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, 2013

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.

This report, for which the directors of Pan Asia Mining Limited (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Pan Asia Mining Limited. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHT

For the fiscal year ended 31 March 2013, the Group recorded a turnover of approximately HK$274,489,000 and loss for the year approximately HK$127,971,000.

The directors do not recommend the payment of a dividend for the fiscal year ended 31 March 2013.

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 2013 together with comparative audited figures for the year ended 31 March 2012 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	**2013**	2012
		HK$'000	HK$'000
Turnover	3	**274,489**	331,296
Cost of sales		**(272,634)**	(328,918)
Gross profit		**1,855**	2,378
Administrative expenses		**(38,885)**	(29,306)
Other operating income/(loss)	4	**3,524**	(7,955)
Loss from operations		**(33,506)**	(34,883)
Impairment of exploration and evaluation assets	9	**–**	(7,342,417)
Finance costs	5	**(94,465)**	(81,420)
Share of losses of associates		**–**	(172)
Loss before tax		**(127,971)**	(7,458,892)
Income tax expense	6	**–**	(12)
Loss for the year	7	**(127,971)**	(7,458,904)
Other comprehensive loss for the year, net of tax			
Exchange differences on translation of financial statements of overseas subsidiaries		**(372)**	(1,897)
Total comprehensive loss for the year		**(128,343)**	(7,460,801)
Loss for the year attributable to:			
Owners of the Company		**(127,691)**	(4,815,119)
Non-controlling interests		**(280)**	(2,643,785)
		(127,971)	(7,458,904)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(127,681)**	(4,816,359)
Non-controlling interests		**(662)**	(2,644,442)
		(128,343)	(7,460,801)
		HK$	HK$
Loss per share	8		
Basic		**0.14**	5.28
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	**2013**	2012
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment		**5,162**	4,897
Payments for mining claims		**109**	109
Exploration and evaluation assets	9	**1,103,323**	1,100,000
Goodwill		**6,234**	–
Interests in associates		**–**	–
Loan to a third party		**15,161**	6,704
		1,129,989	1,111,710
Current assets			
Inventories		**–**	2,818
Trade and other receivables	10	**76,723**	69,550
Financial assets at fair value through profit or loss		**9,157**	28,195
Amount due from a director		**109**	–
Pledged bank deposits		**3,279**	113
Cash and bank balances		**175,877**	47,226
		265,145	147,902
Current liabilities			
Trade and other payables	11	**205,626**	19,195
Amount due to a shareholder		**–**	386
Amounts due to associates		**59**	59
Amounts due to directors		**2,058**	1,368
Bank loan	12	**2,338**	–
Shareholder's loan		**–**	30,000
Finance lease payables		**186**	95
Current tax liabilities		**109**	85
		210,376	51,188
Net current assets		**54,769**	96,714
Total assets less current liabilities		**1,184,758**	1,208,424
Non-current liabilities			
Convertible bonds	13	**618,791**	525,718
Finance lease payables		**366**	341
		619,157	526,059
NET ASSETS		**565,601**	682,365

	2013	2012
	HK$'000	HK$'000
Capital and reserves		
Share capital	**459,092**	456,092
Reserves	**(280,839)**	(161,640)
Equity attributable to owners of the Company	**178,253**	294,452
Non-controlling interests	**387,348**	387,913
TOTAL EQUITY	**565,601**	682,365

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Attributable to owners of the Company								
	Share capital	Share premium	Foreign currency translation reserve	Share option reserve	Convertible bonds equity reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2011	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
At 1 April 2012	456,092	3,780,032	(1,232)	320	1,263,605	(5,204,365)	294,452	387,913	682,365
Total comprehensive loss for the year	–	–	10	–	–	(127,691)	(127,681)	(662)	(128,343)
Share-based payments	–	–	–	8,482	–	–	8,482	–	8,482
Issue of share on exercise of share option	3,000	–	–	(551)	–	551	3,000	–	3,000
Acquisition of a subsidiary	–	–	–	–	–	–	–	97	97
Changes in equity for the year	3,000	–	10	7,931	–	(127,140)	(116,199)	(565)	(116,764)
At 31 March 2013	459,092	3,780,032	(1,222)	8,251	1,263,605	(5,331,505)	178,253	387,348	565,601

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), 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.

The accounting policies used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2012 except the changes mentioned below.

