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, 2010

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This announcement, 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 the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHT

For the fiscal year ended 31 March 2010, the Group recorded a turnover from continuing operation of approximately HK$14,730,000 and loss for the year approximately HK$264,164,000.

The directors do not recommend the payment of a dividend for the fiscal year ended 31 March 2010.

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, 2010 together with comparative audited figures for the year ended 31 March 2009 are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March, 2010

	Note	**2010** *HK$'000*	2009 *HK$'000 (restated)*
Continuing operations			
Turnover	3	**14,730**	4,287
Cost of sales		**(14,591)**	(4,322)
Gross profit		**139**	(35)
Other revenue and other net income	4	**1,377**	1,092
Administrative expenses		**(20,618)**	(17,285)
Share of results of associates		**(35)**	(21)
Loss from operations		**(19,137)**	(16,249)
Finance costs	5(a)	**(270,814)**	(117,872)
Loss before income tax	5	**(289,951)**	(134,121)
Income tax	6(a)	**(24)**	(73)
Loss for the year from continuing operations		**(289,975)**	(134,194)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	8	**25,811**	(28,724)
Loss for the year		**(264,164)**	(162,918)
Attributable to:			
Owners of the Company		**(263,794)**	(162,860)
Minority interests		**(370)**	(58)
		(264,164)	(162,918)
Earnings/(Loss) per share	7		
From continuing and discontinued operations			
Basic and diluted		**HK (4.83 cents)**	HK (7.07 cents)
From continuing operations			
Basic and diluted		**HK (5.30 cents)**	HK (5.82 cents)
From discontinued operations			
Basic and diluted		**HK 0.47 cents**	HK (1.25 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Note	**2010**	2009
		HK$'000	*HK$'000*
Loss for the year		**(264,164)**	(162,918)
Other comprehensive incomeq/(loss)			
Exchange differences on translation of financial statements of overseas subsidiaries		**19**	73
Reclassification adjustment on release of exchange reserve upon disposal of subsidiaries	9	**(156)**	—
Total comprehensive loss for the year		**(264,301)**	(162,845)
Attributable to:			
Owners of the Company		**(263,931)**	(162,787)
Minority interests		**(370)**	(58)
		(264,301)	(162,845)

CONSOLIDATED BALANCE SHEET

As at 31 March, 2010

	Note	2010	2009
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**1,505**	2,981
Payment for intangible assets – mining claims		**—**	8,429,879
Exploration and evaluation assets	10	**8,435,670**	—
Other intangible assets		**—**	5,016
Goodwill		**—**	—
Interests in associates		**227**	262
Films in progress		**—**	385
Deposits for acquisition of film rights		**—**	156
		8,437,402	8,438,679
Current assets			
Inventories		**—**	2,360
Trade and other receivables	11	**1,111**	5,467
Amount due from a related party		**—**	84
Amount due from a related company		**—**	10
Held-for-trading investments		**1,463**	—
Pledged bank deposits		**—**	2,183
Cash and bank balances		**4,267**	21,150
		6,841	31,254
Current liabilities			
Trade and other payables	12	**9,334**	32,453
Amount due to a related company		**—**	2,600
Amounts due to related parties		**—**	3,063
Amounts due to associates		**57**	73
Shareholder's loan		**8,000**	—
Bank overdrafts and borrowings		**—**	4,520
Promissory note	14	**184,753**	—
Obligations under finance leases		**—**	424
Current taxation		**96**	296
		202,240	43,429
Net current liabilities		**(195,399)**	(12,175)
Total assets less current liabilities		**8,242,003**	8,426,504

	Notes	**2010**	2009
		HK$'000	*HK$'000*
Non-current liabilities			
Bank overdrafts and borrowings		**—**	1,819
Convertible bonds	13	**469,824**	964,035
Promissory note	14	**—**	160,510
Obligations under finance leases		**—**	302
Deferred tax liabilities		**—**	4,177
		469,824	1,130,843
Net assets		**7,772,179**	7,295,661
Capital and reserves			
Share capital	15	**76,015**	35,465
Reserves		**4,663,114**	4,226,813
Equity attributable to owners of the Company		**4,739,129**	4,262,278
Minority interests		**3,033,050**	3,033,383
Total equity		**7,772,179**	7,295,661

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March, 2010

	Equity attributable to owners of the Company									
	Share Capital	Share premium	Special reserve	Exchange reserve	Share option reserve	Convertible bond equity reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	19,325	105,173	10,440	83	320	—	(84,609)	50,732	5,192	55,924
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	3,033,421	3,033,421
Equity component of convertible bonds	—	—	—	—	—	4,108,828	—	4,108,828	—	4,108,828
Issue of new shares										
– placing of shares	1,140	48,110	—	—	—	—	—	49,250	—	49,250
– acquisition of subsidiaries	5,000	65,000	—	—	—	—	—	70,000	—	70,000
– conversion of convertible bonds	10,000	699,108	—	—	—	(562,853)	—	146,255	—	146,255
Deregistration of a subsidiary	—	—	—	—	—	—	—	—	(5,172)	(5,172)
Total comprehensive loss for the year	—	—	—	73	—	—	(162,860)	(162,787)	(58)	(162,845)
At 31 March 2009 and 1 April 2009	**35,465**	**917,391**	**10,440**	**156**	**320**	**3,545,975**	**(247,469)**	**4,262,278**	**3,033,383**	**7,295,661**
Issue of new shares										
– conversion of convertible bonds	40,550	2,982,602	—	—	—	(2,282,370)	—	740,782	—	740,782
Disposals of subsidiaries	—	—	—	(156)	—	—	—	(156)	37	(119)
Total comprehensive loss for the year	—	—	—	19	—	—	(263,794)	(263,775)	(370)	(264,145)
At 31 March 2010	76,015	3,899,993	10,440	19	320	1,263,605	(511,263)	4,739,129	3,033,050	7,772,179

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

In the current year, the Group has applied the following new and revised Standards, Amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Other than as noted below, the adoption of the new and revised HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of Financial Statements

As a result of the adoption of HKAS 1 (Revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. The change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 April 2009, all dividends receivable from subsidiaries whether out of pre-acquisition or post- acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless the carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the indentified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. As the Group's operating segments reported to chief operating decision maker as required by HKFRS 8 are the same as the business segments reported in accordance with the HKAS 14 Segment Reporting, the adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments but to separate sub-licensing of film rights and sales of video products into two reportable segments. Corresponding accounts have been provided on a basis consistent with the revised segment information.

HKFRS 7 (Amendment) - Improving disclosures about financial instruments

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

The Group has not early applied any of the following new and revised Standards, Amendments and Interpretations which have been issued but are not yet effective for annual periods beginning on 1 April 2009:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations[3]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for transfers on or after 1 July 2010
7 Effective for transfers on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The consolidated financial statements for the year ended 31 March 2010 comprise the Company and its subsidiaries (collectively referred to as the "Group"). The financial statements have been prepared under the historical cost convention, except for the held-for-trading investments which are measured at fair value.

