PAN ASIA MINING LIMITED
寰亞礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8173)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH, 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

HIGHLIGHT

For the fiscal year ended 31 March 2012, the Group recorded a turnover of approximately HK$331,296,000 and loss for the year approximately HK$7,458,904,000.

The directors do not recommend the payment of a dividend for the fiscal year ended 31 March 2012.

The Board of Directors (the "Board") of Pan Asia Mining Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (collectively the "Group"), which has been reviewed by the audit committee of the Company, for the year ended 31 March 2012 together with comparative audited figures for the year ended 31 March 2011 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
Turnover	4	**331,296**	10,419
Cost of sales		**(328,918)**	(10,406)
Gross profit		**2,378**	13
Administrative expenses		**(29,306)**	(17,569)
Other operating loss	5	**(7,955)**	(367)
Loss from operations		**(34,883)**	(17,923)
Impairment of exploration and evaluation assets	10	**(7,342,417)**	—
Finance costs	6	**(81,420)**	(72,624)
Share of losses of associates		**(172)**	(55)
Loss before tax		**(7,458,892)**	(90,602)
Income tax expense	7	**(12)**	—
Loss for the year	8	**(7,458,904)**	(90,602)
Other comprehensive loss for the year, net of tax			
Exchange differences on translation of financial statements of overseas subsidiaries		**(1,897)**	(11)
Total comprehensive loss for the year		**(7,460,801)**	(90,613)
Loss for the year attributable to:			
Owners of the Company		**(4,815,119)**	(89,907)
Non-controlling interests		**(2,643,785)**	(695)
		(7,458,904)	(90,602)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(4,816,359)**	(89,918)
Non-controlling interests		**(2,644,442)**	(695)
		(7,460,801)	(90,613)
		HK$	HK$ (Restated)
Loss per share	9		
Basic		**5.28**	0.47
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	At 31 March 2012 HK$'000	At 31 March 2011 HK$'000 (Restated)	At 1 April 2010 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment		**4,897**	593	1,505
Payments for mining claims		**109**	109	—
Exploration and evaluation assets	10	**1,100,000**	8,438,360	8,435,670
Interests in associates		**—**	172	227
Loan to a third party		**6,704**	—	—
		1,111,710	8,439,234	8,437,402
Current assets				
Inventories		**2,818**	—	—
Trade and other receivables	11	**69,550**	1,085	1,111
Financial assets at fair value through profit or loss		**28,195**	20,806	1,463
Pledged bank deposits		**113**	—	—
Cash and bank balances		**47,226**	206,831	4,267
		147,902	228,722	6,841
Current liabilities				
Trade and other payables	12	**19,195**	7,819	9,334
Amount due to a shareholder		**386**	196	—
Amounts due to associates		**59**	57	57
Amounts due to directors		**1,368**	—	—
Shareholder's loan		**30,000**	—	8,000
Promissory note		**—**	—	184,753
Finance lease payables		**95**	—	—
Current tax liabilities		**85**	74	96
		51,188	8,146	202,240
Net current assets/(liabilities)		**96,714**	220,576	(195,399)
Total assets less current liabilities		**1,208,424**	8,659,810	8,242,003
Non-current liabilities				
Shareholder's loan		**—**	70,000	—
Convertible bonds	13	**525,718**	446,644	379,463
Finance lease payables		**341**	—	—
		526,059	516,644	379,463
NET ASSETS		**682,365**	8,143,166	7,862,540

	At 31 March 2012 HK$'000	At 31 March 2011 HK$'000 (Restated)	At 1 April 2010 HK$'000 (Restated)
Capital and reserves			
Share capital	**456,092**	456,092	76,015
Reserves	**(161,640)**	4,654,719	4,753,475
Equity attributable to owners of the Company	**294,452**	5,110,811	4,829,490
Non-controlling interests	**387,913**	3,032,355	3,033,050
TOTAL EQUITY	**682,365**	8,143,166	7,862,540