In the current year, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 April 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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. 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 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 2013					
Revenue from external customers	–	13,796	167,165	93,528	274,489
Segment profit/(loss)	(95,035)	334	(17,290)	273	(111,718)
Interest expense	94,290	–	–	–	94,290
Depreciation	2	–	121	–	123
Impairment of exploration and evaluation assets	–	–	–	–	–
Share of losses of associates	–	–	–	–	–
Additions to segment non-current assets	3,323	–	–	–	3,323
As at 31 March 2013					
Segment assets	1,104,652	6,465	39,892	853	1,151,862
Segment liabilities	620,763	131	363	12	621,269

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

	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

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

	2013	2012
	HK$'000	HK$'000
Profit or loss		
Total loss of reportable segments	**(111,718)**	(7,442,194)
Unallocated amounts:		
Other operating income/(loss)	**3,524**	(7,955)
Depreciation	**(1,406)**	(1,224)
Corporate administrative expenses	**(18,371)**	(7,531)
Consolidated loss for the year	**(127,971)**	(7,458,904)
Assets		
Total assets of reportable segments	**1,151,862**	1,176,465
Unallocated amounts:		
Financial assets at fair value through profit or loss	**9,157**	28,195
Corporate assets	**234,115**	54,952
Consolidated total assets	**1,395,134**	1,259,612
Liabilities		
Total liabilities of reportable segments	**621,269**	540,509
Unallocated amounts:		
Current tax liabilities	**109**	85
Shareholder's loan	**—**	30,000
Bank loan	**2,338**	—
Corporate liabilities	**205,817**	6,653
Consolidated total liabilities	**829,533**	577,247

Geographical information:

	Revenue		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	3,563	**3,811**	4,091
People's Republic of China ("PRC") except Hong Kong	**–**	–	**12**	14
The Philippines	**–**	–	**1,103,432**	1,100,109
Indonesia	**–**	–	**6,947**	–
Singapore	**274,489**	327,733	**626**	792
Consolidated total	**274,489**	331,296	**1,114,828**	1,105,006

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

Revenue from major customers:

	2013	2012
	HK$'000	HK$'000
Coals segment		
Customer a	**148,260**	–
Bunker fuels segment		
Customer b	**31,647**	173,646
Customer c	**42,619**	99,124
	222,526	272,770

3. TURNOVER

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

	2013	2012
	HK$'000	HK$'000
Sales of metals	**13,796**	14,193
Sales of coals	**167,165**	17,447
Sales of bunker fuels	**93,528**	299,656
	274,489	331,296

4. OTHER OPERATING INCOME/(LOSS)

	2013	2012
	HK$'000	HK$'000
Fair value gain/(loss) on financial assets at fair value through profit or loss	**1,454**	(9,962)
Dividend income from listed investments	**839**	681
Gain on disposal of property, plant and equipment	**–**	305
Interest income from debt investments	**281**	599
Interest income from loan and receivables	**708**	135
Sundry income	**242**	287
	3,524	(7,955)

5. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
Finance lease charges	**35**	10
Interest on bank loans and overdrafts	**140**	2
Interest on shareholder's loan wholly repayable within five years	**1,217**	2,334
Interest on convertible bonds not wholly repayable within five years (note 13)	**93,073**	79,074
	94,465	81,420

6. INCOME TAX EXPENSE

	2013	2012
	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 2012 and 2013.

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.

7. LOSS FOR THE YEAR

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

	2013	2012
	HK$'000	HK$'000
Depreciation	**1,529**	1,232
Operating lease charges in respect of land and buildings	**4,095**	1,906
Auditor's remuneration		
Audit services	**550**	500
Non-audit services	**50**	50
	600	550
Cost of inventories sold	**272,634**	328,918
Staff costs (including directors' emoluments)		
Salaries, bonus and allowances	**11,390**	10,016
Retirement benefits scheme contributions	**488**	242
Equity-settled share-based payments	**576**	—
	12,454	10,258
Equity-settled consultancy fees	**7,906**	—

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$127,691,000 (2012: loss attributable to owners of the Company of approximately HK$4,815,119,000) and the weighted average number of ordinary shares of 913,088,190 (2012: 912,184,080) in issue during the year.

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.

