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)

2011
Annual Report 年報

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

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

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

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

Contents

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Chung Yu, Denny *(Chairman)*
Mr. Liu Junqing
Mr. Eng Wee Meng

Non Executive Director

Mr. Yin Mark Teh-min

Independent Non-executive Directors

Mr. Lai Kai Jin, Michael
Mr. Chu Hung Lin, Victor
Mr. Tong Wan Sze

COMPANY SECRETARY

Mr. Chan Ming Cho, Joe

AUTHORISED REPRESENTATIVES

For the purpose of the GEM Listing Rules

Mr. Wong Chung Yu, Denny
Mr. Chan Ming Cho, Joe

COMPLIANCE OFFICER

Mr. Wong Chung Yu, Denny

REGISTERED OFFICE

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3008, Tower One,
Times Square,
1 Matheson Street,
Causeway Bay,
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

AUDITOR

CCIF CPA Limited
34/F., The Lee Gardens,
33 Hysan Avenue
Causeway Bay
Hong Kong

STOCK CODE

8173

COMPANY WEBSITE

http://www.pamining.com

TURNOVER AND NET LOSS

For the year ended 31 March 2011, 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$10,419,000 (2010: approximately HK$14,730,000), down by 29.27% as compared to the same period in 2010. Gross profit was approximately HK$13,000 (2010: gross profit of approximately HK$139,000). Loss for the year amounted to approximately HK$149,713,000 (2010: Loss approximately HK$264,164,000), representing a 43.32% decrease compared with that of last year. The loss decrease was mainly due to the reduction of imputed finance costs from approximately HK$246,571,000 in 2010 to approximately HK$126,292,000 in 2011 mainly attributable to the conversion of convertible bonds in principal amounts of approximately US$363,910,256 during the year ended 31 March 2010. As at 31 March 2011, outstanding convertible bonds amount to approximately US$201,474,359.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2011, the Group's current ratio improves to approximately 28.08 (2010: approximately 0.03) as a result of the new equity funds raised by the rights issue completed in March 2011. Gearing ratio, calculated based on non-current liabilities of approximately HK$666,116,000 (2010: approximately HK$469,824,000) and total equity of approximately HK$7,993,694,000 (2010: total equity approximately HK$7,772,179,000) increased from 6.04% for 2010 to 8.33% for 2011. The increase in gearing ratio was primarily due to the increase of the liability component of convertible bond from approximately HK$469,824,000 in 2010 to approximately HK$596,116,000 in 2011 as the result of recognition of the effect interest during the year (full details in note 27 to the consolidated financial statements).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2011, the Group has 12 full time employees (2010: 20). 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 30 to the consolidated financial statements and/or any other such schemes of the Company as part of their remuneration package.

BORROWING FACILITIES

As at 31 March 2011, the Group has no borrowing facilities.

PLEDGE OF ASSETS

At 31 March 2011, 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.

BUSINESS REVIEW

On 9 April 2010, the Company signed an Investment Agreement with the Investor, China Raybo International Corp. Limited, for the subscription of the Consideration Shares and Convertible Bonds of the company for an aggregate consideration of HK$3,000 million. The Long Stop Date of the Agreement was 30 September 2010 and was extended to 31 December 2010 on the condition that the Investor would place a Deposit of HK$150 million to the Company on or before 31 October 2010. However, as at 1 November 2011 the Company did not receive the Deposit, the Investment Agreement was terminated according to terms. The Company is in the process of claiming the agreed sum of HK$30 million which is payable by the Investor to the Company had the Deposit been not paid on time.

During the year, the Group has been undergoing the application for the conversion of an area of about 5,000 hectares under the Exploration Permits into Mineral Production Sharing Agreement ("MPSA"). As at the date of this report, the Group has the following outstanding requirements not yet fulfilled:

1. Presentation of work programs to the affected local government units; and

2. Filing of the environmental impact assessment for obtaining the Environmental Compliance Certificate ("ECC").

The Group has already started the presentations which are scheduled to be completed in August 2011. Afterwards the environmental impact assessment will be completed and filed accordingly. After the ECC is obtained, the Company expects that there will be no more major additional requirements and the MPSA will be granted within a few months after the review and approval by the Department of Environment and Natural Resources of the Government of The Philippines ("DENR").