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Foreign currency translation reserve HK$'000	Share option reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2010, as previously reported	76,015	3,899,993	10,440	19	320	1,263,605	(511,263)	4,739,129	3,033,050	7,772,179
Retrospective restatement (note 2)	–	(111,123)	–	–	–	–	201,484	90,361	–	90,361
At 1 April 2010, as restated	76,015	3,788,870	10,440	19	320	1,263,605	(309,779)	4,829,490	3,033,050	7,862,540
Total comprehensive loss for the year	–	–	–	(11)	–	–	(89,907)	(89,918)	(695)	(90,613)
Issue of shares on rights issue	380,077	–	–	–	–	–	–	380,077	–	380,077
Transfer	–	–	(10,440)	–	–	–	10,440	–	–	–
Share issuance expenses	–	(8,838)	–	–	–	–	–	(8,838)	–	(8,838)
Changes in equity for the year	380,077	(8,838)	(10,440)	(11)	–	–	(79,467)	281,321	(695)	280,626
At 31 March 2011, as restated	456,092	3,780,032	–	8	320	1,263,605	(389,246)	5,110,811	3,032,355	8,143,166
At 1 April 2011, as previously reported	456,092	3,891,155	–	8	320	1,263,605	(649,841)	4,961,339	3,032,355	7,993,694
Retrospective restatement (note 2)	–	(111,123)	–	–	–	–	260,595	149,472	–	149,472
At 1 April 2011, as restated	456,092	3,780,032	–	8	320	1,263,605	(389,246)	5,110,811	3,032,355	8,143,166
Total comprehensive loss and changes in equity for the year	–	–	–	(1,240)	–	–	(4,815,119)	(4,816,359)	(2,644,442)	(7,460,801)
At 31 March 2012	456,092	3,780,032	–	(1,232)	320	1,263,605	(5,204,365)	294,452	387,913	682,365

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss which are carried at their fair values.

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2. RETROSPECTIVE RESTATEMENT

The Group's consolidated financial statements for the year ended 31 March 2011 have been restated to correct prior period errors. As disclosed in note 13, the liability component of the convertible bonds is treated as a liability at amortised cost using the effective interest rate method until extinguished on conversion or redemption. However, after initial recognition, the imputed interest on the liability component of the convertible bonds are recognised to the profit or loss using a straight-line basis, which is not in conformity with the effective interest rate method as defined in HKAS 39 "Financial Instruments: Recognition and Measurement". Consequently, the imputed interest charged, the liability component of the convertible bonds and the share premium arising from conversion of the convertible bonds into ordinary shares of the Company in the prior periods since the issue date of the convertible bonds on 18 December 2008 were overstated. In view of the above, the finance costs, the liability component of convertible bonds, share premium and accumulated losses for the year 31 March 2011 were restated accordingly. The effects of the retrospective restatement are summarised below.

Consolidated statement of total comprehensive income for the year ended 31 March 2011:

	As previously reported	Effect of retrospective restatement	As restated
	HK$'000	HK$'000	HK$'000
Loss from operations	(17,923)		(17,923)
Finance costs	(131,735)	59,111	(72,624)
Share of losses of associates	(55)		(55)
Loss before tax	(149,713)		(90,602)
Income tax expense	—		—
Loss for the year	(149,713)		(90,602)
Other comprehensive loss for the year, net of tax			
Exchange differences on translation of financial statements of overseas subsidiaries	(11)		(11)
Total comprehensive loss for the year	(149,724)		(90,613)
Loss for the year attributable to:			
Owners of the Company	(149,018)		(89,907)
Non-controlling interests	(695)		(695)
	(149,713)		(90,602)
Total comprehensive loss for the year attributable to:			
Owners of the Company	(149,029)		(89,918)
Non-controlling interests	(695)		(695)
	(149,724)		(90,613)
	HK$	HK$	HK$
Basic loss per share	0.78	(0.31)	0.47

Consolidated statement of financial position as at 31 March 2011:

	As previously reported	Effect of retrospective restatement	As restated
	HK$'000	HK$'000	HK$'000
Total assets less current liabilities	8,659,810		8,659,810
Non-current liabilities			
Shareholder's loan	70,000		70,000
Convertible bonds	596,116	(149,472)	446,644
	666,116		516,644
NET ASSETS	7,993,694		8,143,166
Capital and reserves			
Share capital	456,092		456,092
Reserves	4,505,247	149,472	4,654,719
Equity attributable to owners of the Company	4,961,339		5,110,811
Non-controlling interests	3,032,355		3,032,355
TOTAL EQUITY	7,993,694		8,143,166

Consolidated statement of financial position as at 1 April 2010:

	As previously reported	Effect of retrospective restatement	As restated
	HK$'000	HK$'000	HK$'000
Total assets less current liabilities	8,242,003		8,242,003
Non-current liabilities			
Convertible bonds	469,824	(90,361)	379,463
NET ASSETS	7,772,179		7,862,540
Capital and reserves			
Share capital	76,015		76,015
Reserves	4,663,114	90,361	4,753,475
Equity attributable to owners of the Company	4,739,129		4,829,490
Non-controlling interests	3,033,050		3,033,050
TOTAL EQUITY	7,772,179		7,862,540