9. EXPLORATION AND EVALUATION ASSETS

	Exploration rights	Evaluation expenditure	Total
	HK$'000	HK$'000	HK$'000
Cost			
At 1 April 2011	8,429,879	8,481	8,438,360
Additions	—	4,057	4,057
At 31 March 2012 and 1 April 2012	8,429,879	12,538	8,442,417
Additions	—	3,323	3,323
At 31 March 2013	8,429,879	15,861	8,445,740
Accumulated impairment			
1 April 2011	—	—	—
Impairment losses recognised for the year	7,342,417	—	7,342,417
At 31 March 2012, 1 April 2012 and 31 March 2013	7,342,417	—	7,342,417
Carrying amount			
At 31 March 2013	1,087,462	15,861	1,103,323
At 31 March 2012	1,087,462	12,538	1,100,000

As at 31 March 2013, 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 32,285 hectares in the Leyte Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines (the "Exploration Area"). The exploration permits issued by the Mines and Geosciences Bureau of Philippines (the "MGB") is valid for two years from its first renewal date on 22 June 2012 and is renewable for a further term of 2 years.

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

The Group reviews the facts and circumstances relating to the exploration and evaluation assets to determine whether there is any indication that the exploration and evaluation assets have suffered impairment losses.

The directors considered that the mining operations have not reached a stage for reliable estimation of the future production volume and operation costs. Accordingly, in assessing whether there is indication of impairment, the Group, amongst other things, 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 directors estimated that recoverable amount of the exploration and evaluation assets approximates its carrying value at 31 March 2013. Accordingly no impairment losses were recognised for the year ended 31 March 2013.

As set out in the above paragraphs, the recoverable amount of the exploration and evaluation assets as at 31 March 2013 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 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.

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	HK$'000
Trade receivables	**4,421**	42,771
Rental and other deposits	**20,256**	23,665
Prepayments and other receivables	**52,046**	3,114
	76,723	69,550

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 120 days (2012: 1 to 30 days). Overdue balances are reviewed regularly by management.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2013	2012
	HK$'000	HK$'000
0 to 90 days	3,521	42,771
91 to 180 days	900	—
	4,421	42,771

As at 31 March 2013, trade receivables of HK$2,506,000 (2012: Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

An ageing analysis of these trade receivables is as follows:

	2013	2012
	HK$'000	HK$'000
Up to 3 months	2,506	—

11 TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	HK$'000
Trade payables	13	12,960
Accruals	4,986	4,703
Trade deposit received	198,402	—
Other payables	2,225	1,532
	205,626	19,195

As at 31 March 2013, the age of the trade payables, based on the date of receipt of goods, is less than 90 days (2012: less than 90 days).

12. BANK LOAN

	2013	2012
	HK$'000	HK$'000
Bank loan	2,338	—

The bank loan is repayable within one year and denominated in the USD.

The bank loan is secured by a charge over the Group's pledged bank deposits and financial assets at fair value through profit or loss.

The average interest rate at 31 March 2013 was 3.3% (2012: N/A).

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 USD655,128,205 (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.

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 USD1 = 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 USD1 = HK$7.8.

The net proceeds received from the issue of the Convertible Bonds were split between the liability component and equity component. The liability component is treated as a 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$'000	HK$'000	HK$'000
At 1 April 2011	446,644	1,263,605	1,571,500
Imputed interest charged for the year (note 5)	79,074	—	—
At 31 March 2012 and 1 April 2012	525,718	1,263,605	1,571,500
Imputed interest charged for the year (note 5)	93,073	—	—
At 31 March 2013	618,791	1,263,605	1,571,500

The imputed interest charged for the year is calculated by applying an effective interest rate of 17.7% (2012: 17.7%) per annum to the liability component.

14. SHARE CAPITAL

	No. of ordinary shares	Nominal value of ordinary shares
		HK$'000
Authorised:		
Ordinary shares of HK$0.5 (2012: HK$0.5) each		
At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013	2,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK$0.5 (2012: HK$0.5) each		
At 1 April 2011, 31 March 2012 and 1 April 2012	912,184,080	456,092
Issue of share on exercise of share options (note)	6,000,000	3,000
At 31 March 2013	918,184,080	459,092

Note:

During the year ended 31 March 2013, an option holder exercises 6,000,000 share options to subscribe for 6,000,000 ordinary shares of HK$0.5 each at a consideration of HK$3,000,000.