In April 2010, the Group submitted an application for the third exploration permit covering an offshore area of approximately 3,022 hectares in Dulag, Leyte of the Philippines adjacent to the areas covered by the existing two Exploration Permits. As at the date of this report the Group has fulfilled all requirements for the application. The application is now pending review and approval by the Mines and Geosciences Bureau of the DENR.

The capital reorganisation was completed in February 2011, under which:

— Every fifty authorised ordinary shares of HK$0.01 each were consolidated into one authorised ordinary share of HK$0.50 each by cancelling the 29,400,000,000 authorised ordinary shares.

— Every fifty issued ordinary shares of HK$0.01 each were consolidated into one issued ordinary share of HK$0.50 each by cancelling the 7,449,503,343 issued ordinary shares.

— The authorised ordinary share capital was increased from HK$300,000,000, which was divided into 600,000,000 ordinary shares, to HK$1,000,000,000, which is divided into 2,000,000,000 ordinary shares, by the creation of 1,400,000,000 new authorised ordinary shares.

The rights issue of 5 shares at issue price of HK$0.50 per share for each shares held was completed in March 2011. The Company has raised approximately HK$380 million new equity before deducting incidental expenses. After offsetting proceeds of HK$130 million against part of the overdue promissory notes payable to a substantial shareholder according to terms of the Debt Restructuring Agreement dated 22 December 2010, the Group's net current asset position improved to approximately HK$220 million from net current liabilities of approximately HK$195 million in last year.

After completion of the capital reorganisation and rights issue there were adjustments made to the conversion/exercise price and number of shares convertible/exercisable of the outstanding convertible bonds and share options. Full details are disclosed in note 27 and note 30 to the consolidated financial statements.

PROSPECTS

China, the world's largest iron ore importer and home to the world's largest steel industry, are being forced to adopt spot pricing on iron ore purchase since Vale SA, Rio Tinto PLC and BHP Billiton Ltd, the top three global suppliers account for about two-thirds of the global supply of the resource, scrapped a decades-old annual pricing system in favor of a more flexible quarterly regime in 2010.

In 2010, China's iron ore imports dipped 1.4 percent to 619 million tons with the ratio of dependence on imported iron ore dropped to 62.5 percent, but the import price rose 61 percent to $145 a ton while the costs of the imported ore surged $29.3 billion to $79.4 billion, as a result of the new pricing system. Domestic demand for iron ore has increased sharply over the past few years, triggered by the nation's rapid economic development. Nonetheless, the country's iron ore supply has not kept pace, resulting in dependence on imports, mostly from the big three iron ore miners.

According to industry forecast, China's crude steel demand is expected to increase by 40 million to 50 million tons in 2011. With the big three iron ore miners monopolizing the iron ore market, spot iron ore prices will remain high this year as supply. The current situation will likely to remain in short to medium term until newer production capacity comes online to reverse China's dependency on the big three.

While the Company has been striving to realise the full potential of the existing mining tenements, it is actively pursuing other business opportunities within the resources industry. In April 2011, Black Sand Enterprises Limited, a wholly owned subsidiary, has signed a non-legally binding MOU with an independent third party, Chinaway Capital Limited, for the proposed acquisition of 70% equity interests in a sino-foreign equity joint venture (JV) established in PRC. The JV engages in the exploration and exploitation of two iron ore mines with a total area of 0.3858 square kilometers in the Guangdong Province, PRC. Terms of the proposed acquisition are subject to on-going negotiations and certain relevant due diligences are being conducted.

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 2011. The current practices will be reviewed regularly so as to follow the latest practices in corporate governance.