3. SEGMENT INFORMATION

The Group has four reportable segments as follows:

Mining	—	Mining operations including exploration and exploitation of magnetic sand (The commercial operations have not yet been commenced during the year)
Metals	—	Trading of scrap metals including, aluminum, copper, stainless steel and other ferrous/non-ferrous metals
Coals	—	Trading of coals
Bunker Fuels	—	Trading of vessel fuels

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include corporate administration costs, other operating loss and income tax expense. Segment assets do not include financial assets at fair value through profit or loss and unallocated corporate assets which used are jointly used by reportable segments. Segment liabilities do not include current tax liabilities, shareholder's loan and unallocated corporate liabilities which are jointly liable by reportable segments.

Information about reportable segment profit or loss, assets and liabilities:

	Mining HK$'000	Metals HK$'000	Coals HK$'000	Bunker Fuels HK$'000	Total HK$'000
Year ended 31 March 2012					
Revenue from external customers	**–**	**14,193**	**17,447**	**299,656**	**331,296**
Segment profit/(loss)	**(7,444,228)**	**443**	**509**	**1,082**	**(7,442,194)**
Interest expense	**81,408**	**–**	**–**	**–**	**81,408**
Depreciation	**8**	**–**	**–**	**–**	**8**
Impairment of exploration and evaluation assets	**7,342,417**	**–**	**–**	**–**	**7,342,417**
Share of losses of associates	**172**	**–**	**–**	**–**	**172**
Additions to segment non-current assets	**4,057**	**–**	**–**	**–**	**4,057**
As at 31 March 2012					
Segment assets	**1,101,258**	**26,066**	**–**	**49,141**	**1,176,465**
Segment liabilities	**527,374**	**160**	**–**	**12,975**	**540,509**
Interests in associates	**–**	**–**	**–**	**–**	**–**

	Mining HK$'000 (Restated)	Metals HK$'000	Coals HK$'000	Bunker Fuels HK$'000	Total HK$'000 (Restated)
Year ended 31 March 2011					
Revenue from external customers	–	10,419	–	–	10,419
Segment profit/(loss)	(88,316)	9	–	–	(88,307)
Interest expense	72,624	–	–	–	72,624
Depreciation	71	–	–	–	71
Share of losses of associates	55	–	–	–	55
Additions to segment non-current assets	2,799	–	–	–	2,799
As at 31 March 2011					
Segment assets	8,505,907	–	–	–	8,505,907
Segment liabilities	450,847	–	–	–	450,847
Interests in associates	172	–	–	–	172

Reconciliations of reportable segment profit or loss, assets and liabilities:

	2012	2011
	HK$'000	HK$'000
		(Restated)
Profit or loss		
Total loss of reportable segments	**(7,442,194)**	(88,307)
Unallocated amounts:		
Other operating loss	**(7,955)**	(367)
Depreciation	**(1,224)**	(883)
Corporate administrative expenses	**(7,531)**	(1,045)
Consolidated loss for the year	**(7,458,904)**	(90,602)
Assets		
Total assets of reportable segments	**1,176,465**	8,505,907
Unallocated amounts:		
Financial assets at fair value through profit or loss	**28,195**	20,806
Corporate assets	**54,952**	141,243
Consolidated total assets	**1,259,612**	8,667,956
Liabilities		
Total liabilities of reportable segments	**540,509**	450,847
Unallocated amounts:		
Current tax liabilities	**85**	74
Shareholder's loan	**30,000**	70,000
Corporate liabilities	**6,653**	3,869
Consolidated total liabilities	**577,247**	524,790

Geographical information:

	Revenue		Non-current assets	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	**3,563**	10,419	**4,091**	555
People's Republic of China ("PRC") except Hong Kong	**–**	–	**14**	29
The Philippines	**–**	–	**1,100,109**	8,438,650
Singapore	**327,733**	–	**792**	–
Consolidated total	**331,296**	10,419	**1,105,006**	8,439,234

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

	2012 HK$'000	2011 HK$'000
Bunker fuels segment		
Customer a	**173,646**	—
Customer b	**99,124**	—
	272,770	—

4. TURNOVER

The Group's turnover which represents sales of goods to customers, net of trade discounts, are as follows:

