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PAN ASIA MINING LIMITED
寰亞礦業有限公司

(於開曼群島註冊成立之有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code 股份代號: 8173)

2010

First Quarterly Report 第一季度

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CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 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.

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

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 (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: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

On 15 June 2010 Mogan submitted to the MGB Regional Director an application for the conversion of a portion of the EPs to a Mining Production Sharing Agreement (the "MPSA") over an area of approximately 5,000 hectares. MPSA is a type of Mining Agreement in which the Philippines government grants to a mining company the exclusive right to conduct mining operations within, but not title over, the designated area and shares in the production whether in kind or in value as owner of the minerals of the designated area.

In April 2010, Mogan filed a new exploration permit application to the MGB Regional Office covering an area of approximately 3,022 hectares offshore Dulag, Leyte adjacent to the areas covered by its existing EPs. Acceptance of such new exploration permit application indicates that the applied area does not overlap with any existing mining claims or applications. Such new exploration permit is denominated as EXPA-OMR-009-VIII.

Mogan has been undergoing the fulfillment of the outstanding additional and post-submission requirements of the above 2 application submissions.

The Group's turnover during the three months ended 30 June 2010 (the "Period") of the continuing operations amounted to approximately HK\$2,265,000 (2009: HK\$4,275,000). Other revenue and income amounted to approximately HK\$293,000 (2009: HK\$932,000). Loss for the Period of the continuing operations was approximately HK\$41,559,000 as compared to HK\$92,047,000 of the same period last year mainly because the imputed interest costs for the convertible bonds reduced to HK\$31,514,000 (2009: HK\$83,724,000) due to conversion of approximately US\$363,910,256 bonds during the fiscal year ended 31 March 2010.

The outstanding amount of HK\$190,000,000 (2009: HK\$190,000,000) of the promissory note was due for full repayment on 18 June 2010. Pursuant to the Debt Restructuring Agreement dated 14 May 2010, 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 Black Sand.

OUTLOOK

Upon completion of the Investment Agreement and the Debt Restructuring Agreement, the Company will receive gross proceeds of HK\$3,000.0 million and net proceeds, after deduction of the professional and related expenses, of approximately HK\$2,970.0 million. Financial position of the Group will be greatly strengthened. The Group will use HK\$1,769.5 million for full repayment of the Kesterion Existing Debts under the Debt Restructuring Agreement, approximately HK\$900.0 million as the initial start-up funding of the mining operations in the Philippines and approximately HK\$300.5 million as general working capital of the Group.

FIRST QUARTER RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2010

The board of Directors (the “Board”) of Pan Asia Mining Limited (the “Company”) is pleased to report the unaudited consolidated results to the Company and its subsidiaries (the “Group” or “Pan Asia Mining”) for the three months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the three months ended 30 June	
	Note	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited) (restated)
Continuing operations			
Turnover	3	2,265	4,275
Cost of sales		(2,261)	(4,140)
Gross profit		4	135
Other revenue and income		293	932
Administrative expenses		(4,816)	(3,088)
Other operating expenses		(274)	(254)
Share of results of associates		(5)	(4)
Loss from operations		(4,798)	(2,279)
Finance costs	4	(36,761)	(89,768)
Loss before taxation		(41,559)	(92,047)
Income tax	5	—	—
Loss for the period from continuing operations		(41,559)	(92,047)
Profit for the period from discontinued operations	6	—	858
Loss for the period		(41,559)	(91,189)
Loss for the period attributable to:			
Equity holders of the Company		(41,165)	(91,089)
Minority interest		(394)	(100)
		(41,559)	(91,189)
Earnings/(loss) per share for the period attributable to equity holders of the Company (basic and diluted)			
From continuing operations	7	(0.54) cent	(2.36) cents
From discontinued operations		— cent	0.02 cent
From continuing and discontinued operations		(0.54) cent	(2.34) cents

NOTES TO THE CONDENSED QUARTERLY FINANCIAL INFORMATION

1. GENERAL INFORMATION

Pan Asia Mining Limited (the "Company") is an exempt company with limited liability incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. Its principal business is investment holding.

The Group is engaged in exploration and exploitation of mineral resources and trading precious metal and scrapped metals.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules, accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong.

