consideration of HK$439,000, of which HK$196,000 was credited to share capital and the remaining balance of HK$243,000 was credited to the share premium account. In addition, an amount attributable to the related share options of HK$195,000 was transferred from equity-settled share option reserve to the share premium account.

(vi) Before the Capital Reorganisation as set out in Note (vii) below, the Company's convertible notes with an aggregate carrying amount of HK$339,750,000 (representing a principal amount of HK$429,000,000) were converted into 536,250,000 shares of the Company at the conversion price of HK$0.8 per share. HK$107,250,000 of the consideration was credited to share capital and the balance of HK$232,500,000 was credited to the share premium.

31. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(vii) A special resolution was passed at the annual general meeting held on 5 August 2010 approving the reorganisation of the capital of the Company (the "Capital Reorganisation") by way of : (i) capital reduction pursuant to which the par value of the existing shares of HK$0.20 each in the issued capital of the Company would be reduced by HK$0.19 each to HK$0.01 each; and (ii) sub-division of each share of the Company in the authorised share capital of the Company into 20 shares of a nominal value of HK$0.01 each. The Capital Reorganisation became effective after the approval from the Grand Court of the Cayman Islands on 5 October 2010. Following the implementation of the Capital Reorganisation set out above, the Company's authorised share capital of HK$5,000,000,000 was divided into 100,000,000,000 shares of HK$0.01 each and its issued share capital was reduced from HK$315,478,850 to HK$16,604,000 with the number of issued shares remained at 1,660,413,000 with a par value HK$0.01 each.

(viii) During the year ended 31 March 2012 and after the 2011 Share Consolidation, 200,000 new ordinary shares of par value HK$0.2 each were issued at the subscription price HK$0.355 each on the exercise of 200,000 share options. The aggregate consideration was HK$71,000 of which HK$40,000 was credited to share capital and HK$31,000 was credited to the share premium. An amount attributable to the related share options of HK$21,000 was transferred from equity-settled share option reserve to the share premium.

(ix) During the year ended 31 March 2011 and after the Capital Reorganisation, an aggregate of 540,000,000 new ordinary shares at par value of HK$0.01 each were issued at subscription prices ranging from HK$0.135 to HK$0.225 to the then independent third parties of the Group and 200,000,000 new ordinary shares at par value of HK$0.01 each were issued at a subscription price of HK$0.19 each to Goldwyn Management Limited ("Goldwyn"), a company wholly and beneficially owned by Mr. Lim Ho Sok, an executive director and the chairman of the Company. The aggregate consideration was approximately HK$125,080,000 (net of issue expenses), of which HK$7,400,000 was credited to share capital and HK$117,680,000 was credited to share premium.

(x) After the Capital Reorganisation, the Company's convertible notes with an aggregate carrying amount of HK$233,671,000 (representing a principal amount of HK$249,600,000) were converted into 312,000,000 shares of the Company at the conversion prices of HK$0.8 per share. HK$3,120,000 was the consideration was credited to share capital and the balance of HK$230,551,000 was credited to the share premium.

32. RESERVES

	Share premium HK$'000	Equity-settled share option reserve HK$'000 (Note (i))	Capital reserve HK$'000 (Notes (ii) & (iii))	Accumulated losses HK$'000	Total HK$'000
The Company					
At 1 April 2010	1,079,933	4,956	–	(563,532)	521,357
Total comprehensive income for the year	–	–	–	(281,430)	(281,430)
Issue of shares on exercise of share options (Notes 31(ii) & (v))	876	(390)	–	–	486
Issue of shares upon conversion of convertible notes (Notes 31(vi) & (x))	463,051	–	–	–	463,051
Capital Reorganisation (Note 31(vii))	–	–	–	315,479	315,479
Placements of new shares (Note 31(ix))	117,680	–	–	–	117,680
Waiver of interests on early settlement of amount due to shareholder (Note 39(a))	–	–	7,522	–	7,522
At 31 March 2011	1,661,540	4,566	7,522	(529,483)	1,144,145
Total comprehensive income for the year	–	–	–	(300,442)	(300,442)
Placements of new shares (Note 31(i) & (iv))	27,500	–	10,649	–	38,149
Lapsed of share options	–	(4,566)	–	4,566	–
Issue of share options (Note 33)	–	1,028	–	–	1,028
Issue of shares on exercise of share options (Note 31(viii))	52	(21)	–	–	31
Discount received on the early settlement of the Modified PN (Note 29(a))	–	–	4,192	–	4,192
Waiver of interests on early settlement of amount due to shareholder (Note 39(a))	–	–	1,133	–	1,133
At 31 March 2012	1,689,092	1,007	23,496	(825,359)	888,236