BOARD OF DIRECTORS

The Board of the Company comprises the following members:

Name	**Change**
Executive Directors	
Mr. Wong Chung Yu, Denny *(Chairman)*	
Mr. Liu Junqing	
Mr. Eng Wee Meng	(appointed on 11 Apr 2011)
Non-Executive Director	
Mr. Yin Mark Teh-min	
Independent Non-executive Directors	
Mr. Lai Kai Jin, Michael	
Mr. Chan Siu Wing, Raymond	(resigned on 30 Nov 2010)
Mr. Chu Hung Lin, Victor	
Mr. Tong Wan Sze	(appointed on 29 Dec 2010)

The Board is responsible for the leadership and control of the Company. It also oversees the Group's business, strategic decisions and directions, and performances including an oversight of the management of the Group. The management of the Group has been delegated with the authority and responsibility by the Board for the general and day-to-day management of the Group. In addition, the Board has also delegated various responsibilities to other committees. Further details of the committees are set out in this report.

The Directors do not have any relationship (including financial, business, family or other material/relevant relationship(s)) with each other except that Mr. Wong Chung Yu, Denny is the brother-in-law of Mr. Yin Mark Teh-min.

Pursuant to Article 99 of the articles of association of the Company applicable at the relevant time of appointment, Mr. Tong Wan Sze and Mr. Eng Wee Meng, shall retire at the Annual General Meeting, and being eligible, will offer themselves for re-election at such forthcoming annual general meeting of the Company. Pursuant to Article 116 of the articles of association of the Company, Mr. Lai Kai Jin, Michael and Mr. Chu Hung Lin, Victor shall retire by rotation and are eligible to offer themselves for re-election in the forthcoming annual general meeting.

The Board meets regularly to discuss the Company's affairs and operations. During the financial year ended 31 March 2011, the Board held 4 regular Board meetings (within the meaning of the CG code) at approximately quarterly interval and 12 Board meetings which were convened when board-level decisions on particular matters were required. The attendance record of each member of the Board is set out at **Details of the attendance of each member of the Board and Committees**.

Each of the current non-executive Director and independent non-executive Directors has entered into a service contract with the Company with a fixed term of office of 1 year on the date of their appointments. Such service contracts will be automatically renewable for successive terms of one year unless terminated by either party by one month written notice to the other party and is subject to rotation and re-election provisions in the articles of association of the Company.

All independent non-executive Directors are considered to be independent by the Board as the Board has received from each independent non-executive Director his annual confirmation on independence as required by the GEM Listing Rules.

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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under A.2.1 the CG Code, the roles of chairman and chief executive officer should be separated.

The role of chairman is primarily responsible for leading the Board in setting strategic decision and policies direction and also ensuring the effectiveness of management in execution of the strategy approved by the Board. Responsibilities for general and day-to-day operations of the Group lie with the other executive Directors and management of the Group and each business units thereof.

Subsequent to the resignation of the former chief executive officer, Mr. Chin Wai Keung, Richard on 2 January 2009, the post has been vacant as at 31 March 2011. The Board will keep reviewing the current structure from time to time and will make appointment to fill the post as appropriate.

ROTATION OF DIRECTORS

Under provision of A.4.2. of the CG Code, every director should be subject to retirement by rotation at least once every three years. Although the existing articles of association of the Company do not have exact provisions to this effect, they do however provide that one-third of the Directors shall retire from office by rotation and the Directors to retire in every year shall be those who have been longest in office since their last election. The actual operation of the aforesaid provisions of the existing articles of association of the Company should in principle result in each Director being subject to retirement by rotation at least once every three years. Considered in this perspective, the Company has substantially complied with the CG Code regarding the requirement that every Director should be subject to retirement by rotation at least once every three years. In addition, the Board will ensure that the provision of A.4.2 of the CG Code will be complied with in practice.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established in March 2006 and currently consists of three members, one of which is a non-executive Director, Mr. Yin Mark Teh-min and the other two are independent non-executive Directors, Mr. Lai Kai Jin, Michael and Mr. Chu Hung Lin, Victor. The chairman of the Remuneration Committee is Mr. Lai Kai Jin, Michael.

The roles and functions of the Remuneration Committee are set out in the written terms of reference of the Remuneration Committee which include the determination of the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, making recommendations to the Board as to the remuneration of the non-executive Directors and to review and approve performance-based remuneration.

The Remuneration Committee held three meetings during the financial year ended 31 March 2011. The attendance record of each member of the Committee is set out at **Details of the attendance of each member of the Board and Committees**.

At the said meeting, the Remuneration Committee reviewed the remuneration packages of the Directors and resolved that the same were in line with normal market standard.