The unaudited condensed financial statements, which do not include all information and disclosures required by the annual financial statements, should be read in conjunction with the annual report for the year ended 31 March 2010.

3. TURNOVER

Turnover represents the net amounts received and receivable for sales of goods by the Group to outside customers, less goods returns and trade discounts, and revenue received and receivable from sub-licensing of film rights, sales of metals, and is analysed as follows:

	Continuing operations		Discontinued operations		Consolidated	
	for the three months ended 30 June		for the three months ended 30 June		for the three months ended 30 June	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue						
Sales of video products	—	—	—	2,597	—	2,597
Sub-licensing of film rights	—	—	—	1,755	—	1,755
Sales of metals	2,265	4,275	—	—	2,265	4,275
	<u>2,265</u>	<u>4,275</u>	<u>—</u>	<u>4,352</u>	<u>2,265</u>	<u>8,627</u>
Turnover	<u>2,265</u>	<u>4,275</u>	<u>—</u>	<u>4,352</u>	<u>2,265</u>	<u>8,627</u>

4. FINANCE COSTS

	For the three months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Continuing operations		
Imputed interest on promissory note	5,247	6,044
Imputed interest on convertible bonds	31,514	83,724
	<u>36,761</u>	<u>89,768</u>
Discontinued operations		
Interest expenses on bank and other borrowings	—	180
	<u>—</u>	<u>180</u>

5. INCOME TAX

No provision for Hong Kong Profits Tax has been made, as the Group had no assessable profits subject to Hong Kong profits tax during the period (2009: Nil).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

No provision for Philippines corporation income tax has been made as the subsidiaries in the Philippines did not have assessable profits subject to corporation income tax in the Philippines.

6. DISCONTINUED OPERATIONS

On 29 June 2009, the Company completed the disposal of Datewell Group & CPE Program to an independent third party for a nominal cash consideration of HK\$100.

On 15 September 2009, the Company completed the disposal of Panorama Group to another independent third party for a nominal cash consideration of HK\$100. The disposal of Panorama Group constituted a major transaction of the Company and the transaction was approved in the Extraordinary General Meeting held on 4 September 2009.

The profit/(loss) for the period from the discontinued operations is analysed as follows:

	For the three months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue	—	4,352
Expenses	—	(8,828)
	<hr/>	<hr/>
Loss for the period	—	(4,476)
Gain on disposal of subsidiaries	—	5,334
	<hr/>	<hr/>
	—	858
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7. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for the three months ended 30 June 2010 and 2009 and the weighted average number of ordinary shares in issue during these periods.

There were no dilutive events in the three months ended 30 June 2010 and 2009 and therefore, the diluted earnings per share is same as basic earnings per share for both periods.

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

	For the three months ended 30 June	
	2010 <i>HK\$'000</i> (unaudited)	2009 <i>HK\$'000</i> (unaudited)
From continuing and discontinued operations		
Loss for the period attributable to equity holders of the Company used in the basic loss per share calculation	<u><u>(41,165)</u></u>	<u><u>(91,089)</u></u>
From continuing operations		
Loss for the period attributable to equity holders of the Company used in the basic loss per share calculation	<u><u>(41,165)</u></u>	<u><u>(91,947)</u></u>
From discontinued operations		
Profit for the period attributable to equity holders of the Company used in the basic profit per share calculation	<u><u>—</u></u>	<u><u>858</u></u>
		For the three months ended 30 June
Number of shares:	2010	2009
Weighted average number of ordinary shares in issue during the period	<u><u>7,601,534,023</u></u>	<u><u>3,888,292,000</u></u>

8. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Convertible bond equity reserve HK\$'000	Accumulated losses HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2009 (audited)	35,465	917,391	10,440	156	320	3,545,975	(247,469)	3,033,383	7,295,661
Issue of new shares	10,000	715,262	—	—	—	—	—	—	725,262
Recognition of equity component of convertible bonds	—	—	—	—	—	(562,853)	—	—	(562,853)
Disposal of subsidiaries	—	—	—	(230)	—	—	—	—	(230)
Loss for the period	—	—	—	—	—	—	(91,089)	(100)	(91,189)
Exchange difference on translation of the financial statement of foreign subsidiaries	—	—	—	(8)	—	—	—	—	(8)
At 30 June 2009 (unaudited)	45,465	1,632,653	10,440	(82)	320	2,983,122	(338,558)	3,033,283	7,366,643
At 1 April 2010 (audited)	76,015	3,899,993	10,440	19	320	1,263,605	(511,263)	3,033,050	7,772,179
Exchange difference on translation of the financial statement of foreign subsidiaries	—	—	—	(19)	—	—	—	—	(19)
Loss for the period	—	—	—	—	—	—	(41,165)	(394)	(41,559)
At 30 June 2010 (unaudited)	76,015	3,899,993	10,440	—	320	1,263,605	(552,428)	3,032,656	7,730,601

INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 30 June 2010 (2009: Nil)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, the interests and short positions of each Directors and chief executives of the Company in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

The Company

Long positions in Shares of the Company

Name of directors/ chief executive	Number of Shares	Approximate percentage of shareholding	Capacity
Yin Mark Teh-min	2,500,000	0.03	Interest of spouse
	380,000	0.01	Beneficial owner
Sub-total:	2,880,000	0.04	(Note 1)

Notes:

1. Ms. Wong Shu Wah, Ceci, being the wife of Mr. Yin Mark Teh-min ("Mr. Yin"), has interests in 2,500,000 Shares. Accordingly, Mr. Yin is deemed to have interests in such 2,500,000 Shares. Mr. Yin also holds 380,000 Shares as beneficial owner. Therefore, Mr. Yin is interested and deemed to have interests in 2,880,000 Shares in total.

DIRECTORS' AND CHIEF EXECUTIVES' SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

There are no short positions of the Directors and the chief executives in the Shares, underlying Shares and debentures of the Company and its associated corporations that (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 30 June 2010, the following persons (other than Directors and chief executives of the Company) had an interest and/or a short position in the Shares or underlying Shares in respect of equity derivatives of the Company that has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO):

Long positions in Shares of the Company

Name of shareholder	Number of Shares of the Company	Approximate percentage of shareholding	Capacity
Kesterion Investments Limited	1,020,250,000	13.42	Beneficial owner
Wong, Eva	1,020,250,000	13.42	Interest of controlled corporation
	2,260,000	0.03	Beneficial owner
Sub-total:	1,022,510,000	13.45	
Koh Tat Lee, Michael	1,022,510,000	13.45	Interest of spouse (Note 1)
Ryan Luis V. Singson	1,745,330,000	22.96	Beneficial owner

Notes:

1. Mr. Koh Tat Lee, Michael, being the husband of Ms. Eva Wong, is deemed to have interests in such 1,022,510,000 shares.

Long positions in the underlying Shares of the Company

Name of shareholder	Number of underlying Shares in respect of equity derivatives of the Company	Approximate percentage of the issued share capital of the Company	Capacity
Kesterion Investments Limited	2,245,000,000	29.53	Beneficial owner (Note 2)
Wong, Eva	2,245,000,000	29.53	Interest of controlled corporation (Note 2)
Koh Tat Lee, Michael	2,245,000,000	29.53	Interest of spouse (Note 2)

Notes:

- This represents the principal amount of approximately US\$201,474,359 of convertible bonds, which upon conversion in full will result in the allotment and issue of 2,245,000,000 Shares, which have been issued to Kesterion Investments Limited on 18 December 2008 as part of considerations for the acquisition of First Pine Enterprises Limited. The entire issued share capital of Kesterion Investments Limited is beneficially owned by Ms. Eva Wong ("Ms. Wong"). Ms. Wong, is the sister of the chairman of the Company, Mr. Wong Chung Yu, Denny and the sister-in-law of a non-executive Director of the Company Mr. Yin Mark Teh-min. Mr. Koh Tat Lee, Michael, being the husband of Ms. Wong, is deemed to have interests in such 2,245,000,000 Shares.

COMPETING INTERESTS

None of the Directors, management shareholders or controlling shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group during the three months ended 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the three months ended 30 June 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the three months ended 30 June 2010.

Throughout the Period, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 three months ended 30 June 2010.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently comprises four members of which one is non-executive Director namely Mr. Yin Mark Teh-min and three independent non-executive Directors, namely, 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 has reviewed this first quarterly report in accordance with the GEM Listing Rules.

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

Hong Kong, 6 August, 2010

As at the date of this report, 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.