	2012 HK$'000	2011 HK$'000
Sales of metals	**14,193**	10,419
Sales of coals	**17,447**	—
Sales of bunker fuels	**299,656**	—
	331,296	10,419

5. OTHER OPERATING LOSS

	2012 HK$'000	2011 HK$'000
Fair value loss on financial assets at fair value through profit or loss	**(9,962)**	(392)
Dividend income from listed investments	**681**	25
Gain on disposal of property, plant and equipment	**305**	—
Interest income from debt investments	**599**	—
Interest income from loan and receivables	**135**	—
Sundry income	**287**	—
	(7,955)	(367)

6. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
		(Restated)
Finance lease charges	10	–
Interest on bank overdrafts	2	–
Interest on other borrowings wholly repayable within five years		
- Promissory note	–	5,247
- Shareholder's loan	2,334	196
Interest on convertible bonds not wholly repayable within five years (note 13)	79,074	67,181
	81,420	72,624

7. INCOME TAX EXPENSE

	2012	2011
	HK$'000	HK$'000
Current tax – Singapore Income Tax	12	–

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits for the years ended 31 March 2011 and 2012.

Entities incorporated in other countries are subject to income tax rates of 17% to 30% prevailing in the countries in which such entities operate, based on existing legislation, interpretation and practices in respect thereof.

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2012	2011
	HK$'000	HK$'000
Depreciation	1,232	954
Operating lease charges in respect of land and buildings	1,906	1,874
Auditor's remuneration		
Audit services	500	300
Non-audit services	50	–
	550	300
Cost of inventories sold	328,918	10,406
Staff costs (including directors' emoluments)		
Salaries, bonus and allowances	10,016	8,681
Retirement benefits scheme contributions	242	115
	10,258	8,796

9. LOSS PER SHARE

(a) Basic loss per share

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

	2012 HK$'000	2011 HK$'000 (Restated)
Loss		
Loss for the purpose of calculating basic loss per share	**4,815,119**	89,907

Number of shares	**2012**	2011
Issued ordinary shares at beginning of year	**912,184,080**	7,601,534,023
Effect of share consolidation	**–**	(7,449,503,343)
Effect of rights issue	**–**	38,515,828
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**912,184,080**	190,546,508

(b) Diluted loss per share

As the exercise of the Group's outstanding convertible bonds would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's outstanding share options for both years, no diluted loss per share was presented in both years.

10. EXPLORATION AND EVALUATION ASSETS

	Exploration rights HK$'000	Evaluation expenditure HK$'000	Total HK$'000
Cost			
At 1 April 2010	8,429,879	5,791	8,435,670
Additions	—	2,690	2,690
At 31 March 2011 and 1 April 2011	8,429,879	8,481	8,438,360
Additions	—	4,057	4,057
At 31 March 2012	8,429,879	12,538	8,442,417
Accumulated impairment			
At 1 April 2010, 31 March 2011 and 1 April 2011	—	—	—
Impairment losses recognised for the year	7,342,417	—	7,342,417
At 31 March 2012	7,342,417	—	7,342,417
Carrying amount			
At 31 March 2012	1,087,462	12,538	1,100,000
At 31 March 2011	8,429,879	8,481	8,438,360

As at 31 March 2012, Mt. Mogan Resources and Development Corporation ("Mogan"), a subsidiary of the Company owned two exploration permits to explore iron ore and other associated mineral in specified offshore area with 41,094 hectares in the Leyte Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines (the "Exploration Area"). The exploration permits are granted for an initial period of 2 years and are renewable for two successive periods of 2 years each. According to the terms of the exploration permits, Mogan shall relinquish at least 20% of the Exploration Area during the initial period of 2 years and at least 10% of the Exploration Area annually during renewed exploration periods.

On 22 December 2011, the two exploration permits covering the Exploration Area were expired. Mogan has duly filed its application for the renewal of the exploration permits to the MGB during the year. The renewal of the exploration permits was approved by the MGB on 22 June 2012. Pursuant to the terms of the renewed exploration permits, the Exploration Area is reduced to 32,285 hectares.

On the other hand, Mogan submitted an application to MGB for the mineral production sharing agreement (the "MPSA") in respect of 5,000 hectares within the Exploration Area (the "Mining Area") on 15 June 2010. A MPSA is an agreement between a contractor and MGB, acting on behalf of the Government of the Philippines, whereby the Government of the Philippines grants the contractor exclusive rights to conduct mining operations to extract and exploit the pre-agreed upon mineral resources in the specified area for a term of 25 years starting from the execution date and is renewable for another term not exceeding 25 years.