The executive Directors are responsible for reviewing all relevant remuneration data and market conditions as well as the performance of the individual and the profitability of the Company, and propose to the Remuneration Committee for consideration and approval, remuneration packages for Directors and senior management. The executive Directors, however, do not participate in determining their own remuneration packages.

For the financial year ended 31 March 2011, the remuneration of Directors and senior management or the Group was determined with reference to the performance and profitability of the Company as well as remuneration benchmarks from other local and international companies similar to the Company and the prevailing market conditions which is consistent with the principles applied in the past. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

Details of Directors' emoluments for the financial year ended 31 March 2011 are set out in the note 7 to the consolidated financial statements.

NOMINATION OF DIRECTOR

No nomination committee was established by the Company.

According to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as Director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of a new Director, the Board takes into account a nominee's qualifications, ability and potential contribution to the Company. Therefore, nomination of a new Director will be made by the Board based on the need of the Company and the expertise, experience and potential contribution of individual candidate. Members of the Board will also be invited to nominate suitable candidate for consideration by the Board.

During the financial year ended 31 March 2011, the Board has met 1 time in connection with the nomination and appointment of a new Director. The attendance record of each member of the Board is set out at **Details of the attendance of each member of the Board and Committees**.

Save as mentioned above, there was no other board meeting involving nomination and appointment of new Directors.

Pursuant to the aforementioned, one Board meeting in relation to the nomination and appointment of a new Director, the Board appointed Mr. Tong Wan Sze as independent non-executive Director.

AUDITOR'S REMUNERATION

For the year ended 31 March 2011, the total remuneration in respect of audit services provided by the auditor of the Company, CCIF CPA Limited, was HK$300,000. Other non-audit services worth of HK$105,000 were provided by the auditor during 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. Chu Hung Lin, Victor and Mr. Tong Wan Sze. The chairman of the Audit Committee is Mr. Tong Wan Sze. 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 5 meetings during the financial year ended 31 March 2011. The attendance record of each member of the Committee is set out at **Details of the attendance of each member of the Board and Committees**.

The Audit Committee has reviewed the Group's unaudited quarterly and interim results and annual audited results for the financial year ended 31 March 2011 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.

DETAILS OF THE ATTENDANCE OF EACH MEMBER OF THE BOARD AND COMMITTEES:

Name	Change	Board Meeting	Remuneration Committee Meeting	Board Meeting for Appointment of New Directors	Audit Committee Meeting
Executive Directors					
Mr. Wong Chung Yu, Denny *(Chairman)*		16/16	—	1/1	—
Mr. Liu Junqing		13/16	—	1/1	—
Mr. Eng Wee Meng	(appointed on 11 Apr 2011)	—	—	—	—
Non-Executive Director					
Mr. Yin Mark Teh-min		9/16	1/3	0/1	3/5
Independent Non-executive Directors					
Mr. Lai Kai Jin, Michael		11/16	2/3	1/1	3/5
Mr. Chan Siu Wing, Raymond	(resigned on 30 Nov 2010)	7/9	—	—	2/3
Mr. Chu Hung Lin, Victor		16/16	3/3	1/1	5/5
Mr. Tong Wan Sze	(appointed on 29 Dec 2010)	3/4	—	—	0/1

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors acknowledged their responsibilities for the preparation of the consolidated financial statements, which give a true and fair view, and to be prepared in accordance with the statutory requirements, and applicable standard and issued in a timely manner. The Auditors are responsible for forming an independent opinion, based on the audit, on the consolidated financial statements prepared by the Directors and report the opinion solely to the shareholders of the Company.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The statement of the Auditors of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Auditors' Report on pages 25 to 27.

REVIEW OF INTERNAL CONTROL SYSTEM

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness and the Board has conducted a review of the effectiveness of the system of internal control of the Group in accordance with provision C.2.1 of the CG Code and is of the view that the system of internal control of the Group is sufficient to safeguard the interests of the Group. The duties of the Audit Committee also includes reviewing and supervising the internal control procedures of the Group.