Notes:

At the end of reporting period, the equity-settled share option reserve and capital reserve of the Company represents respectively (i) the fair value of the outstanding share options of the Company at the respective grant dates; (ii) the amount of interest charged on amount due to a shareholder of the Company that was waived as a result of early settlement on the principal balance of the amount due to that shareholder of the Company. The amount waived is considered as a contribution from the equity participant of the Company; and (iii) the carrying amount of the Modified PN that was converted to equity and utilised to settle purchase consideration as set out in Note 29(a) as a result of early settlements on the principal balance of the Modified PN, which were considered as contributions from equity participant of the Company for the year ended 31 March 2012.

33. SHARE OPTION SCHEME

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

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

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

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

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

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

33. SHARE OPTION SCHEME *(Continued)*

The following were the movements of share options outstanding under the Scheme during the year ended 31 March 2012:

Name or category of participant	At 1/04/2011 Number	Lapsed during the year before share consolidation Number	Share consolidation during the year Number	Lapsed during the year after share consolidation Number	Granted during the year after share consolidation Number	Exercised during the year after share consolidation Number (Note 31(viii))	At 31/03/2012 Number	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$
Executive director										
– Lim Ho Sok	–	–	–	–	2,000,000	–	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Non-executive director										
– Pang Ngoi Wah Edward	–	–	–	–	2,000,000	–	2,000,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
Employees and consultants other than directors										
In aggregate	5,868,000	(1,956,000)	(3,716,400)	(195,600)	–	–	–	10/09/2007	10/09/2007 to 09/09/2017	89.04*
In aggregate	–	–	–	–	3,080,000	(200,000)	2,880,000	30/01/2012	30/01/2012 to 29/01/2022	0.355
	5,868,000	(1,956,000)	(3,716,400)	(195,600)	7,080,000	(200,000)	6,880,000			

* Exercise price of share options issued in the prior periods has been adjusted with the effect of 2011 Share Consolidation as further detail in Note 31(iii).

Note:

The number of share options and exercise prices had been adjusted to reflect the 2011 Share Consolidation during the current year.

The following were the movements of share options outstanding under the Scheme during the year ended 31 March 2011:

Name or category of participant	At 1/04/2010 Number	Exercised during the year before share consolidation Number (Note 31(ii))	Share consolidation during the year Number	Exercised during the year after share consolidation Number (Note 31(v))	At 31/03/2011 Number	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$
Employees other than directors								
In aggregate	117,360,000	–	(111,492,000)	–	5,868,000	10/09/2007	10/09/2007 to 09/09/2017	4.452
	39,200,000	(19,600,000)	(18,620,000)	(980,000)	–	04/03/2010	04/03/2010 to 03/03/2020	0.448
	156,560,000	(19,600,000)	(130,112,000)	(980,000)	5,868,000			

Note:

The number of share options and exercise prices had been adjusted to reflect the 2010 Share Consolidation in prior year.

33. SHARE OPTION SCHEME *(Continued)*

The exercise price of share options outstanding at the end of the year was HK$0.355 (2011: HK$4.452) and their weighted average remaining contractual life was 9.84 years (2011: 6.45 years).

The total number of share options outstanding as at 31 March 2012 was 6,880,000 (2011: 5,868,000) all of which were exercisable as at that date.

The weighted average share price at the date of exercise of share options exercised during the current year was HK$0.355 (2011: HK$0.448 as adjusted to reflect the 2010 Share Consolidation in prior year).

At 31 March 2012, the Company had 6,880,000 (2011: 5,868,000) share options outstanding under the Scheme, representing 3% (2011: 0.2%) of the Company's issued share capital. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 31 March 2012, result in the issue of 6,880,000 (2011: 5,868,000) additional ordinary shares of HK$0.20 (2011: HK$0.01) each of the Company, additional share capital of HK$1,376,000 (2011: HK$59,000) and additional share premium of approximately HK$1,066,000 (2011: HK$26,065,000) (before issue expense). In addition, amount attributable to the related share options of HK$1,007,000 (2011: HK$4,566,000) would be transferred from equity-settled share option reserve to the share premium account.