15. EVENTS AFTER THE REPORTING PERIOD

Pursuant to a conditional sale and purchase agreement dated 27 March 2013 and amended by a supplemental agreement dated 10 May 2013 entered into between the Group and Brighton Asia Pacific Investment Limited (the "Vendor"), the Group agreed to acquire the entire equity interest in Brighton Asia Pacific Investment Holdings Limited ("Brighton") at consideration of HK$50,050,000 (subject to adjustment) (the "Acquisition") which shall be settled by the issue and allotment of a maximum of 91,000,000 shares of the Company. The consideration is subject to the adjustments below:

(a) In the event that the profit of the Brighton and its subsidiary, Xiamen Yaozhong Asia-Pacific Trading Co., Ltd ("廈門耀中亞太貿易有限公司") (collectively the "Target Group") for the year ending 31 March 2014 (the "Guaranteed Period") is not less than HK$3,700,000, the consideration shall be HK$50,050,000;

(b) in the event that the profit of the Target Group for the Guaranteed Period is more than HK$1,000,000 but less than HK$3,700,000, the Consideration shall be reduced by HK$1,350,250 per HK$100,000 shortfall from HK$3,700,000. Any shortfall less than HK$100,000 will be rounded up to HK$100,000; and

(c) in the event that the profit of the Target Group for the Guaranteed Period is HK$1,000,000 or less, the consideration shall be adjusted to HK$13,593,250;

Mr. Cheung Hung Man, a director of the Group, was the sole shareholder of the Vendor and the sole director of the Target Company.

The Acquisition was completed on 31 May 2013, details of which are set out in the Company's announcements dated 27 March 2013, 10 May 2013 and 31 May 2013. The directors of the Company considered that it is impracticable at this moment to disclose further information about the Acquisition.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATING TO THE EXPLORATION AND EVALUATION ASSETS

Without qualifying our opinion, we draw attention to note 17 to the financial statements "Exploration and evaluation assets". On 15 June 2010, the Company's subsidiary, Mt. Mogan Resources and Development Corporation ("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 rights into a mineral production sharing agreement (the "MPSA") in respect of 5,000 hectares within the exploration area of 32,285 hectares in the Leyte Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines covered by two exploration permits issued by the MGB. 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 these financial statements, the MPSA was yet to be awarded to Mogan.

If the application of the MPSA is unsuccessful, the Group might incur a significant amount of 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 AND ANALYSIS

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31 March 2013 are set out in the Consolidated Statement of Comprehensive Income on page 2.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2013.

BUSINESS REVIEW

COAL BUSINESS

The Group commenced the first coal trading transaction in February 2012. Since then we have successfully completed 9 shipments of coal from various loading ports in Indonesia to discharge ports in Southern China. Total quantity of thermal coal shipped exceeds 500,000 metric tons generating revenue of approximately HK$167 million for the year ended 31 March 2013.

To facilitate coal sourcing in Indonesia the Group acquired PT Yaozhong Resources ("PTYZR") during the year. PTYZR has already established its sourcing network and contacts with local coal mine owners in the country. Besides, it has set up 2 laboratories near major coal suppliers. Coal stockpiled in jetty ready for ship loading will be tested on sampling basis to assure consistency of coal quality purchased and shipped. Any major discrepancy, if found, can be resolved with mine owners before actual loading onto mother vessel.

After establishing setups on the supply side the Group also acquired Xiamen Yaozhong Asia-Pacific Trading Co. Ltd ("XMYZ") by acquiring its Hong Kong holding company Brighton Asia Pacific Investment Holdings Ltd last month. XMYZ is the only wholly foreign-owned enterprise in Xiamen City being awarded a coal business license. Having the license XMYZ is able to import coal and conduct customs clearance procedures without going through an import agent which enables the Group to retain higher gross margin on trading transactions.

BUNKER FUEL

Consistently thin gross margin of the fuel trading business has been attracting concerns of the Group management. The operation has been temporarily suspended since August last year pending a business re-modelling. During the process the management has been actively seeking for new source of supply at lower costs.

In March 2013 the Group entered into contracts with CSICEL for the purchase and sale of bunker fuel. According to the contract terms CSICEL has placed deposit of US$25.5 million to the Group in March 2013 as source of fund for the Group to purchase bunker fuel. The contract with supplier is still under negotiation as of today. We look forward to the new page to be brought by closing the supply contract.

SCRAPS

The business has been cautiously run avoiding any unnecessary big leap during the year. The operation requires special industry skills and decisive management and so it has been carefully progressing in this area and at the same time widening its geological coverage to build up its solid business foundation. Total turnover for the year is approximately HK$14 million.