EXECUTIVE DIRECTORS

Mr. Wong Chung Yu Denny ("Mr. Wong"), aged 41, is an executive Director of the Company since 20 May 2008 and re-designated as the chairman of the Company on 6 May 2009. Mr. Wong is the director of Black Sand Enterprises Limited, Black Sand Resources Trading Limited, Black Sand Securities Trading Limited, Black Sand Metal Trading Limited, First Pine Enterprises Limited, Mt. Mogan Holdings, Inc., Mt. Mogan Resources and Development Corporation, Service Form Limited and 寰亞宏華商貿（北京）有限責任公司, all are subsidiaries of the Company. Mr. Wong earned a Bachelor of Science in Electrical Engineering at Rutgers University and a Master of Business Administration from New York University in the United States. Mr. Wong possesses more than 12 years of experience in the banking and financial industry and has a strong background in developing market investment. He was previously a senior research analyst for China Construction Bank International Securities Company Limited covering the H-share market strategy and small/mid-cap sectors. Prior to that, Mr. Wong worked for the investment banking division of China Merchant Securities (HK) Limited and had participated in numerous transactions involving mergers and acquisitions, corporate restructuring and business valuation. Before that, he was vice president and chief financial officer of Mandra Capital Company Limited, a private investment company specializing in PRC industrial and resources investments, and had participated in various transactions including privatization of a state owned enterprise, debt to equity conversion, as well as assessed numerous investment opportunities covering, among others, the healthcare, paper mills, mining, forestry and property industries. Prior to that, Mr. Wong had worked at Salomon Smith Barney and Citigroup in the United States and Hong Kong as vice president equity research analyst and was a member of the Institutional Investor second ranked equity quantitative research team. Mr. Wong is the brother-in-law of Mr. Yin Mark Teh-min.

Mr. Liu Junqing ("Mr. Liu"), aged 42, is an executive Director of the Company since 9 December 2009. Mr Liu is the Business Development director of Black Sand Enterprises Limited and the director of 寰亞宏華商貿（北京）有限責任公司, all are subsidiaries of the Company. Mr. Liu is a graduate of the Institute of Steel and Iron Beijing (Beijing Division)* (北京鋼鐵學院(北京分院)) specializing in the field of pressure processing on metals. Mr. Liu has over 10 years of experience in corporate consolidation, crisis management and resources integration. He is also highly experienced in the fields of communications and education. He has taken up the post of General Manager of Sino-foreign Construction Chao Fan Assets Management Company Limited* (中外建超凡資產管理有限公司), General Manager of China Agricultural Silicon Valley Production Head Company* (中國農業硅谷產業總公司) and General Manager of China Litong Property Company Limited* (中國利通置業有限公司). In addition, Mr. Liu has been involved in consolidating more than 10 enterprises of trading and industrial nature and he has established the first asset management company in China. Amid the SARS outbreak, he has organized numerous large-scale interactive live video conferencing sessions for education purpose for organizations including Beijing Normal University and China United Network Communications Group Co., Limited. After 2005, Mr. Liu has concentrated on the reorganization of enterprises in the resource exploitation business and has established more than 5 joint venture companies of medium to large scale in the mining business in Yunan, China. He has helped the enterprises to overcome the challenges of the financial crises through reorganizing various enterprises in the production chain.

* *For identification purpose only*

Mr. Eng Wee Meng ("Mr. Eng"), aged 44, is an executive Director of the Company since 11 April 2011. Mr. Eng is also the director of Black Sand Enterprises Limited and Black Sand Resources Trading Limited, both are wholly-owned subsidiaries of the Company. Mr. Eng holds a bachelor's degree in business administration specializing in accounting, finance, and management science from the University of California, Berkeley, U.S.A. He has accumulated over 18 years of experience in commercial banking, international trade, distribution, retail operations, international fund raising, corporate finance and pharmaceutical developments from various senior positions in different international and regional companies. Before joining the Company he was the General Manager of PDC Pharmaceutical Development (China) Company Limited, a wholly owned foreign entity and medical packaging company that produces intravenous injection solutions packaging located in Zhongshan, Guangdong Province. He was responsible for full profit and loss and strategic development of the company. In 2008 to 2009, he held the position of General Manager, Business Development Department of New-AIKOR Company Limited (currently known as New A-Innovation Company Limited), a biotech company involved in the development of intravenous therapeutic products and was responsible for all matters related to the PRC market which includes liaison with the State Food and Drug Administration, local government departments of its Research and Development and production facility, and identifying investment opportunities in PRC; In 2006 to 2008, he was the Director of Corporate Finance of Advantek Biologics (Hong Kong) Ltd., a biotech company involved in human plasma derived therapeutics products, responsible for mergers and acquisitions, strategic planning, and international fund raising.