The acceptance of the application of the MPSA involve various phases, including but not limited to, the evaluation of feasibility studies, environmental work plan and financial capability of Mogan; the obtaining of area status and clearance; and public consultation by regional and central offices of the MGB and the DENR. As of the approval date of these financial statements, the MPSA was yet to be awarded to Mogan. To the best knowledge of the directors, the Group should have no major difficulties in fulfilling the technical and other requirements for the acceptance of the MPSA application by the MGB.

Impairment test

During the year, Mogan continued the geotechnical analysis in the Exploration Area. According to additional information obtained from the geotechnical analysis, the estimated value of the mineral content in the whole Exploration Area is expected to be substantially below the carrying value of the exploration and evaluation assets. In addition, the Group relinquished 21.5% of the Exploration Area upon the expiry of the initial exploration period of 2 years on 22 December 2011 in accordance with the terms of the exploration permits. Such facts and circumstances indicated that the Group should test the exploration and evaluation assets for impairment.

In assessing whether impairment is required for the exploration and evaluation assets, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The directors consider that the mining operations have not reached a stage for reliable estimation of the future production volume and operation costs. Accordingly, the recoverable amount used in assessing the impairment loss is fair value less cost to sell. The Group engaged an independent valuer, Roma Appraisals Limited, to determine the fair value of the exploration and evaluation assets. The fair value of exploration and evaluation assets was determined using the market approach on the basis that the MPSA would be accepted by the MGB.

Other key assumptions adopted for the fair value estimation includes the iron ore prices and the estimated mineral resources based on a technical report prepared by an independent specialist Roma Oil and Mining Associates Limited.

Based on these evaluations, the carrying amount of the exploration and evaluation assets exceeded its recoverable amount at 31 March 2012. Accordingly impairment loss of HK$7,342,417,000 were recognised for the year ended 31 March 2012 (2011: Nil).

As set out in the above paragraphs, the recoverable amount of the exploration and evaluation assets as at 31 March 2012 is determined on the basis that the MPSA would be awarded to Mogan. If the application of the MPSA is unsuccessful, the Group might incur a significant amount of additional impairment loss on the corresponding exploration and evaluation assets, which might have a significant effect on the consolidated financial statements of the Group. However, the directors are of the opinion that Mogan would be able to obtain the MPSA and they do not foresee any circumstances that would trigger their application for MPSA unsuccessful.

11. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	HK$'000
Trade receivables	**42,771**	—
Rental and other deposits	**23,665**	527
Prepayments and other receivables	**3,114**	558
	69,550	1,085

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. The credit terms generally range from 1 to 30 days. Overdue balances are reviewed regularly by management.

As at 31 March 2012, the age of the trade receivables, based on the invoice date, was less than 30 days and all trade receivables were neither past due nor impaired.

The carrying amounts of the Group's trade receivables are denominated in United States dollars.

12. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	HK$'000
Trade payables	**12,960**	—
Accruals	**4,703**	2,392
Other payables	**1,532**	5,427
	19,195	7,819

As at 31 March 2012, the age of the trade payables, based on the date of receipt of goods, was less than 90 days. The carrying amounts of the Group's trade payables are denominated in United States dollars.

13. CONVERTIBLE BONDS

On 18 December 2008, the Company entered into a subscription agreement with Kesterion Investments Limited ("Kesterion") for the issue of convertible bonds with an aggregate principal amount of US$655,128,205 (equivalent to approximately HK$5,110,000,000) (the "Convertible Bonds") in connection with the acquisition of 64% equity interest in Mogan. The Convertible Bonds are convertible, at any time between the issue date and maturity date, and at the option of the holders, into ordinary shares of the Company at a fixed conversion price of HK$0.70 per conversion share, subject to any anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issued. In 2011, the conversion price of the Convertible Bonds were adjusted to HK$22.79 per share upon the completion of the capital reorganisation, share consolidation and rights issue.

The Convertible Bonds are unsecured, non-interest bearing and redeemable in part(s) or in full by the Company, using an agreed fixed exchange rate of US$1 = HK$7.8, at any time before the maturity date on 18 December 2018. On the maturity date, the Convertible Bonds will be redeemed at par, using an agreed fixed exchange rate of US$1 = HK$7.8.

The net proceeds received from the issue of the Convertible Bonds have been split between the liability component and equity component. The liability component is treated as liability at amortised cost using the effective interest rate method until extinguished on conversion or redemption.