Valuation of share options

Based on a professional valuation report issued by Cushman, the aggregate fair value of the share options granted to employees and others providing similar services during the year ended 31 March 2012 was estimated at HK$1,028,000 which was recognised as an equity-settled share option expense during the year.

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

	30 January 2012
Exercise price of option	HK$ 0.355
Spot price of shares	HK$ 0.355
Expected volatility (%)	57.11
Risk-free interest rate (%)	1.28
Expected dividend yield (%)	0.00

34. PURCHASE CONSIDERATION PAYABLE FOR ADDITIONAL ACQUISITION

Pursuant to the sales and purchases agreement dated 23 November 2009, Langfeld, a 90% indirectly owned subsidiary of the Company, acquired the remaining 30% equity interest in LLC "Shakhta Lapichevskaya" ("Lapi") held by three Russians for a consideration of US$9,490,600 (equivalent to approximately HK$74,027,000) to be satisfied by payment of cash in four stages (the "Additional Acquisition"). The first and second stages of payments in aggregate amount of US$4,095,300 (equivalent to approximately HK$31,943,000) were made before 31 March 2010. The remaining consideration payable on the Additional Acquisition will be settled in two stages upon the fulfilment of the certain conditions as follows: (i) an amount of US$4,095,300 (equivalent to approximately HK$31,943,000) when the Group obtain the New Exploration and Mining Licence (the "3rd Adjusted Consideration") and (ii) an amount of US$1,300,000 (equivalent to approximately HK$10,140,000) which is only payable as and when the Group obtains the confirmation from the relevant taxation authority in Russia of the taxation liabilities of Lapi (the "4th Adjusted Consideration"). Under the terms of the Additional Acquisition, in the event that the Group could not obtain the confirmation of the taxation liabilities of Lapi from the local tax bureau, there is no obligation on the Group to settle the remaining consideration of US$1,300,000 (equivalent to HK$10,140,000). As at the end of the reporting period and up to the date of this report, the Group has not received any confirmation of the taxation liabilities of Lapi. Accordingly, this amount has not been recognised by the Group.

The 3rd Adjusted Consideration was recognised as current liabilities in prior year. However, the Group had not settled the 3rd Adjusted Consideration as at 31 March 2011. As a result, three former non-controlling interests of Lapi had taken actions against Langfeld for their shares of the 3rd Adjusted Consideration as further detailed in Note 40(i). During the year, the Group had settled an aggregate amount of US$2,710,700 (equivalent to approximately HK$21,143,000) of the 3rd Adjusted Consideration. As at 31 March 2012, US$1,384,600 (equivalent to approximately HK$10,800,000) of the 3rd Adjusted Consideration remained outstanding.

In prior year, the Group's share of the 3rd Adjusted Consideration in the amount of HK$28,749,000 was debited directly to other reserve in equity.

35. DISPOSAL OF SUBSIDIARIES

On 8 September 2011, the Group entered into a disposal agreement with Cordia in connection with the disposal of its 70% equity interest in the SOFOCO Development Limited and its subsidiary (collectively referred to as the "SOFOCO Group"), and the unsecured and interest-free shareholder's loan owed by the SOFOCO Group to Grandvest (the "SOFOCO Shareholder Loan") at a consideration of HK$16,000,000. The consideration was settled by the transfer of Modified PN of US$2,051,282 (equivalent to approximately HK$16,000,000) when the carrying amount was US$1,448,000 (equivalent to approximately HK$11,297,000) at the date of disposal. More detailed information in connection with the disposal of SOFOCO Group is set out in the Company's announcement and circular dated 9 September 2011 and 30 September 2011, respectively. The disposal was completed on 25 November 2011. Subsequent to the completion of the disposal of SOFOCO Group, the Group had discontinued its operation in vertical farming business.

On 27 January 2012, the Group entered into a disposal agreement in connection with the disposal of its 100% equity interest in the Digital New Century Co. Limited and its subsidiaries (collectively referred to as the "DNC Group") at a consideration HK$100,000 in cash to an independent third party. More detailed information in connection with the disposal of DNC Group is set out in the Company's announcement and circular dated 27 January 2012 and 8 March 2012, respectively. The disposal was completed on 30 March 2012. Subsequent to the completion of the disposal of DNC Group, the Group had discontinued its operation in digital television technology services business.