In preparing the financial statements, the directors of the Company have carefully considered the future liquidity in view of its consolidated net loss attributable to owners of the Company of approximately HK$263,794,000 (2009: HK$162,860,000) for the year ended 31 March 2010, net current liabilities of approximately HK$195,399,000 (2008: HK$12,175,000) as at 31 March 2010 and the capital expenditure for the future mining operations in the Philippines.

As more detailed in note 17(b), on 9 April 2010, a conditional Investment Agreement (as amended and supplemented on 14 May 2010) was entered into between the Company and an independent third party, China Raybo International Corp. Ltd, ("the Investor"), pursuant to which, the Investor will subscribe for (i) 10,000,000,000 new shares of HK$0.01 each of thje Company at the subscription price of HK$0.25 each, for an aggregate consideration of HK$2,500 million and (ii) three-year unsecured zero coupon rate convertible bonds with an aggregate principal amount of US$64 million (equivalent to approximately HK$500 million). Aggregate net proceeds from the subscription of subscription shares and the convertible bonds will be approximately HK$2,970 million, out of which, approximately HK$1,769.5 million will be used for the full settlement of the aggregate amounts due from the Company to a substantial shareholder, Kesterion Investments Limited, comprising promissory note with principal amount of HK$190 million (note 14), convertible bonds with principal amount of HK$1,571.5 million (note 13) and short-term loan of HK$8 million (collectively "the Kesterion Existing Debts") under a Debt Restructuring Agreement dated 14 May 2010 entered into among the Company, BSEL and Kesterion and the balance of the net proceeds of approximately HK$1,200.5 million will be used for financing the mining operations in the Philippines and general working capital of the Group. Up to the date of this report, the Investment Agreement and Debt Restructuring Agreement have not yet been completed.

2. SEGMENT REPORTING

The Group manages its business by divisions, which are mainly organised by business lines. On first-time adoption of HKFRS 8 "Operating Segments" and in a manner consistent with the way in which information is reported internally to the board of directors (as chief operating decision maker) for the purpose of resource allocation and performance assessment, the Group has identified the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

Continuing operations:

— Mineral exploration and exploitation (commercial operations has not yet been commenced during the year); and

— Trading of metals.

Discontinued operations:

— Sub-licensing of film rights; and

— Sales video products

There was no inter-segment sale and transfer for both years (2009: Nil).

Operating segments

	Continuing operations						Discontinued operations						Total	
	Mineral exploration and exploitation		Trading of metals		Sub-Total		Sub-licensing of film rights		Sales of video products		Sub-Total			
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**–**	–	**14,730**	4,287	**14,730**	4,287	**3,370**	3,418	**1,453**	9,637	**4,823**	13,055	**19,553**	17,342
Reportable segment revenue	**–**	–	**14,730**	4,287	**14,730**	4,287	**3,370**	3,418	**1,453**	9,637	**4,823**	13,055	**19,553**	17,342
Reportable segment profit /(loss)	**(286,730)**	(132,554)	**128**	(46)	**(286,602)**	(132,600)	**1,350**	(28,305)	**24,461**	(216)	**25,811**	(28,521)	**(260,791)**	(161,121)
Other information:														
Depreciation and amortisation	**(1,037)**	(720)	**–**	–	**(1,037)**	(720)	**(166)**	(4,616)	**(565)**	(4,827)	**(731)**	(9,443)	**(1,768)**	(10,163)
Write down of inventories	**–**	–	**–**	–	**–**	–	**–**	(410)	**–**	–	**–**	(410)	**–**	(410)
Impairment loss	**–**	–	**–**	–	**–**	–	**–**	(19,821)	**–**	(4,095)	**–**	(23,916)	**–**	(23,916)
Loss on disposal of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	(118)	**–**	–	**–**	(118)	**–**	(118)
Gain on disposals of subsidiaries	**–**	–	**–**	–	**–**	–	**5,334**	–	**25,204**	–	**30,538**	–	**30,538**	–
Share of results of associates	**(35)**	(21)	**–**	–	**(35)**	(21)	**–**	–	–	–	–	–	**(35)**	(21)
Finance costs	**(270,814)**	(117,872)	**–**	–	**(270,814)**	(117,872)	**–**	–	**(205)**	(768)	**(205)**	(768)	**(271,019)**	(118,640)
Reportable segment assets	**8,442,636**	8,451,258	**–**	–	**8,442,636**	8,451,258	**–**	4,698	**–**	12,748	**–**	17,446	**8,442,636**	8,468,704
Addition to non-current segment assets	**6,250**	1,323	**–**	–	**6,250**	1,323	**–**	316	**–**	510	**–**	826	**6,250**	2,149
Reportable segment liabilities	**658,638**	1,128,366	**–**	–	**658,638**	1,128,366	**–**	5,819	**–**	37,300	**–**	43,119	**658,638**	1,171,485

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

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Total reportable segment revenue	**19,553**	17,342
Segment revenue from discontinued operations	**(4,823)**	(13,055)
Consolidated turnover – continuing operations	**14,730**	4,287
Loss		
Segment loss from continuing operations	**(286,602)**	(132,600)
Segment profit/(loss) from discontinued operations	**25,811**	(28,521)
Reportable segment loss	**(260,791)**	(161,121)
Income tax	**(24)**	(276)
Unallocated other revenue and other net income	**1,374**	563
Unallocated head office and corporate expenses	**(4,723)**	(2,084)
Consolidated loss for the year	**(264,164)**	(162,918)
Assets		
Reportable segments' assets – continuing operations	**8,442,636**	8,451,258
Assets relating to discontinued operations	**—**	17,446
Unallocated corporate assets	**1,607**	1,229
Consolidated total assets	**8,444,243**	8,469,933
Liabilities		
Reportable segments' liabilities – continuing operations	**658,638**	1,128,366
Liabilities relating to discontinued operations	**—**	43,119
Unallocated corporate liabilities	**13,426**	2,787
Consolidated total liabilities	**672,064**	1,174,272

Geographical information

	Continuing operations			
	Hong Kong	**PRC**	**Philippines**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
2010				
Revenue	**14,730**	**—**	**—**	**14,730**
Non-current assets	**1,373**	**51**	**8,435,978**	**8,437,402**
2009				
Revenue	4,287	—	—	4,287
Non-current assets	1,851	—	8,430,361	8,432,212

	Discontinued operations			
	Hong Kong	**PRC**	**Philippines**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
2010				
Revenue	4,823	—	—	4,823
Non-current assets	—	—	—	—
2009				
Revenue	8,595	4,460	—	13,055
Non-current assets	6,226	241	—	6,467

Information about major customers

There was no single customer with whom transactions exceeded 10% of the Group's aggregated revenue for both years.

3. TURNOVER

The Group is principally engaged in the exploration and exploitation of mineral resources and trading of metals.