The movements of the liability and equity components and principal amount of the Convertible Bonds for the both years are as follows:

	Liability component	**Equity conversion component**	**Principal amount**
	HK$'000 (Restated)	HK$'000	HK$'000
At 1 April 2010	379,463	1,263,605	1,571,500
Imputed interest charged for the year (note 6)	67,181	—	—
At 31 March 2011 and 1 April 2011	446,644	1,263,605	1,571,500
Imputed interest charged for the year (note 6)	79,074	—	—
At 31 March 2012	525,718	1,263,605	1,571,500

The imputed interest charged for the year is calculated by applying an effective interest rate of 17.7% (2011: 17.7%) per annum to the liability component.

The imputed interest charged for the year ended 31 March 2011 and the carrying amounts of the liability component as at 1 April 2010 and 31 March 2011 were restated to correct prior periods errors, details of which are set out in note 2.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Material uncertainty relating to the exploration and evaluation assets

Without qualifying our opinion, we draw attention to note 18 to the financial statements. As at 31 March 2012, Mt. Mogan Resources and Development Corporation ("Mogan"), a subsidiary of the Company, owned two exploration permits to explore iron ore and other associated mineral in specified offshore area in the Leyte Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines. The carrying amount of the related exploration and evaluation assets amounted to HK$1,100,000,000 as at 31 March 2012.

On 15 June 2010, Mogan submitted an application to the Mines and Geosciences Bureau (the "MGB") of the Department of Environment and Natural Resources of the Philippines for the conversion of the exploration into a mineral production sharing agreement (the "MPSA") in respect of 5,000 hectares within the exploration area covered by the two exploration permits. A MPSA is an agreement between a contractor and MGB, acting on behalf of the Government of the Philippines, whereby the Government of the Philippines grants the contractor exclusive rights to conduct mining operations to extract and exploit the pre-agreed upon mineral resources in the specified area within a specified time frame. As of the approval date of the consolidated financial statements of the Group, the MPSA was yet to be awarded to Mogan.

In the impairment assessment of the exploration and evaluation assets, the recoverable amount is determined on the basis that the MPSA would be awarded to Mogan. Accordingly, an impairment loss of HK$7,342,417,000 in respect of the exploration and evaluation assets is recognised in the Group's consolidated financial statements for the year ended 31 March 2012. If the application of the MPSA is unsuccessful, the Group might incur a significant amount of additional impairment loss on the corresponding exploration and evaluation assets, which might have a significant effect on the consolidated financial statements of the Group. However, the directors are of the opinion that Mogan would be able to obtain the MPSA and they do not foresee any circumstances that would trigger their application for MPSA unsuccessful.

MANAGEMENT DISCUSSION & ANALYSIS

RESULTS AND DIVIDENDS

During the year, the Group recorded a loss of approximately HK$7,458,904,000 (2010: approximately HK$90,602,000, as restated).

The Directors do not recommend the payment of a dividend for the year ended 31 March 2012.

BUSINESS REVIEW

The Group recognized that customers purchasing metal ore also intake a significant amount of scrap metal as a source of raw material. In September 2011 the Group commenced trading of scrap metals in Singapore where we found geographic competitive advantages over Hong Kong in term of servicing customers from the region. Identified sources of supply in Singapore include local industrial plants, auto dismantlers, building dismantlers, demolition operations, and overseas suppliers from Middle East, Europe and United States of America. On the sales side, potential scrap metal customers are found in PRC, Taiwan, India, Japan, Korea, and Philippines. Black Sand International (Singapore) Pte. Ltd. ("BSI"), a wholly owned subsidiary of the Company is striving to expand its business to these locations. Revenue from scrap metal trading amounted to approximately HK$14 million during the financial year.

In September 2011 the Group also commenced business in trading of bunker fuel. The Group recognized that being one of the busiest port in the world, Singapore has an enormous market of bunker fuel for transoceanic vessels. However, in view of the fluctuating international oil prices, the Group has cautiously entered into the market keeping no or minimal over-nights stock-in-transit. During the financial year ended 31 March 2012 the Group has generated sales of approximately HK$300 million.

In December 2011 the Group has commenced the business of trading of coal. The first shipment of approximately 35,000 tons of steam coal from Indonesia to China was completed in February this year. In view of the recent fluctuations of international coal prices the Group has not yet entered into the second shipment of coal trading. During the financial year ended 31 March 2012, sales revenue of approximately HK$17 million was generated and duly received.