35. DISPOSAL OF SUBSIDIARIES *(Continued)*

The assets and liabilities of SOFOCO Group and DNC Group on their respective date of disposal were as follows:

	Notes	SOFOCO Group HK$'000	DNC Group HK$'000	Total HK$'000
Net assets/(liabilities) disposed of:				
Property, plant and equipment	15	4,160	344	4,504
Other intangible assets	17	3,517	–	3,517
Trade receivables		11	503	514
Inventories		28	572	600
Other receivables, deposits and prepayments		522	3,265	3,787
Amount due from a non-controlling equity holder		5	562	567
Cash and cash equivalents		37	531	568
Trade payables		–	(305)	(305)
Other payables, accrued expenses and deposits received		(55)	(5,189)	(5,244)
Amount due to a related party		–	(4,761)	(4,761)
Tax payable		–	(1,010)	(1,010)
Promissory notes payables	29(b)	–	(2,113)	(2,113)
SOFOCO Shareholder Loan		(2,802)	–	(2,802)
		5,423	(7,601)	(2,178)
Less: Non-controlling interests		(1,627)	2,055	428
		3,796	(5,546)	(1,750)
Translation reserve realised upon disposal		(1,227)	(4,795)	(6,022)
Direct costs incurred for the disposal		519	439	958
Assignment of the SOFOCO Shareholder Loan		2,802	–	2,802
Gain on disposal of subsidiaries		5,407	10,002	15,409
		11,297	100	11,397
Consideration satisfied by:				
Carrying amount of the part of the Modified PN discharged	29(a)	11,297	–	11,297
Cash consideration received in current year		–	100	100
		11,297	100	11,397

35. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

	SOFOCO Group HK$'000	DNC Group HK$'000	Total HK$'000
Net cash outflow arising on disposal:			
Cash consideration received	–	100	100
Direct costs paid in the current year	(519)	(161)	(680)
Cash and cash equivalents disposed of	(37)	(531)	(568)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(556)	(592)	(1,148)

36. OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease arrangements. In prior year, leases were negotiated for terms ranging from one to eighteen years. Subsequent to the disposal of subsidiaries as detailed in Note 35, the remaining terms on the Group's office premise and staff quarters are all within two years, respectively, as at the end of the reporting period. None of the leases includes contingent rentals.

At 31 March 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2012 HK$'000	2011 HK$'000
Within one year	**3,823**	6,786
In the second to fifth years, inclusive	**1,300**	4,298
Over five years	**–**	335
	5,123	11,419

37. CAPITAL COMMITMENTS

Details of capital expenditure contracted for but not provided in the financial statements are as follows:

		The Group	
	Note	**2012 HK$'000**	2011 HK$'000
Property, plant and equipment		**1,026**	2,002

38. PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	The Group	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**1,849**	1,617
Provision during the year (Note 9)	**185**	170
Exchange realignments	**(63)**	62
At the end of year	**1,971**	1,849

The provision for close down, restoration and environmental costs, is related to the acquisition of 90% equity interests in the Langfeld Group in prior years.

Under the existing Russian legislation, management believed that there were no probable liabilities that would have a material adverse effect on the financial position or results of operations of the Group. The Russian government, however, moved and may move further towards the adoption of more stringent environmental standards. Environmental liabilities were subject to considerable uncertainty which affected the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, coal mines and land development areas, whether operating, closed or sold, (ii) the extent of required clean-up efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites.

The provision for close down, restoration and environmental clean up costs is determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditure to their net present value. However, in so far as the effect of the land and the environment from the mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean-up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions were updated accordingly.

39. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save for those related party transactions disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

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

The amount drawn by the Group under the above loan facilities amounted to approximately HK$53,095,000 as at 31 March 2012 (2011: approximately HK$39,470,000). In a letter to the Company dated 21 June 2012, the shareholder undertook not to demand payment of any of the loans to the Group before 20 December 2014, as set out in Note 44(d). Accordingly, this amount has been classified as a non-current liability as at 31 March 2012 and 2011. The balance is unsecured and bears interest at the rate of 0-8% per annum. During the year, interest on amount due to a shareholder of HK$2,438,000 (2011: HK$6,023,000) was charged to the profit or loss (Note 8).

During the current year, Cordia agreed to waive a portion of the interest charged in the total of US$145,000 (2011: US$964,000) (equivalent to approximately HK$1,133,000 (2011: HK$7,522,000)) on the amount due in view of the early settlement on the principal loan due to Cordia. The amount of interest waived in substance constituted a contribution from an equity participant of the Company and was credited directly to capital reserve within equity of the Company in the current year (Note 32(ii)).