Turnover represents the sales value of goods sold to customers and is stated after deducting goods returns and trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	Continuing operations	
	2010	2009
	HK$'000	*HK$'000*
Sales of metals	**14,730**	4,287

4. OTHER REVENUE AND OTHER NET INCOME

	Continuing operations	
	2010	2009
	HK$'000	*HK$'000*
Other revenue		
Interest income on financial assets not at fair value through profit or loss	**2**	9
Other net income		
Gain on trading of securities and futures	**1,375**	596
Sundry income	**—**	487
	1,375	1,083
	1,377	1,092

5. LOSS BEFORE TAXATION

Loss before income tax is arrived at after charging:

	Continuing operations	
	2010	2009
	HK$'000	*HK$'000*
(a) Finance costs		
Imputed interest on promissory note	**24,243**	8,754
Imputed interest on convertible bonds	**246,571**	109,118
Total interest expense on financial liabilities not at fair value through profit or loss	**270,814**	117,872

	2010	2009
	HK$'000	*HK$'000*
(b) Staff costs		
Contributions to defined contribution retirement plans	**89**	67
Salaries, wages and other benefits	**8,643**	7,304
	8,732	7,371

	2010	2009
	HK$'000	*HK$'000*
(c) Other items		
Depreciation	**1,037**	720
Auditor's remuneration		
- audit services	**500**	500
- non-audit services	**86**	340
Cost of inventories sold	**14,591**	4,322
Operating lease charges in respect of properties	**1,610**	1,456

6. INCOME TAX

(a) Income tax in the consolidated income statement represents:

	Continuing operations	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong Profits Tax – provision for the year	**24**	73

Hong Kong Profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2009: 16.5%).

Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

The corporate income tax rate in the Philippines changed from 35% to 30% with effect on 1 January 2009. No provision for Philippines corporate income tax has been made as the subsidiaries in the Philippines did not have any assessable profits subject to corporate income tax in the Philippines.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Continuing operations	
	2010	2009
	HK$'000	*HK$'000*
Loss before income tax from continuing operations	**(289,951)**	(134,121)
Notional tax on loss before taxation, calculated at rates applicable to losses in the countries concerned	**(47,886)**	(22,130)
Tax effect of non-taxable income	**(24)**	(51)
Tax effect of non-deductible expenses	**45,945**	19,518
Tax effect of temporary differences recognised	**102**	(71)
Tax effect of tax losses utilised	**(4)**	—
Tax effect of unused tax losses not recognised	**1,891**	2,807
Actual tax expense	**24**	73

7. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The profit/(loss) and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2010	2009
	HK$'000	*HK$'000*
From continuing and discontinued operations		
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(264,164)**	(162,918)
From continuing operations		
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(289,975)**	(134,194)
From discontinued operations		
Profit/(loss) for the year attributable to owners of the Company used in the basic earnings/(loss) per share calculation	**25,811**	(28,724)
Weighted average number of ordinary shares for the purpose of basic loss per share during the year:		
Issued ordinary shares at 1 April	**3,546,534**	1,932,534
Effect of shares issued under a placement)	**—**	109,003
Effect of consideration shares issued	**—**	141,096
Effect of shares issued upon conversion of convertible bonds	**1,927,986**	121,918
Weighted average number of ordinary shares for the year	**5,474,520**	2,304,551

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share for (i) continuing and discontinued operations, (ii) continuing operations and (iii) discontinued operations for the years ended 31 March 2010 and 2009 were same as their respective basic earnings/(loss) per share as the exercise price of the outstanding share options and convertible bonds were higher than the average market price per share for both years.

8. DISCONTINUED OPERATIONS

The sub-licensing of film rights was carried out by Datewell Limited and its subsidiaries (together the "Datewell Group") whilst the business of sales of video products was carried out by Panorama Entertainment Group Limited and its subsidiaries (together the "Panorama Group"). As both Datewell Group and Panorama Group had been suffering persistent losses, on 23 June 2009 and 21 July 2009, the Group entered into two separate sale and purchase agreements with two separate independent third parties to dispose of the entire interests in Datewell Group and the Panorama Group. The disposals of the Datewell Group and the Panorama Group were completed on 29 June 2009 and 15 September 2009, respectively. The sub-licensing of film rights and sales of video products were collectively referred to as "Discontinued Operations". The comparative figures for the income statement for the year ended 31 March 2009 for these two businesses were presented separately as discontinued operations in accordance with HKFRS 5.

(a) An analysis of the results of discontinued operations included in the consolidated income statement was as follows:

	Datewell Group *HK$'000*	**Panorama Group** *HK$'000*	**2010** *HK$'000*	Datewell Group *HK$'000*	Panorama Group *HK$'000*	2009 *HK$'000*
Turnover (note(c) below)	**3,370**	**1,453**	**4,823**	3,418	9,637	13,055
Costs of sales	**(2,793)**	**(1,223)**	**(4,016)**	(2,384)	(8,887)	(11,271)
Gross profit	**577**	**230**	**807**	1,034	750	1,784
Other revenue (note(c) below)	**2**	**—**	**2**	492	28	520
Other income	**55**	**—**	**55**	222	8,699	8,921
Distribution costs	**(1,550)**	**—**	**(1,550)**	(1,469)	—	(1,469)
Administrative expenses	**(3,068)**	**(768)**	**(3,836)**	(8,763)	(4,830)	(13,593)
Impairment losses (note(d) below)	**—**	**—**	**—**	(19,821)	(4,095)	(23,916)
Loss from operations	**(3,984)**	**(538)**	**(4,522)**	(28,305)	552	(27,753)
Finance costs (note(d) below)	**—**	**(205)**	**(205)**	—	(768)	(768)
Loss before income tax	**(3,984)**	**(743)**	**(4,727)**	(28,305)	(216)	(28,521)
Income tax	**—**	**—**	**—**	(203)	—	(203)
Loss for the year	**(3,984)**	**(743)**	**(4,727)**	(28,508)	(216)	(28,724)
Gain on disposals of subsidiaries	**5,334**	**25,204**	**30,538**	—	—	—
Profit/(loss) for the year from discontinued operations	**1,350**	**24,461**	**25,811**	(28,508)	(216)	(28,724)

(b) Analysis of the net cash flows of discontinued operations included in the consolidated statement of cash flows was as follows:

	Datewell Group *HK$'000*	**Panorama Group** *HK$'000*	**2010** *HK$'000*	Datewell Group *HK$'000*	Panorama Group *HK$'000*	2009 *HK$'000*
Operating cash flows	**(5,702)**	**735**	**(4,967)**	2,593	8,048	10,641
Investing cash flows	**—**	**33**	**33**	(321)	2,992	2,671
Financing cash flows	**2,997**	**(534)**	**2,463**	(17)	(11,748)	(11,765)
Total cash flows	**(2,705)**	**234**	**(2,471)**	2,255	(708)	1,547