The 2 exploration permits valid from 23 December 2009 and covering an exploration area of approximately 41,094 hectares expired in December 2011. The Group did not carry out any exploration work since then and has submitted application in November 2011 for the renewal of the 2 exploration permits. According to the exploration permit requirements, 10% of the exploration area has to be relinquished annually.

After analyzing the original 41,094 hectares exploration area the Group voluntarily relinquished approximately 21.5% of the area which is mostly covered by coral reef cultures or is unlikely to have sufficient magnetite deposits for commercial exploitation. According to Philippines laws, sea bed area covered by coral reef cultures are not allowed for mining operations. On 22 June 2012, renewal of the 2 exploration permits was approved with total exploration area of approximately 32,258 hectares (the "Renewed EP"). Upon expiration of the 2 renewed exploration permits in 2 years the Group is eligible to renew the 2 exploration permits for another 2 years.

The Group has been undergoing exploration activities in the mining tenements in The Philippines during the past few years. As at 31 March 2012, the Group has finished drilling of 262 boreholes. The drilling activities covered areas of approximately 1,300 hectares out of the total exploration area of 32,258 hectares under the Renewed EP. The Group is planning the next phase of exploration.

On the other hand, the Group submitted an application to MGB for the mineral production sharing agreement (the "MPSA") in respect of 5,000 hectares within the renewed exploration area on 15 June 2010. The acceptance of the application of the MPSA involve various phases including, among others, the evaluation of feasibility studies, environmental work plan and financial capability of the Group; the obtaining of area status and clearance; and public consultation by regional and central offices of the MGB and the DENR. As of the date of this announcement, the MPSA was not yet awarded to the Group. The management considers that the Group should have no major difficulties in fulfilling the technical and other requirements for the acceptance of the MPSA application by the MGB.

PROSPECTS

China is the largest importer of metals and coal in the world. Its annual consumption for imported coal in 2011 is approximately 182 million tons. Currently, both Indonesia and Australia are the 2 largest suppliers of coal to China. Coal from Indonesia is dominantly steam coal which is used primarily in power generation, while Australian coking coal is mainly used for iron and steel production. Being strategically located in Hong Kong where we have easy access to both the China customer and suppliers in the southern globe, the Group will continue to grow its coal trading business in addition to striving to realize the full potential of the existing mining tenements.

Although bunker fuel trading accounted for 90% of total revenue of the Group, it has only a thin gross margin due to a narrow source of supply when the Group first entered the market. Management believes that bunker fuel is a promising business. According to Sea trade Bunkering Report 2011, Singapore is the busiest bunkering port in the world with a turnover of approximately 40.9 million tons of fuel oil in 2010. However, in our view the bunker fuel market will still be volatile. As a new entrant, we shall try to grow and enhance profitability of this business at a cautious pace in Singapore after balancing risk and rewards.

In addition to the expansion of the existing resource related businesses incepted in the past financial year, the Group will constantly adjust its business and investment composition in relation to the resource industry to seek further improvements of its profit margin. Given the current economic climates of today, the Group's strategy will remain primarily focusing on the continuous economic growth in the China market. To create value propositions for our shareholders, we will continue to seek out sectors where we can create economics value for them including via merger and acquisitions.

FINANCIAL REVIEW

The Group's turnover amounted to approximately HK$331,296,000 (2011: approximately HK$10,419,000), increased by approximately HK$320,877,000 as compared to the same period in 2011. The significant increase in sales revenue arose from the new bunker fuel trading business. Gross profit amounted to approximately HK$2,378,000 (2011: approximately HK$13,000). Other operating loss amounted to approximately HK$7,955,000 (2011: approximately HK$367,000) which arose primarily from unrealized loss in market value of held-for-trading equity and debt securities. Loss for the year increased to approximately HK$7,458,904,000 as compared to approximately HK$90,602,000, as restated of the same period last year which is mainly attributable to the HK$7,342,417,000 impairment loss provision for the exploration and evaluation assets. Full details regarding the impairment provision are in note 10.

CAPITAL STRUCTURE AND LIQUIDITY

As at 31 March 2012, the Company has outstanding zero coupon rate convertible bonds in the carrying value of approximately HK$525,718,000 (31 March 2011: approximately HK$446,644,000, as restated) convertible into 68,955,682 (31 March 2011: 68,955,682) ordinary shares of the Company of HK$0.50 each. The convertible bonds with outstanding principal amount totalling US$201,474,359 (equivalent to approximately HK$1,571,500,000) are due for full redemption on 18 December 2018.