(b) As at 31 March 2011, the amounts due from non-controlling interests of subsidiaries were unsecured, interest-free and with no fixed terms of repayment. During the current year, the amounts were derecognised upon the disposal of DNC Group and SOFOCO Group as detailed in Note 35.

(c) As at 31 March 2011, amount due from a related party represented amount due from a director of the subsidiaries. The amount was unsecured, interest-free and with no fixed terms of repayment. The maximum outstanding balance due from the related parties during the prior year was HK$2,018,000. During the current year, the amount was derecognised upon the disposal of DNC Group.

(d) As at 31 March 2011, amounts due to related parties represented amounts due to certain directors of two subsidiaries. The amounts were unsecured, interest-free and repayable after 1 year from the end of the reporting period. During the current year, the amounts were derecognised upon the disposal of DNC Group as detailed in Note 35.

(e) On 1 July 2009, Grandvest, entered into a consultancy agreement for a period of six months with Mr. Choi Sung Min, a shareholder of the Company. A new consultancy agreement was entered into by both parties on 12 January 2010 as an extension of the July 2009 agreement for a period of two years commencing from 1 January 2010. Pursuant to both consultancy agreements, Mr. Choi Sung Min is entitled to a monthly consultancy fee of HK$150,000 and shall be responsible for, inter alia, providing business development advice and exploring business opportunities in relation to the current business of the Grandvest and its subsidiaries (the "Grandvest Group") and any other business that may be developed by the Grandvest Group, in particular to solicit the business of coal mining in Russia and coal trading all over the world. The total consultancy fee paid to Mr. Choi Sung Min for the current year amounted to HK$1,200,000 (2011: HK$1,800,000).

(f) Members of key management personnel during the year comprised only of the executive directors of the Company whose remuneration is set out in Note 10(a).

40. LITIGATIONS

(i) Legal proceedings taken by three former shareholders of a Russian subsidiary against the Group

During the current year, each of the three (2011: two) former non-controlling interests of Lapi, namely Tannagashev Ilya Nikolaevich ("1st Claimant"), Demeshonok Konstantin Yur'evich ("2nd Claimant") and Kochkina Ludmila Dmitrievna ("3rd Claimant") has submitted a claim for their share of the 3rd Adjusted Consideration (Note 34).

The 1st Claimant was claiming an amount of approximately US$2,310,700 (equivalent to approximately HK$18,023,000) (the "1st Claim"), the 2nd Claimant is claiming an amount of approximately US$1,022,200 (equivalent to HK$7,973,000) ("2nd Claim") and the 3rd Claimant is claiming an amount of approximately US$762,400 (equivalent to HK$5,947,000) ("3rd Claim") for their share of the 3rd Adjusted Consideration.

During the current year, the Group had individually entered into an amicable agreement ("Amicable Agreements") with the 1st Claimant, the 2nd Claimant and the 3rd Claimant in connection to the settlement arrangements for the remaining outstanding balances on or before 30 June 2012. The 1st Claim owed to the 1st Claimant had been fully settled, and partial settlement of US$250,000 (equivalent to HK$1,950,000) and US$150,000 (equivalent to HK$1,170,000) had been made to the 2nd Claimant and 3rd Claimant in respect of the 2nd Claim and 3rd Claim respectively during the current year. As such the consideration payable balances brought forward from 31 March 2011 was reduced in accordance with the above settlement. As at 31 March 2012, the remaining consideration payable (to the 2nd Claimant and 3rd Claimant) was US$1,384,600 (equivalent to HK$10,800,000). The balance is to be settled on or before 30 June 2012 and classified under current liabilities of the Group.

In March 2012, a second claim was filed by the 1st Claimant for the payment of US$670,000 (equivalent to HK$5,226,000) (the "4th Claim"). According to the terms of the Additional Acquisition, the Group is only obliged to settle the amount being claimed after a confirmation of the tax liabilities of Lapi has been obtained from the relevant tax authority in Russia. Since the Russian Tax Authority has not confirmed the tax liabilities of Lapi as at 31 March 2012 and up to the date of this report, the Group considered that it has a genuine defence to the 4th Claim and is not liable for, or obligated to this payment.