(c) Revenue and turnover

	Datewell Group *HK$'000*	**Panorama Group** *HK$'000*	**2010** *HK$'000*	Datewell Group *HK$'000*	Panorama Group *HK$'000*	2009 *HK$'000*
Turnover:						
Sales of video products	**—**	**1,453**	**1,453**	—	9,637	9,637
Sub-licensing of film rights	**3,370**	**—**	**3,370**	3,418	—	3,418
	3,370	**1,453**	**4,823**	3,418	9,637	13,055
Other revenue:						
Interest income	**2**	**—**	**2**	5	28	33
Royalty income	**—**	**—**	**—**	487	—	487
	2	**—**	**2**	492	28	520
Total revenue	**3,372**	**1,453**	**4,825**	3,910	9,665	13,575

(d) The profit/(loss) before income tax of the discontinued operations is stated after charging:

	Datewell Group *HK$'000*	**Panorama Group** *HK$'000*	**2010** *HK$'000*	Datewell Group *HK$'000*	Panorama Group *HK$'000*	2009 *HK$'000*
Finance costs:						
Interest in bank and other borrowings wholly repayable within five years	**—**	**187**	**187**	—	718	718
Finance charges on obligations under finance leases	**—**	**18**	**18**	—	50	50
Total interest expenses on financial liabilities not at fair value through profit or loss	**—**	**205**	**205**	—	768	768
Staff costs:						
Contributions to defined contribution retirement plans	**9**	**—**	**9**	154	48	202
Salaries, wages and other benefits	**748**	**211**	**959**	3,062	1,105	4,167
	757	**211**	**968**	3,216	1,153	4,369
Impairment losses on:						
Goodwill	**—**	**—**	**—**	4,259	—	4,259
Intellectual property rights	**—**	**—**	**—**	12,568	—	12,568
Programme rights	**—**	**—**	**—**	632	—	632
Trade receivables	**—**	**—**	**—**	122	3,344	3,466
Other receivables	**—**	**—**	**—**	2,240	751	2,991
	—	**—**	**—**	19,821	4,095	23,916

	Datewell Group	**Panorama Group**	**2010**	Datewell Group	Panorama Group	2009
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Other items:						
Amortisation						
– Film rights	**—**	**496**	**496**	—	4,551	4,551
– Intellectual property rights	**—**	**—**	**—**	4,062	—	4,062
– Programme rights	**—**	**—**	**—**	258	—	258
Depreciation						
– Owned assets	**166**	**—**	**166**	282	—	282
– Assets held under finance leases	**—**	**69**	**69**	14	276	290
Cost of inventories sold	**2,793**	**1,223**	**4,016**	1,974	8,887	10,861
Operating lease charges in respect of properties	**—**	**—**	**—**	360	608	968
Loss on disposal of property, plant and equipment	**—**	**—**	**—**	118	—	118
Write–down of inventories	**—**	**—**	**—**	410	—	410

9. DISPOSALS OF SUBSIDIARIES

(a) On 23 June 2009, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the entire equity interests of Datewell Group was sold for a consideration of HK$100. The disposal of Datewell Group was completed on 29 June 2009.

(b) On 21 July 2009, the Group entered into a sale and purchase agreement with another independent third party pursuant to which the entire equity interest of Panorama was sold for a consideration of HK$100. The disposal of Panorama Group was completed on 15 September 2009.

(c) Particulars of the two disposal transactions are as follows:

	Datewell Group *HK$'000*	Panorama Group *HK$'000*	Total *HK$'000*
Net liabilities disposed of:			
Property, plant and equipment	317	358	675
Other intangible assets	—	4,520	4,520
Deposit for acquisition of film rights	—	125	125
Films in progress	—	385	385
Inventories	7	1,761	1,768
Trade and other receivables, net	2,729	2,639	5,368
Amount due from ex-owners of Datewell	1,297	—	1,297
Amount due from a related party	—	629	629
Pledged bank deposits	—	2,183	2,183
Cash and bank balances	215	70	285
Trade and other payables	(5,163)	(24,770)	(29,933)
Amounts due to related companies	(1,312)	(2,606)	(3,918)
Other borrowings	(3,000)	—	(3,000)
Bank overdrafts and borrowings	—	(5,857)	(5,857)
Obligations under finance leases	(11)	(575)	(586)
Deferred tax liabilities	—	(4,177)	(4,177)
Taxation payable	(183)	—	(183)
Minority interest	—	37	37
Net liabilities disposed of	(5,104)	(25,278)	(30,382)
Release of exchange reserve upon disposal	(230)	74	(156)
Gain on disposals of subsidiaries (note 8)	(5,334)	(25,204)	(30,538)
Total consideration	—	—	—
Cash and bank balances disposed of	(215)	(70)	(285)
Bank overdrafts disposal of	—	2,141	2,141
Net cash (outflow)/inflow arising from disposals of subsidiaries	(215)	2,071	1,856

The results and cash flows of Datewell Group and Panorama Group for the current year and last year were presented in note 8.

10. EXPLORATION AND EVALUATION ASSETS

	Exploration rights *HK$'000*	Evaluation expenditure *HK$'000*	Total *HK$'000*
At 1 April 2009	—	—	—
Transfer from payment for intangible assets - mining claims	8,429,879	—	8,429,879
Additions	—	5,791	5,791
At 31 March 2010	8,429,879	5,791	8,435,670

On 23 December 2009, two exploration permits, in respect of the 41,094 hectares in the Leyte Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines ("Mining Area"), have been granted to Mogan for an initial period of 2 years for conducting the exploration activities in the specified mining area and the Mogan may apply for an extension of the exploration permits for two successive periods of 2 years each in accordance with the Philippine Mining Act 1995 (Republic Act No.7942). Mogan has been conducting exploration programs independently.

On 15 June 2010, MGB of DENR of the Philippines has acknowledged Mogan's submission for application for a mineral production sharing agreement for a portion of the mining area in accordance with the Philippine Mining Act 1995 (Republic Act No 7942). When the mineral production sharing agreement (i.e. mining permit) is granted by the DENR/MGB of the Philippines, Mogan will be entitled to conduct mining operations in the specified mining area in the Philippines for a term not exceeding 25 years from the execution date and renewable for another term of not exceeding 25 years. At the approval date of these financial statements, the mineral production sharing agreement has not yet been awarded to Mogan.

Ths directors of the Company believe that Mogan will ultimately be able to obtain the mineral production sharing agreement in respect of the Mining Area from DENR/MGB of the Philippines.

Impairment test - 2010

The Company has engaged an independent professional valuer, Asset Appraisal Limited, to determine the value in use of the exploration and evaluation assets as a cash-generating unit on the basis that the mineral production sharing agreement would be granted by the relevant authorities in the Philippines.