NON-EXECUTIVE DIRECTOR

Mr. Yin Mark Teh-min ("Mr. Yin"), aged 41, is a non-executive Director and a member of each of the audit and remuneration committee of the Company since 20 May 2008. Mr. Yin is an independent consultant with over 17 years of experience as an operational sales and marketing executive. He has held executive management and operational roles in the United States and Asia including business planning and management of large scale projects spanning multiple organizations. Prior to his consultancy, he most recently served as a vice president at Infinera Corporation, a manufacturer of telecommunications equipment, where he led the marketing efforts and, later, Asia Pacific sales and market development. Previously, Mr. Yin served as an executive in sales and marketing roles at Lightera Networks, Ciena Corporation and Cisco Systems/Stratacom. Mr. Yin earned a Bachelor of Science in Electrical Engineering at Rutgers University and a Master of Science in Operations Research at Stanford University. Mr. Yin is the brother-in-law of Mr. Wong Chung Yu, Denny.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Kai Jin Michael ("Mr. Lai"), aged 41, is an independent non-executive Director, a member of the audit committee and the chairman of the remuneration committee of the Company since 18 February 2008. Mr. Lai graduated from the National University of Singapore with a LL.B (Hons) Degree in 1994 and was called to the Singapore Bar the following year. He was formerly a partner of Messrs. KhattarWong, one of the largest law firms in Singapore with over 100 professional staff and offices in Singapore, Shanghai, Hanoi and Ho Chih Minh, where he headed the firm's International Trade and Shipping department. Mr. Lai's practice focused on marine insurance, shipping and admiralty law and involved handling legal disputes arising out of international trade and transport. Mr. Lai has acted as lead counsel in numerous cases before the High Court and Court of Appeal of Singapore and in arbitrations. Mr. Lai was formerly the Chairman of the Advisory Body Legal Matters, FIATA and the Legal Counsel for the Singapore Logistics Association. Mr. Lai is currently the Chairman of PVKeez Pte Limited, a joint venture between EOC Limited ("EOC"), Ezra Holdings Limited, Keppel Corporation Limited and PetroVietnam Transportation Corporation set up for the conversion, management and operation of a Floating Production Storage and Offloading ("FPSO") facility in Vietnam's Chim Sao oilfield; a contract worth US$1 billion, with all options exercised. He sits on the Board of Directors of EOC, a company whose shares is listed on the Oslo Stock Exchange. EOC is the leading owner and operator of FPSOs and offshore construction assets based in Asia. Mr. Lai also sits on the Board of Directors of Select Group Limited, a company whose shares is listed on the Singapore Stock Exchange and Interlink Petroleum Limited, a company whose shares is listed on the Mumbai Stock Exchange. Furthermore, Mr. Lai holds the position as a non-executive Director of NagaCorp Limited, a company whose shares is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Chu Hung Lin, Victor ("Mr. Chu"), aged 43, is an independent non-executive Director and a member of each of the audit committee and remuneration committee of the Company since 1 June 2009. Mr. Chu has a diversified experience in the industries of film production, land development, private pre-IPO investment and food and catering. During the period from January 2001 to June 2003, he was the deputy chairman and executive director of Climax International Company Limited, shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Since 2003, he has been actively involved in food and beverage business and has been a shareholder and director of certain private companies. Mr. Chu is responsible for the business development and product development of such companies.