As at 31 March 2012, the Group has a current ratio of 2.89 times. (2011: approximately 28.08 times). Gearing ratio, calculated based on non-current liabilities of approximately HK$526,059,000 (2011: approximately HK$516,644,000, as restated) against total equity of approximately HK$682,365,000 (2011: total equity of approximately HK$8,143,166,000, as restated) increased from 6.34% for 2011 to 77.09% for 2012 due to the substantial reduction in total equity after the impairment provision.

As at 31 March 2012, the Group has no material contingent liability (31 March 2011: Nil).

As at 31 March 2012, the Group has a capital commitment for acquisition of property of approximately HK$4,365,000 (31 March 2011: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisition or disposals of subsidiaries and associated companies during the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2012, the Group has 17 full time employees (2011: 12). Employees are remunerated with reference to market terms and according to their individual work performance, qualification and experience. Remuneration includes monthly basic salaries, retirement benefits under the Mandatory Provident Fund, medical schemes and performance-lined discretionary bonuses.

All qualifying Group employees in Hong Kong participate in the Mandatory Provident Fund Scheme (the "Scheme"). The assets of the Scheme are held separately from those of the Group in funds under the control of trustees. Group contributions were grossly matched by employee contributions.

The Company's policy concerning remuneration of the executive Directors is as follows:

(i) the executive Directors' remuneration is determined on the basis of his or her experience, responsibility, workload and the time devoted to the Group; and

(ii) at the discretion of the Board or a committee thereof, the executive Directors may be granted options pursuant to the Share Option Scheme and/or any other such schemes of the Company as part of their remuneration package.

BORROWING FACILITIES

During the year, the Group has obtained a credit facilities from a banker up to a maximum amount of US$2 million and the credit line has not been utilized as at 31 March 2012.

PLEDGE OF ASSETS

At 31 March 2012, certain bank deposits and equity and debt investments of the Group with carrying value of approximately HK$113,000 (2011: Nil) and HK$28,195,000 (2011: Nil), respectively were pledged to secure general banking facilities granted to the Group.

TREASURY POLICIES

The functional currency of the Company and its subsidiaries is mainly denominated in United States dollars and the majority of the Group's tangible assets are denominated in Hong Kong dollars. The outstanding convertible bonds are denominated in United States dollars and are redeemable or convertible using an agreed fixed rate of HK$7.8 to US$1.0. As a result the convertible bonds have no exposure to exchange rate fluctuations. The Group has no other material exposure to exchange rate risks and has not made any arrangement to hedge against expenses, assets and liabilities for exchange rate fluctuation.

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by all effective means. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain and ensure high standards of corporate governance practices. Except for the deviations as disclosed in this report, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "**GEM Listing Rules**") throughout the year ended 31 March 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of quarterly, interim and annual results.

The Company confirms that, having made specific enquiry from all Directors, all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the year ended 31 March 2012.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently comprises four members of which one is a non-executive Director, Mr. Yin Mark Teh-min and three independent non-executive Directors, Mr. Lai Kai Jin, Michael, Mr. Chu Hung Lin, Victor and Mr. Tong Wan Sze. The chairman of the Audit Committee is Mr. Tong Wan Sze.

The role and functions of the Audit Committee are set out in the written terms of reference of the Audit Committee which includes to oversee the relationship with auditor, to review and supervise the financial reporting system and internal controls procedures of the Group and to review and approve the Company's annual reports and accounts, interim report and quarterly reports to the Board. The terms of reference can be obtained from the website of the Company and the Stock Exchange.

The Audit Committee has reviewed the Group's unaudited quarterly and interim results and annual audited results for the financial year ended 31 March 2012 and also reviewed the system of internal control of the Group in accordance with provision C.2.1 of the CG Code. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made and is of the view that the system of internal control of the Group is sufficient to safeguard the interests of the Group. The Audit Committee held 4 meetings during the financial year ended 31 March 2012.

By Order of the Board
Pan Asia Mining Limited
Michael Koh Tat Lee
Chairman

22 June 2012, Hong Kong

As at the date of this announcement, the Board comprises two executive Directors, Mr. Michael Koh Tat Lee and Mr. Eng Wee Meng, two non-executive Director, Mr. Yin Mark Teh-min and Mr. Liang Tong Wei, and three independent non-executive Directors, Mr. Lai Kai Jin, Michael, Mr. Chu Hung Lin, Victor and Mr. Tong Wan Sze.

This announcement will remain on the page of "Latest Company Announcement" on the GEM website for at least 7 days from the date of its posting.