The recoverable amount of exploration and evaluation assets was determined based on the estimate of the value in use of the mining operations in the Philippines, on the basis that the mineral production sharing agreement was granted to Mogan, using the discounted cash flows approach. The estimated cash flows of the next 23 years were discounted at the rate of 22.12% to calculate the present value of the future cash flows of Mogan's mining operations in the Philippines. Key assumptions, apart from the award of the mineral production sharing agreement by DENR/MGB of the Philippines, adopted for the value in use calculations are estimates on magnetic sand quantities with reference to a technical reserve report prepared by Behre Dolbear Asia, Inc. dated 1 September 2008, prices and operating costs after considering the magnetic content that can be extracted and the outlay for capital expenditure. Based on these evaluations, the estimated recoverable amount of exploration and evaluation assets exceeds its carrying amount at 31 March 2010. The directors of the Company are of the opinion that there is no impairment on the exploration and evaluation assets.

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**—**	12,715
Less : Allowance for doubtful debts	**—**	(11,759)
	—	956
Deposits	**444**	5,131
Prepayments	**195**	1,822
Other receivables	**472**	6,611
	1,111	13,564
Less: Allowance for doubtful debts	**—**	(9,053)
	1,111	4,511
	1,111	5,467

At 31 March 2009, trade receivables were for the operating segments of sub-licensing of film rights and sales of video products which were disposed of during the year ended 31 March 2010.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) **Ageing analysis of trade receivables**

At 31 March 2009, trade receivables were net of allowance of doubtful debts of HK$11,759,000 with the following ageing analysis presented based on invoice date:

	2010	2009
	HK$'000	*HK$'000*
Current	**—**	131
Less than 3 months past due	**—**	712
3 to 6 months past due	**—**	93
Over 6 months past due	**—**	20
	—	956

Trade receivables were due within 60 to 180 days from the date of billing. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness of its customers, extend the credit period upon customer's request.

(b) **Impairment of trade receivables**

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2010	2009
	HK$'000	*HK$'000*
At 1 April	**11,759**	13,400
Impairment loss recognised	**—**	3,466
Reversal of impairment on trade receivables	**—**	(5,107)
Disposals of subsidiaries	**(11,759)**	—
At 31 March	**—**	11,759

As at 31 March 2009, the Group's trade receivables HK$11,759,000 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables was expected to be recovered. Consequently, specific allowances for doubtful debt of HK$11,759,000 were recognised at the end of the reporting period. The Group did not hold any collateral over these balances.

(c) **Impairment of other receivables**

Other receivables at 31 March 2009 were aged more than one year and were fully impaired.

(d) Trade receivables that are not impaired

	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**—**	131
Less than 3 months past due	**—**	712
3 to 6 months past due	**—**	93
Over 6 months past due	**—**	20
	—	956

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**—**	8,427
Accruals	**2,520**	43
Withholding tax payable (note a) - disposed as part of the discontinued operations	**—**	2,101
Receipts in advance (note b) - disposed as part of the discontinued operations	**—**	11,899
Other payables	**6,814**	9,983
Financial liabilities measured at amortised cost	**9,334**	32,453

Notes:

(a) Withholding tax payable represented the tax withheld on film licenses acquired from foreign licensors at 5.75% on the purchase cost.

(b) Receipts in advance represented one year sub-licensing fees received in advance upon the signing of the sub-licensing agreement with customers.

Included in trade and other payables were trade payables presented based on invoice date with the following ageing analysis as of the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
Due within 3 months	—	257
Due over 3 months but within 6 months	—	59
Due over 6 months but within 9 months	—	122
Due over 9 months but within 12 months	—	7,989
	—	8,427

At 31 March 2009, all of the trade payables were for the operating segments of sub-licensing of film rights and sales of video products which were disposed of during the year ended 31 March 2010.

13. CONVERTIBLE BONDS

On 18 December 2008, the Company entered into subscription agreement with Kesterion Investments Limited ("Kesterion"), which is beneficially owned by Ms. Eva Wong, a sister of Mr. Wong Chung Yu, Denny and sister-in-law of Mr. Yin Mark Teh-min, who are an executive director and non-executive director of the Company respectively, for the issue of convertible bonds with an aggregate principal amount of US$655,128,205 (equivalent to approximately HK$5,110,000,000) (the "Convertible Bonds") in connection with the acquisition of 64% equity interest in Mogan. The Convertible Bonds denominated in US$, which is the functional currency of the Company, are convertible, at the option of the holder, 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, capitalization issue, capital distribution, right issue and other equity or equity or equity derivative issued at any time after the issue date. The Convertible Bonds are unsecured and non-interest bearing and will mature on 18 December 2018 and can be redeemed, using an agreed fixed exchange rate of US$1 = HK$7.8. in part(s) by the Company at anytime before the maturity date. If the Convertible Bonds are not converted, they will be redeemed on 18 December 2018, using an agreed fixed exchange rate of US$1 = HK$7.8. The total number of shares to be issued on conversion of the Convertible Bonds will be determined by dividing the principal amount of bonds to be converted (using an agreed fixed exchange rate of US$1= HK$7.8) by the conversion price HK$0.70 in effect at the conversion date.

As the functional currency of the Company is US$, the conversion option of the Covertible Bonds denominated in US$ will result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instruments in accordance with HKAS32 and 39. The net proceeds received from the issue of the Convertible Bonds have been split between the liability component and equity component. The fair value of the liability component was determined as of the date of issue by an independent professional valuer, BMI Appraisals Limited, using the market rate for an equivalent non-convertible bond. The effective interest rate of the liability component is 17.7% per annum. The liability component, after the initial recognition, is carried at amortised cost, calculated using the effective interest method at the rate of 17.7% per annum. The residual amount of the Convertible Bonds at the initial recognition represents the value of the equity conversion component.

During the year ended 31 March 2010, total principal amount of US$363,910,256 (equivalent to HK$2,838,500,000 at the agreed fixed exchange rate of US$1 = HK$7.8) (2009: US$89,743,590 equivalent to HK$700,000,000 at the agreed fixed exchange rate of US$1 = HK$7.8) were converted into 4,055,000,000 (2009: 1,000,000,000) new ordinary shares of the Company of HK$0.01 each. Outstanding principal amounts of the Convertible Bonds as at 31 March 2010 and 2009 were US$201,474,359 (equivalent to approximately HK$1,571,500,000) and US$565,384,615 (equivalent to approximately HK$4,410,000,000) respectively.

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

	Liability component	**Equity conversion component**	**Principal amount**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2008	—	—	—
Issue of Convertible Bonds	1,001,172	4,108,828	5,110,000
Effective interest recognised	109,118	—	—
Converted during the year	(146,255)	(562,853)	(700,000)
At 31 March 2009	964,035	3,545,975	4,410,000
Effective interest recognised	246,571	—	—
Converted during the year	(740,782)	(2,282,370)	(2,838,500)
At 31 March 2010	469,824	1,263,605	1,571,500

The interest charged for the year is calculated by applying an effective interest rate of 17.7% (2009: 17.7%) to the liability component.