Mr. Tong Wan Sze ("Mr. Tong"), aged 43, is an independent non-executive Director and the chairman of the audit committee of the Company since 29 December 2010. He is a Fellow of the Association of Chartered Certified Accountants, an Associate of the Hong Kong Institute of Certified Public Accountants and a Certified Tax Advisor in Hong Kong. Mr. Tong has obtained a Master degree in Business Administration from the University of Strathclyde in the United Kingdom. Mr. Tong has over 18 years experience in overseeing financial management, merger and acquisition, investor relations and company secretarial matters. Before joining the Company, Mr. Tong took up the position as the Chief Financial Officer and Company Secretary of Solargiga Energy Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Previously Mr. Tong was the Financial Controller of two companies listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Koh Tat Lee, Michael ("Mr. Koh"), aged 44, is a director of Black Sand Enterprises Limited ("BSEL"), a subsidiary of the Company. He holds a Master degree of Electrical Engineering and a Master degree of Industrial Engineering from Columbia University in the United States. Mr. Koh possesses more than 10 years of experience in the telecommunications industry and project management. He has worked at Bell South and AT & T in the United States and was promoted to technical director before he left AT & T. Mr. Koh was the vice president of First Pacific Company Limited (stock code: 0142). During his tenure at First Pacific Company Limited from year 1994 to 1997, Mr. Koh founded a private company called Tuntex Telecom in Taiwan and assumed the post of president for the period from year 1995 to 1997. Mr. Koh was an executive director of M Dream Inworld Limited (stock code: 8100) and the chairman of China Railway Logistics Limited (stock code: 8089, formerly known as Proactive Technology Holdings Limited) before joining BSEL.

Mr. Chan Ming Cho, Joe ("Mr. Chan"), aged 46, is the chief financial officer and company secretary of the Company and the finance director of BSEL. He has worked for SmarTone Mobile Communications Limited (stock code: 0315) for 9 years and was the finance general manager before joining the Company. Before that he was the financial controller of Shenzhen Merchant Link Limited (the PRC telecom investment joint venture of First Pacific Company Limited (stock code: 0142) and China Merchant Holdings), the project finance manager of Pacific Link Communications Limited (subsequently merged with CSL) and an auditor in Arthur Andersen & Co. (subsequently merged with PricewaterhouseCoopers). Mr. Chan possesses over 20 years of financial management, planning, control and auditing experiences. He earned his master degree in business administrations from University of South Australia and he is a member of The Institute of Chartered Accountants in England & Wales, fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries are set out in note 19 to the Consolidated Financial Statements.

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the year ended 31 March 2011 are set out in note 14 to the Consolidated Financial Statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2011 are set out in the Consolidated Income Statement on page 28.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity and note 29 to the Consolidated Financial Statements respectively.

SUBSIDIARIES AND ASSOCIATES

Particulars of subsidiaries and associates of the Group are set out in note 20 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the Consolidated Financial Statements. Save for the conversion rights exercised during the year as disclosed in the note, there was no other conversion or subscription rights under any convertible securities, options, warrants or similar rights of the Group being exercised during the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 127.

PRE-EMPTIVE RIGHTS

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

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

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

SHARE OPTIONS

Save as disclosed in note 30 to the Consolidated financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate. No share option was granted to or exercised by the Directors during the year.

EVENT AFTER THE REPORTING PERIOD

Details of significant event after the reporting period of the Group is set out in note 36 to the Consolidated Financial Statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Mr. Wong Chung Yu, Denny	
Mr. Liu Junqing	
Mr. Eng Wee Meng	(appointed on 11 Apr 2011)

Non-Executive Director

Mr. Yin Mark Teh-min

Independent Non-executive Directors

Mr. Lai Kai Jin, Michael	
Mr. Chan Siu Wing, Raymond	(resigned on 30 Nov 2010)
Mr. Chu Hung Lin, Victor	
Mr. Tong Wan Sze	(appointed on 29 Dec 2010)

Pursuant to Article 99 of the articles of association of the Company applicable at the relevant time of appointment, Mr. Tong Wan Sze and Mr. Eng Wee Meng shall retire at such forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

Pursuant to Article 116 of the articles of association of the Company, Mr. Lai Kai Jin, Michael and Mr. Chu Hung Lin, Victor shall retire from office by rotation at such forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

The Company has received annual confirmation of independence from each of the independent non-executive Directors and as at the date of this report still considers them to be independent.