MINERAL EXPLORATION

During the year there was no major exploration work done in the area covered by the exploration permit ("EP") in order to preserve resources during the application for mineral production sharing agreement ("MPSA") conversion. According to the EP terms additional 10% of the 41,094 hectares covered by the original EP has to be relinquished soon. The Group will, like last year, carve out areas having lowest potential mining value for relinquishment. It should be noted that although area covered by the EP reduces, there should be no impact to the carrying value of the exploration and evaluation assets. It is because the carrying value was evaluated based on the drilling data obtained from the explored areas of 1,300 hectares only and such area is covered by the 5,000 hectares under the MPSA conversion application.

Although progress on the application for conversion of an area of approximately 5,000 hectares into a MPSA was not ideal, it has been proceeding forward and the management do not foresee any major obstacle to obtaining approval for the MPSA conversion.

PROSPECTS

After completing acquisition of PTYZR and XMYZ the Group is now in a much better position to march forward in the industry. We found ourselves having better competitive edge over our competitors. Firstly we have our own import license to control business costs. Secondly our local presence at the mining site, which is highly appraised by our major customers, significantly minimized risk exposures to frauds or significant variations in coal quality shipped. Together with the listed company backing our trading operation companies found themselves easier to win confidence votes from major suppliers in Indonesia and end customers in China.

Establishing concrete presences in Indonesia and China is not the end of our business set up. All market participants recognise the need of securing stable supply of coal. The Group has been actively seeking for appropriate investment opportunities in coal mines in Indonesia. We believe that acquiring interests in mining operation is the major driver to promising profit growth.

On the other hand, the management still believes in the promising future of bunker fuel business in light of the worldwide economic growth over decades. Singapore is the right place to start the business as it is the regional hub of oceanic transports. Meanwhile the management is also considering possibility of entering into the fuel loading business by which, wider profit margin can be achieved.

FINANCIAL REVIEW

The Group's turnover amounted to approximately HK$274,489,000 (2012: approximately HK$331,296,000), decreased by approximately HK$56,807,000 as compared to the same period in 2012. The significant decrease in sales revenue was mainly attributable to lower turnover of marine fuel business of HK$93,528,000 (2012: approximately HK$299,656,000) which has entered a hibernation since August 2012 in the light of the current economic situation and the unsatisfactorily thin operating margin. During the same period, revenue from coal business rose to approximately HK$167,165,000 (2012: approximately HK$17,447,000). Gross profit amounted to approximately HK$1,855,000 (2012: approximately HK$2,378,000). Other operating income amounted to approximately HK$3,524,000 (2012: loss approximately HK$7,955,000) which arose primarily from realised and unrealized gain in market value of held-for-trading equity and debt securities. Loss for the year decreased to approximately HK$127,971,000 as compared to approximately HK$7,458,904,000 of the same period last year which included a one-off impairment loss of approximately HK$7,342,417,000.

CAPITAL STRUCTURE AND LIQUIDITY

As at 31 March 2013, the Company has outstanding zero coupon rate convertible bonds in the carrying value of approximately HK$618,791,000 (31 March 2012: approximately HK$525,718,000) convertible into 68,955,682 (31 March 2012: 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 2013, the Group has a current ratio of 1.26 times. (2012: approximately 2.89 times). Gearing ratio, calculated based on non-current liabilities of approximately HK$619,157,000 (2012: approximately HK$526,059,000) against total equity of approximately HK$565,601,000 (2012: total equity of approximately HK$682,365,000) increased from 77.09% for 2012 to 109.47% for 2013.

As at 31 March 2013, the Group has no material contingent liability (31 March 2012: Nil).

As at 31 March 2013, the Group has no material capital commitment (31 March 2012: HK$4,365,000).

MATERIAL ACQUISITIONS AND DISPOSALS

On 29 June 2012, the Group agreed to acquire 95% equity interests of PT Yaozhong Resources ("PTYZR"), a company incorporated in Indonesia, from Mr. Cheung Hung Man who was an independent third party to the Group at that time. PTYZR engages in coal trading business and has established an effective coal supply sourcing network in Indonesia. According to the terms of the acquisition agreement Mr. Cheung has been appointed as an executive director of the Company on 27 July 2012. The acquisition was completed on 11 September 2012 and the management expects that PTYZR will contribute a substantial part of the coal trading business with China Shipbuilding Industrial Complete Equipment and Logistics Company Limited ("CSICEL").