14. PROMISSORY NOTE

On 18 December 2008, Black Sand Enterprises Limited ("BSEL"), a wholly-owned subsidiary of the Company, issued HK$200,000,000 unsecured redeemable promissory note with zero coupon rate in connection with the acquisition of the 64% equity interest in Mogan. The promissory note is repayable in 4 instalments over 1 year from the date of issue, with the first instalment falling due at the end of 3 months after the date of issue. BSEL has the unconditional right to defer all instalment payments until the final instalment date on 18 June 2010. BSEL has the unconditional right to redeem the promissory note prior to the maturity date by serving a written notice to the note-holder. The fair value of promissory note was determined at HK$161,756,183 as at the issue date, based on the independent valuation performed by an independent valuer, BMI Appraisals Limited. The effective interest rate of the promissory note is determined to be 15.20% per annum. The promissory note is carried at amortised cost, using the effective interest method and at the rate of 15.20% per annum, until extinguishment or redemption. During the year ended 31 March 2009, BSEL redeemed HK$10,000,000 of the promissory note.

At 18 December 2009, BSEL issued a notice to the promissory note holder for the deferral of all instalment payments to the final instalment date on 18 June 2010. The promissory note has been due for full repayment as at the date of this annual report. According to the Debt Restructuring Agreement dated 14 May 2010 entered into among the Company, BSEL and Kesterion, Kesterion, the note holder, has agreed that, pending completion of the Debt Restructuring Agreement, it will not enforce or exercise any of its rights or remedies or take any legal proceedings against the Company or BSEL.

Movements of the carrying amount of the promissory note, carried at amortised cost, during the year ended 31 March 2010 and 2009 are set out below:

	2010	2009
	HK$'000	*HK$'000*
At 1 April	**160,510**	—
Issue of promissory note	**—**	161,756
Redemption	**—**	(10,000)
Imputed interest charged	**24,243**	8,754
At 31 March	**184,753**	160,510

The promissory note is classified in the consolidated statement of financial position at the end of the reporting period as follows:

	2010	2009
	HK$'000	*HK$'000*
Current liabilities	**184,753**	—
Non-current liabilities	**—**	160,510
	184,753	160,510

Outstanding principal amount of the promissory note as at 31 March 2010 was HK$190,000,000 (2009: HK$190,000,000).

15. SHARE CAPITAL

	Note	No. of ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$'000
Authorised ordinary shares:			
At 1 April 2008, 31 March 2009 and 31 March 2010		20,000,000,000	200,000
Issued and fully paid ordinary shares:			
At 1 April 2008		1,932,534,023	19,325
Issue of new shares			
- placing of shares	(i)	114,000,000	1,140
- acquisition of subsidiaries	(ii)	500,000,000	5,000
- conversion of convertible bonds	(iii)	1,000,000,000	10,000
At 31 March 2009 and 1 April 2009		3,546,534,023	35,465
Issue of new shares			
- conversion of convertible bonds	(iii)	4,055,000,000	40,550
At 31 March 2010		7,601,534,023	76,015

(i) Issue of new shares under placement

On 17 April 2008, the Company issued 114,000,000 ordinary shares with a par value of HK$0.01 each, at a price of HK$0.44 per share by way of placement to Nice Hill Investments Limited in which a former executive director, Mr. Chin Wai Keung, Richard was the sole beneficial owner. Net proceeds from such issue amounted to HK$49,250,000 (after offsetting issue expenses of HK$910,000) out of which HK$1,140,000 and HK$48,110,000 were recorded in share capital and share premium, respectively.

(ii) Issue of new shares for acquisition of subsidiaries

On 18 December 2008, the Company issued 500,000,000 ordinary shares with a par value of HK$0.01 each, at a price of HK$0.14 per share, being the closing market price at completion date, as part of the consideration for the acquisition of 64% equity interest in First Pine Enterprises Limited. HK$5,000,000 and HK$65,000,000 were recorded in share capital and share premium respectively.

(iii) Issue of new shares under conversion of convertible bonds

During the year, 4,055,000,000 (2009: 1,000,000,000) ordinary shares with a par value of HK$0.01 each, were issued at HK$0.70 per share as a result of the conversion of convertible bonds of US$363,910,256 (equivalent to HK$2,838,500,000) (2009: US$89,743,590 (equivalent to HK$700,000,000) at the fixed exchange rate of US$1 = HK$7.8) by the convertible bond holders.HK$40,550,000 (2009: HK$10,000,000) and HK$2,982,602,000 (2009: HK$699,108,000) were recorded in share capital and share premium, respectively. Liabilities component of HK$740,782,000 (2009: HK$146,255,000) and equity conversion component of HK$2,282,370,000 (2009: HK$562,853,000) were derecognised upon conversion of these bonds as referred to in note 13.

All of the shares issued during the years ended 31 March 2009 and 2010 rank pari passu with the then existing shares in all respects.

16. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

At 31 March 2010, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises are payable as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**1,263**	1,221
After one year but within five years	**2,315**	55
	3,578	1,276

(b) Capital commitments

	2010	2009
	HK$'000	*HK$'000*
Contracted for but not provided for in the financial statements		
– Film rights	**—**	520
– Exploration and evaluation assets	**1,463**	—
	1,463	520

The Company had no material capital commitments as at 31 March 2010 (2009: Nil).

(c) Contingencies

The Group and the Company had no material contingent liabilities at the end of the reporting period (2009: Nil).

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group and the Company had the following post balance sheet events:

(a) Termination of proposed share consolidation and proposed open offer

On 8 April 2010, the Company had decided to terminate the proposed share consolidation scheme pursuant to which the Company proposed to consolidate every 20 existing shares of HK$0.01 each into one adjusted share of HK$0.20 each, and the proposed open offer by issuing 1,520,306,804 new adjusted shares of HK$0.20 each.

(b) Investment Agreement and Debt Restructuring Agreement involving the issue of subscription shares and convertible bonds

On 9 April 2010, a conditional Investment Agreement (as amended and supplemented on 14 May 2010) was entered between the Company and an independent third party, China Raybo International Corp. Ltd, ("the Investor") pursuant to which, the Company will issue to the Investor (i) 10,000,000,000 new shares of HK$0.01 each at the subscription price of HK$0.25 each, for an aggregate consideration of HK$2,500 million, and (ii) three-year unsecured zero coupon rate convertible bonds with an aggregate principal amount of approximately US$64 million (equivalent to approximately HK$500 million). Aggregate net proceeds from the issue of subscription shares and the new convertible bonds will be approximately HK$2,970 million, out of which approximately HK$1,769.5 million will be used for the full settlement of the aggregate amounts due from the Company to a substantial shareholder, Kesterion comprising promissory note with principal amount of HK$190 million above, convertible bonds with principal amount of HK$1,571.5 million and short-term loan of HK$8 million ("the Kesterion Existing Debts") under the Debt Restructuring Agreement dated 14 May 2010 entered into among the Company, BSEL and Kesterion. The balance of the net proceeds of approximately HK$1,200.5 million will be used for financing the mining operations in the Philippines and as general working capital of the Group.