(ii) Civil proceedings taken by the Company against three former directors of the Company

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

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

40. LITIGATIONS *(Continued)*

(ii) Civil proceedings taken by the Company against three former directors of the Company *(Continued)*

On 15 April 2010, the Company commenced civil proceedings against these three former executive directors to claim damages in the total sum of approximately HK$18,980,000. In pursuing the proceedings, mediation has been sought with a view to settle the matter according to the Civil Justice Reform. Senior Counsel has advised the Company to consider negotiations for a settlement for the sake of saving time and legal costs, provided that the ultimate settlement amount is desirable and acceptable. Any settlement arrangement shall be subject to approval by the court.

As at the date of this report, no settlement arrangement has been reached, and the Company will proceed further with the action against these three former directors.

41. CAPITAL RISK MANAGEMENT

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

The Group monitors its capital position by monitoring its gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated statement of financial position, including amount due to a shareholder, amounts due to related parties and promissory notes payable. Total capital is calculated as "equity attributable to owners of the Company", as shown in the consolidated statement of financial position, plus borrowings. The gearing ratios of the Group at 31 March 2012 and 2011 were as follows:

	2012 HK$'000	2011 HK$'000
Total borrowings	**157,146**	202,045
Equity	**976,167**	1,358,683
Total Capital	**1,133,313**	1,560,728
Gearing ratio	**13.9%**	12.9%

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group has no plan to use special measures to adjust its gearing ratio in the foreseeable future.

42. FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Foreign currency risk

The Group's business operations in Korea is denominated in the KRW and US$, and the Group's investments denominated in US$ and RUB. Most of the Group's assets and liabilities are denominated in HK$, US$, RUB and KRW, which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks.

The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure should the need arise.

(ii) Cash flow and fair value interest rate risk

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

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

(c) Liquidity risk

The Group's policy to manage liquidity risk is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from lenders and shareholders to meet its liquidity requirements in the short and longer term. The Group relies on borrowings as a significant source of liquidity as set out in Note 3(b).

42. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

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

The Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than 3 months HK$'000	More than 3 months but less than 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000
2012							
Other payables and accrued expenses	11,199	11,199	11,199	–	–	–	–
Amount due to a shareholder	53,095	55,432	–	–	–	55,432	–
Promissory notes payables	104,051	142,560	–	–	–	142,560	–
Coal trading deposit received	27,300	29,006	–	–	–	29,006	–
Purchase consideration payable for additional acquisition	10,800	10,800	–	10,800	–	–	–
	206,445	**248,997**	**11,199**	**10,800**	**–**	**226,998**	**–**
2011							
Trade payables	846	846	295	551	–	–	–
Other payables and accrued expenses	9,611	9,611	9,611	–	–	–	–
Amount due to a shareholder	39,470	41,642	–	–	–	41,642	–
Amount due to related parties	5,905	5,905	–	–	–	5,905	–
Promissory notes payables	156,670	236,555	–	–	–	236,555	–
	212,502	294,559	9,906	551	–	284,102	–

42. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

The Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than 3 months HK$'000	More than 3 months but less than 1 year HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000
2012							
Other payables and accrued expenses	4,011	4,011	4,011	–	–	–	–
Amount due to a shareholder	33,146	35,078	–	–	–	35,078	–
Promissory notes payables	104,051	142,560	–	–	–	142,560	–
Coal trading deposit received	27,300	29,006	–	–	–	29,006	–
	168,508	**210,655**	**4,011**	**–**	**–**	**206,644**	**–**
2011							
Other payables and accrued expenses	2,027	2,027	2,027	–	–	–	–
Amount due to a shareholder	22,392	23,983	–	–	–	23,983	–
Promissory notes payables	154,757	234,200	–	–	–	234,200	–
	179,176	260,210	2,027	–	–	258,183	–

(d) Fair values

All financial instruments of the Group and the Company are carried at amounts not materially different from their fair values as at 31 March 2012 and 2011.

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2012 and 2011 may be categorised as follows:

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents), measured at amortised cost	**4,512**	37,045
Financial liabilities		
Financial liabilities, measured at amortised cost	**(206,445)**	(212,502)

44. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(a) On 6 March 2012, the Company entered into a placing agreement with a placing agent in relation to the placing of the convertible notes of up to an aggregate principal amount of US$70,000,000. The allotment and issue of new convertible shares in the capital of the Company was approved by the shareholders on 14 May 2012. By way of a supplemental agreement between the Company and the placing agent dated 26 June 2012, the convertible bonds will be issued in two tranches for principal amounts of up to US$30,000,000 and US$40,000,000 respectively. Conditions precedent facilitating the issue of tranche 1 and tranche 2 must be fulfilled by 28 September 2012 and 30 October 2012 respectively. The supplemental agreement is needed to be approved and ratified by shareholders of the Company in an upcoming extraordinary general meeting to be arranged. Details are set out in the Company's announcement dated 26 June 2012.