On 27 March 2013, the group agreed to acquire entire share capital of Brighton Asia Pacific Investment Holdings Limited ("Brighton"), a company incorporated in Hong Kong. Brighton holds the entire equity interest in a PRC company, Xiamen Yaozhong Asia-Pacific Trading Company Limited, a wholly foreign owned enterprise established in the PRC, which is principally engaged in trading of coal and has been granted the license to operate coal business in the PRC under which it is allowed to import coal into the PRC. The acquisition was completed on 31 May 2013 and the management believes that integrating the business of the Group with that of Brighton will strengthen the coal trading network and flow of the Group. Besides, the integration will also allow the Group to better position itself in the PRC for further expansion and to grasp business opportunities in the future in coal business.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2013, the Group has 30 full time employees (2012: 17) in Hong Kong, Singapore, Indonesia and Mainland China. During the year ended 31 March 2013, the Group incurred staff cost (including Directors' emoluments of approximately HK$12,454,000 (2012: approximately HK$10,258,000).

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, performance-lined discretionary bonuses and share option scheme.

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 emoluments of the executive Directors are recommended by the remuneration committee, and approved by the Board as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors' experience, responsibility, workload and the time devoted to the Group; and 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.

GRANT OF SHARE OPTIONS

The Company adopted a share option scheme on 25 April 2001 (the "Old Share Option Scheme"), which was expired on 24 April 2012, for the purpose of providing incentives and rewards to the eligible participants who contributed to the growth of the Group. No further share options shall be granted under the Old Scheme, but the Share Option previously granted under the Share Option Scheme shall remain in full force and effect in all other respects.

The Company adopted a new share option scheme on 30 July 2012 (the "New Share Option Scheme") for the same purpose.

During the year, the Company has granted 91,200,000 share options to the Directors and other eligible participants.

Movement of the outstanding share options and their weighted average exercise prices for the year ended 31 March 2013 were as follows:

				Number of share options					
Category of grantee	Date of grant of the options	Exercise period	Exercise price of the options (HK$)	Outstanding as at 1 April 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2013	Exercisable as at 31 March 2013
Old Share Option Scheme:									
Consultants	6 Mar 2007	6 Mar 2007 to 5 Mar 2017	3.58	262,800	–	–	–	262,800	262,800
New Share Option Scheme:									
Consultants	21 Aug 2012	21 Aug 2012 to 20 Aug 2015	0.50	–	86,200,000	(6,000,000)	(50,000)	80,150,000	80,150,000
Staff	21 Aug 2012	21 Aug 2012 to 20 Aug 2015	0.50	–	3,600,000	–	–	3,600,000	3,600,000
Director	27 Mar 2013	27 Mar 2013 to 26 Mar 2016	0.55	–	1,400,000	–	–	1,400,000	1,400,000
Total				262,800	91,200,000	(6,000,000)	(50,000)	85,412,800	85,412,800
Weighted average exercise price				HK$3.58	HK$0.50	HK$0.50	HK$0.50	HK$0.51	HK$0.51

BORROWING FACILITIES

As at 31st March 2013, the Group has obtained a credit facilities from a banker up to a maximum amount of US$2 million and the credit line approximately HK$2,338,000 (2012: Nil) has been utilized.

PLEDGE OF ASSETS

At 31 March 2013, certain bank deposits and held-for-trading investments of the Group with carrying value of approximately HK$3,279,000 (2012: HK$113,000) and HK$9,157,000 (2012: HK$28,195,000), 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 Dollar 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 ended 31 March 2013.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors, is or was interested in any business apart from the Group's business, that of the Company competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 March 2013 and up to and including the date of this report.

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 announcement, the Company has complied with the code provisions set out in Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "**GEM Listing Rules**") (the "**CG Code**") throughout the year ended 31 March 2013.

Under code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Subsequent to the resignation of the former chief executive officer on 2 January 2009, the post has been vacant. On 27 July 2012, Mr. Cheung Hung Man has been appointed as the chief executive officer of the Company.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some directors of the Company were absent from the last year annual general meeting held on 30 July 2012 due to their other important engagement at the relevant time.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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 2013.

The Company has adopted the same code of conduct for securities transactions by relevant employees to regulate certain employees of the Group who are deemed to be in possession of unpublished price sensitive information of the Company when dealing in the securities of the Company.

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 2013 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.

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

21 June 2013, Hong Kong

As at the date of this announcement, the Board comprises three executive Directors, Mr. Michael Koh Tat Lee, Mr. Eng Wee Meng and Mr. Cheung Hung Man, two non-executive Directors, 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.