The completion of the Investment Agreement will be subject to fulfillment of certain pre-conditions, including the followings:

— the passing of the required resolutions by the Independent Shareholders by way of a poll at the EGM approving: (i) the Investment Agreement and the transactions contemplated thereunder; (ii) the Whitewash Waiver; (iii) the settlement of the Kesterion Existing Debts as mentioned above in cash which constitutes a special deal ("Special Deal"); (iv) the grant of a special mandate from the Shareholders at the EGM to allot and issue the Subscription Shares and the Conversion Shares; (v) the appointment of three persons nominated by the Investor as Directors.

— the passing of the required resolutions by the Shareholders by way of poll at the EGM approving the increase in the authorised share capital of the Company;

— the Stock Exchange has granted the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares that will be allotted and issued by the Company, the Whitewash Waiver and the Special Deal;

— the Investor has satisfactorily completed the due diligence work on the assets, liabilities and operations of the Group, and the Company will provide the Investor with legal opinion on outstanding litigations, claims, legality of asset ownership, environmental protection, work permits for the exploration etc; and

— the Investor has obtained all the necessary internal, governmental and other regulatory approvals, consents and registration required for the completion of the Investment Agreement.

At the approval date of these financial statements, the abovementioned conditions have not yet been completed.

EXTRACT OF REPORT OF THE AUDITOR

Basis for disclaimer of opinion

(a) Material uncertainties relating to going concern basis

The Group incurred a consolidated net loss attributable to owners of the Company of approximately HK$263,794,000 for the year ended 31 March 2010 and had consolidated net current liabilities of approximately HK$195,399,000 as at 31 March 2010.

As explained in note 43 (b) to the consolidated financial statements, on 9 April 2010, a conditional Investment Agreement (as amended and supplemented on 14 May 2010) was entered between the Company and an independent third party, which will involve the issue of 10,000,000,000 new shares for an aggregate consideration of HK$2,500 million and new unsecured zero coupon rate convertible bonds with an aggregate principal amount of US$ 64 million (equivalent to approximately HK$500 million). Out of the aggregate net proceeds of approximately HK$2,970 million from the issue of new shares and the new convertible bonds, approximately HK$1,769.5 million will be used for the full settlement of the aggregate amounts due by the Company to a substantial shareholder, Kesterion Investments Limited, comprising promissory note with principal value of HK$190 million, existing convertible bonds with principal value of HK$1,571.5 million and short-term shareholder loan of HK$8 million as further detailed in note 43(b) to consolidated financial statements, under a Debt Restructuring Agreement dated 14 May 2010 entered into among the Company, BSEL and Kesterion and the balance of the net proceeds of approximately HK$1,200.5 million will be used for financing the mining operations in the Philippines and general working capital of the Group. The completion of the Investment Agreement and Debt Restructuring Agreement will be subject to the fulfilment of certain pre-conditions as referred to in note 43 (b) to the consolidated financial statements. Up to the date of this report, the Investment Agreement and Debt Restructuring Agreement are not yet completed. The uncertain outcome of successful completion and implementation of the above-mentioned Investment Agreement and Debt Restructuring Agreement casts significant doubt on the Group's ability to meet its obligations as and when they fall due and to carry on its business as a going concern for the foreseeable future.

The consolidated financial statements did not include any adjustments that would have been made to reduce the value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively, should the Group be unable to continue as a going concern.

(b) **Material uncertainty relating to the exploitation rights for mining operations in the Philippines**

At 31 March 2010, the Company indirectly owns 64% equity interest in Mt. Mogan Resources and Development Corporation ("Morgan") incorporated in the Philippines. During the year ended 31 March 2010, Mogan has obtained two exploration permits to explore magnetite sand and other associated mineral deposits located in specific offshore area with 41,094 hectares in the Lyete Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines ("Mining Area"), as further disclosed in note 17 to the financial statements. At 31 March 2010, the exploration and evaluation assets under these two exploration permits, as stated in the consolidated statement of financial position, amounted to HK$8,435,670,000. Pursuant to the Mining Act 1995 (Republic Act No. 7942) in the Philippines, an exploration permit grants its holder the right to conduct exploration for the specified mineral(s) in the specific area(s) within a specified timeframe; whilst a Mineral Production Sharing Agreement, when made with and granted by the Department of Environment and Natural Resources /Mines and Geosciences Bureau ("DENR/ MGB") on behalf of the Government of the Philippines, shall provide the applicant the exclusive rights to conduct the mining operations to extract and exploit the pre-agreed mineral(s) in the specific area(s) for a term not exceeding 25 years starting from the date of execution and renewable for a further term not exceeding 25 years.

Mogan has been conducting the exploration programs on the Mining Area covered by the two exploration permits. On 15 June 2010, Mogan has submitted and filed the application for a Mineral Production Sharing Agreement for a portion of the Mining Area with DENR/MGB. The directors of the Company believe that a Mineral Production Sharing Agreement for the Mining Area will be awarded by DENR/MGB of the Philippines to Mogan. The consolidated financial statements do not include any adjustments that would be necessary if the Mineral Production Sharing Agreement for the Mining Area would not be awarded. We consider that adequate disclosures have been made. However, the uncertain outcome of obtaining the Mineral Production Sharing Agreement raises significant doubt on the Group's mining rights to the Mining Area in the Philippines, which in turn creates a material uncertainty as to whether or not impairment should be recognised on the exploration and evaluation assets of the Group.

In view of the extent and potential impact of the material uncertainties described above, we disclaimed our opinion in these respects.

MANAGEMENT DISCUSSION & ANALYSIS

RESULTS AND DIVIDENDS

During the year, the Group recorded a loss of approximately HK$264,164,000 (2009: approximately HK$162,918,000).

The Directors do not recommend the payment of a dividend for the year ended 31 March 2010.

BUSINESS REVIEW

The Group successfully obtained 2 exploration permits ("**EPs**") covering approximately 41,094 hectares Mining Area in the Leyte Gulf and San Pedro Bay off Leyte and Samar in the Philippines on 23 December 2009. The EPs are valid for a period of 2 years and shall be renewable for like periods but not to exceed a total term of 6 years subject to compliance with all the terms and conditions of the EPs and provided that there is no violation of any provision of the Mining Act and its Implementing Rules and Regulations. Mogan was conducting exploration programs jointly with Mines And Geosciences Bureau of Philippines ("**MGB**") under the provisions of a Memorandum of Agreement entered into between Mogan and MGB. Since the EPs were granted, Mogan has been conducting the exploration program independently.

On 15 June 2010, MGB has also accepted Mogan's application for a Mineral Production Sharing Agreement ("**MPSA**"). The acceptance of the application signified that Mogan has fulfilled mandatory requirements of the application. The application is about to enter the stage of review and evaluation by MGB. Upon approval of the MPSA by MGB, the Group will have the required permit to roll-out production facilities for magnetite exploitation in the Philippines.

Performance of the Group's video distribution business continued to be weak during the year. On 15 September 2009, the Group completed disposal of all interests in the loss-making Panorama Entertainment Group Limited ("**Panorama Group**") to an independent third party for a nominal consideration of HK$100. Upon completion of the disposal, Panorama Group has consolidated net liabilities of approximately HK$25,204,000. A once-off gain on disposal of approximately HK$25,204,000 was recorded.