(b) During the year, Cordia had transferred part of the Modified PN with principal amounts of US$4,500,000 (equivalent to approximately HK$35,100,000), US$3,000,000 (equivalent to approximately HK$23,400,000) and US$1,500,000 (equivalent to approximately HK$11,700,000) respectively to three independent third parties (collectively referred to as the "Three New PN Holders").

On 6 March 2012, each of the Three New PN Holders entered into a subscription agreement with the Company for the subscription of 62,036,055, 41,357,370 and 20,678,685 new ordinary shares of the Company respectively, at the subscription price of HK$0.5658 per share (the "Subscriptions"). The Subscriptions were approved by shareholders of the Company on 14 May 2012 and completed on 21 May 2012 when a total of 124,072,110 ordinary shares of the Company were issued to them on that date. The aggregate consideration for the Subscriptions of US$9,000,000 (equivalent to approximately HK$70,200,000) was settled in full by discharging the equivalent carrying amount of the Modified PN held by the Three New PN Holders. The difference between the market value of the shares issued and the carrying value of these Modified PN will be reflected in profit or loss in the subsequent financial period.

44. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(c) Subsequent to end of the reporting period, a Coal Purchaser referred to in Note 27 has:

(i) became a shareholder of the Company holding approximately 3.12% of the total issued share capital of the Company;

(ii) entered into a second coal sales and purchase agreement with the Company for the supply of Russian coal to be produced in Lot 1 of Lapi Mines or other Russian sources. The Coal Purchaser has paid a trade deposit of US$3,500,000 to the Company for the future supply of coal of Russian Origin. Under the agreement, the Group will have to refund the entire amount of deposit with accrued interest at 5% to the coal purchaser within one month from 1 November 2014 if coal is not supplied by the Group. If the Group is unable to repay the Coal Purchaser, the latter has the choice to acquire a portion of the equity of Lot 1 of Lapi Mines equivalent of the amount owing by the Group; and

(iii) issued a letter of financial support to the Company whereby the Coal Purchaser expressed its willingness to render continuous financial support to the Company for a period of two years ending 19 June 2014 for an aggregate amount of up to US$6,000,000 by way of loans or advances at the market interest rate to be agreed mutually.

(d) With regard to amount due to a shareholder, subsequent to the end of the reporting period, the shareholder has agreed not to demand repayment of the amount due before 20 December 2014.

(e) On 27 June 2012, the Company entered into a loan agreement with the Coal Purchaser who has agreed to make available an unsecured revolving loan facility to the Group of up to an aggregate amount of US$3,000,000 repayable within three yeas from the date of drawdown. The loan facility so withdrawn bears interest at 6% per year.

Financial Summary

For the year ended 31 March 2012
(Expressed in Hong Kong dollars)

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 31 March 2012.

RESULTS

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**11,402**	18,251	14,660	115,531	120,550
Loss before tax and non-controlling interests	**(467,038)**	(179,656)	(1,642,876)	(3,104)	(14,638)
Gain on disposal of subsidiaries	**15,409**	–	1,626	2,581	–
Income Tax	**45**	11,940	(31)	557	140
(Loss)/profit after tax and before non-controlling interests	**(451,584)**	(167,716)	(1,641,281)	34	(14,498)
Non-controlling interests	**55,585**	37,299	673,641	(2,466)	1,677
Loss attributable to owners of the Company	**(395,999)**	(130,417)	(967,640)	(2,432)	(12,821)

ASSETS AND LIABILITIES

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**1,257,159**	1,707,365	1,580,499	224,735	43,858
Current assets	**7,364**	40,550	83,634	31,154	37,495
Current liabilities	**(49,299)**	(45,595)	(25,223)	(94,573)	(33,180)
Non-current liabilities	**(159,210)**	(203,987)	(701,875)	(15,076)	–
Non-controlling interests	**(79,847)**	(139,650)	(174,110)	(21,569)	(1,001)
Equity attributable to owners of the Company	**976,167**	1,358,683	762,925	124,671	47,172