Besides, on 29 June 2009, the Group completed disposal of all interests in the loss-making Datewell Group & CPE Program Distribution Limited ("**Datewell Group**") to another independent third party for a nominal consideration of HK$100. Upon completion of the disposal, Datewell Group has consolidated net liabilities of approximately HK$5,334,000. A once-off gain on disposal of approximately HK$5,334,000 was recorded.

PROSPECTS

In 2010, Vale, Rio Tinto and BHP, the world's biggest exporters of the iron ore, replaced the cumbersome annual benchmark system with a new index-based mechanism, and purported that prices for each quarter would now be based on the average spot market price during the previous quarter. The big three's final goal is likely to move to spot-based sales to end fixed-term contract sales. Most believe the next couple of quarters will be the testing point.

For the coming third quarter, the three big suppliers are proposing hikes ranging from 20 percent to 30 percent, all based on the Platts iron ore index. While China, the largest buyer of iron ore, still insists that ore price negotiations with Vale, Rio Tinto and BHP Billiton are continuing although its mills have won permission to agree "interim" deals. We believe that the above stated price increase will likely to prevail in the third quauter.

Meanwhile, China's steel industry may have to deal with headwind including near term slow down in property sector and removal of export tax rebate. There are other policy related issues steel mills would have to deal with such as industry-wide capacity reduction arises from China's push to cut down energy consumption during the eleventh five-year plan and government driven consolidation. Upon achieving these goals PRC steel industry will likely to enjoy better pricing power and improving profit margins along with stronger bargaining power with the Big Three miners hence will lead to a healthier steel industry. These policy directives will take time to materialise and the Big Three miners will likely to have the upper hand towards China's steel industry for the time being. The ongoing recovery for worldwide economy and strong domestic demand will continuous provide pricing supports to the iron ore market during the near to mid-term horizon. We consider that it is an appropriate time for the Group to enter the market.

The Group has been proceeding with the Investor and Kesterion on the fulfillment of the necessary steps and procedures for the completion and implementation of the Investment Agreement and the Debt Restructuring Agreement (details of which have been disclosed in the announcement dated 14 May 2010) and the conditions precedent thereof. If the Investment Agreement and the Debt Restructuring Agreement together with the transactions thereof are completed, the Group will have the necessary initial start-up capital for the mining business in the Philippines and for meeting its general working capital requirements. It is expected that full potential of the mining business will then be able to be realized.

TURNOVER AND NET LOSS

For the year ended 31 March 2010, the principal business, exploration and exploitation of mineral resources, has not yet generated any income. Turnover of trading and sales of metals was approximately HK$14,730,000 (2009: HK$4,287,000), up by 244% as compared to the same period in 2009. Gross profit was approximately HK$139,000 (2009: gross loss of approximately HK$35,000). Loss for the year amounted to approximately HK$264,164,000 (2009: Loss HK$162,918,000), representing a 62% increase compared with that of last year mainly due to full year impact of the imputed finance costs for the convertible bonds and promissory note of approximately HK$270,814,000 (2009: HK$117,872,000) partially offset by profits on disposals of discontinued operations of approximately HK$30,538,000 (2009: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010, the Group's current ratio was approximately 0.03, representing a decrease of approximately 69% when compared to that of the previous financial year. Gearing ratio, calculated based on non-current liabilities of approximately HK$469,824,000 (2009: HK$1,130,843,000) and shareholders' surplus of approximately HK$4,739,129,000 (2009: shareholders' surplus HK$4,262,278,000) decreased from 26.5% for 2009 to 9.9% for 2010. The decreases in current ratio and gearing ratio were primarily due to the re-classification of promissory note in fair value of approximately HK$184,753,000 (2009: HK$160,510,000) from non-current liabilities to current liabilities and conversions of convertible bonds during the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2010, the Group has 20 full time employees (2009: 34). 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 as defined in note 35 to the financial statements and/or any other such schemes of the Company as part of their remuneration package.

BORROWING FACILITIES

As at 31 March 2010, the Group has no borrowing facilities.

The Group generally finances its operation by internal resources and a HK$8 million non-secured and non-interest bearing loan from a shareholder having no fixed repayment date.

As at the latest practical date, the Directors consider that after Completion of the Investment Agreement and Debt Restructuring Agreement (details of which have been disclosed in the Announcement date 14 May 2010), the Group will have sufficient working capital to meet its present requirements. If the Investment Agreement and Debt Restructuring Agreement cannot be completed by 30 September 2010 (the Long Stop Date), the Directors will actively pursue alternative source of fundings to meet the Group's working capital requirements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save as disclosed in note 9, the Group had no material acquisition and disposal of subsidiaries during the year.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 17, the Group had no other event after the reporting period as at 31 March 2010.

PLEDGE OF ASSETS

At 31 March 2010, the Group has no asset being pledged.

TREASURY POLICIES

The Group's functional currency is mainly denominated in United States Dollar and the majority of the Group's tangible assets are denominated in Hong Kong Dollar. The outstanding convertible bonds are denominated in United States Dollar 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.

At at 31 March 2010, the Group and the Company had no material contingent liabilities.

CORPORATE GOVERNANCE PRACTICES

The Company recognises that establishment and implementation of good corporate governance standards helps the Group to achieve its corporate objectives and fulfill the expectation of shareholders effectively. The Board of Directors (the "**Board**") of the Company, has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "**CG Code**") of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year ended 31 March 2010. The current practices will be reviewed regularly so as to follow the latest practices in corporate governance.

DIRECTOR'S 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 the 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 confirmed that they complied with the required standards of dealing as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year.

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. Chan Siu Wing, Raymond and Mr. Chu Hung Lin, Victor. The chairman of the Audit Committee is Mr. Chan Siu Wing, Raymond. The written terms of reference of the Audit Committee sets out the duties of the Audit Committee which includes reviewing and supervising the financial reporting 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 Audit Committee held 6 meetings during the financial year ended 31 March 2010.

The Audit Committee has reviewed the Group's unaudited quarterly and interim results and annual audited results for the financial year ended 31 March 2010 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.

BOARD PRACTICES AND PROCEDURES

For the year ended 31 March, 2010, the Company was in compliance with the Board Practices and Procedures as set out in Rule 5.34 to 5.45 of the GEM Listing Rules.

By Order of the Board
Pan Asia Mining Limited
Wong Chung Yu. Denny
Chairman

28 June 2010, Hong Kong

As at the date of this announcement, the Board comprises two executive Directors Mr. Wong Chung Yu, Denny and Mr. Liu Junqing; one non-executive Director Mr. Yin Mark Teh-min; and three independent non-executive Directors, Mr. Lai Kai Jin, Michael, Mr. Chan Siu Wing, Raymond and Mr. Chu Hung Lin, Victor.

This announcement, for which the directors of the Company (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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