Each of the current executive Directors, Mr. Wong Chung Yu, Denny, Mr. Liu Junqing and Mr. Eng Wee Meng has entered into service contract with a wholly owned subsidiary of the Company which have no fixed termination date but can be terminated by either party by three months' written notice to the other party and is subject to rotation and re-election provisions in the articles of association of the Company.

Each of the current non-executive Director and independent non-executive Directors has entered into a service contract with the Company with a fixed term of office of 1 year on the date of their appointment. Such service contracts will be automatically renewable for successive terms of one year unless terminated by either party by one month written notice to the other party and is subject to rotation and re-election provisions in the articles of association of the Company.

Save as disclosed above, no Director being proposed for re-election at the forthcoming annual general meeting of the Company has any service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 35 to the Consolidated Financial Statements, there were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 March 2011, the interests 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	50,000	0.01	Interest of spouse
	7,600	—	Beneficial owner
Sub-total:	57,600	0.01	*(Note 1)*

Notes:

1. Ms. Wong Shu Wah, Ceci ("Ms Wong"), being the wife of Mr. Yin Mark Teh-min ("Mr. Yin"), has interests in 50,000 Shares. Accordingly, Mr. Yin is deemed to have interests in such 50,000 Shares. Mr. Yin also holds 7,600 Shares as beneficial owner. Therefore, Mr. Yin is interested and deemed to have interests in 57,600 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 31 March 2011, 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 (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	272,558,400	29.88	Beneficial owner
Wong, Eva	272,558,400	29.88	Interest of controlled corporation
	271,200	0.03	Beneficial owner
Sub-total:	272,829,600	29.91	
Koh Tat Lee, Michael	272,829,600	29.91	Interest of spouse *(Note 1)*
Liang Tong Wei	100,000,000	10.96	Beneficial owner

Notes:

1. Mr. Koh Tat Lee, Michael, being the husband of Ms. Eva Wong, is deemed to have interests in such 272,829,600 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	68,955,682	7.56%	Beneficial owner *(Note 2)*
Wong, Eva	68,955,682	7.56%	Interest of controlled corporation *(Note 2)*
Koh Tat Lee, Michael	68,955,682	7.56%	Interest of spouse *(Note 2)*

Notes:

2. 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 68,955,682 Shares, which have been issued to Kesterion Investments Limited on 18 Decemeber 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 68,955,682 shares.

CONNECTED TRANSACTIONS

Among the related party transaction disclosed in note 35 to the Consolidated financial statements for the year ended 31 March 2011, the following transactions constituted connected transactions of the Company under the GEM Listing Rules.

The Directors consider that the above indebtedness of the Group was incurred under normal commercial terms and in the ordinary and usual course of business, and the terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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 year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained sufficient public float as required under the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 30 to the Consolidated Financial Statements, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

AUDITOR

CCIF CPA Limited will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of CCIF CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board

Chairman
Wong Chung Yu, Denny

Hong Kong
27 June 2011

CCIF

CCIF CPA LIMITED

34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF PAN ASIA MINING LIMITED

(Incorporated in Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of Pan Asia Mining Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 28 to 126, which comprise the consolidated and Company's statements of financial position as at 31 March 2011 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION - MATERIAL UNCERTAINTY RELATING TO THE EXPLOITATION RIGHTS FOR MINING OPERATIONS IN THE PHILIPPINES

At 31 March 2011, the Company indirectly owns 64% equity interest in Mt. Mogan Resources and Development Corporation ("Mogan") incorporated in the Philippines. 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 Leyte Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines ("Mining Area") as further disclosed in the note 17 to the consolidated financial statements. During the year ended 31 March 2011, Mogan has submitted an application for the conversion of approximately 5,000 hectares of the existing two exploration permits over specific offshore area with 41,094 hectares in the Leyte Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines into a mineral production sharing agreement. At 31 March 2011, the exploration and evaluation assets under these two exploration permits, as stated in the consolidated statement of financial position, amounted to HK$8,438,360,000.

Pursuant to the Mining Act 1995 (Republic Act No. 7942) of 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 with 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.

At 31 March 2011 and up to the date of this report, the application of the mineral production sharing agreement has not yet been approved or granted by the DENR/MGB. The directors of the Company believe that a mineral production sharing agreement 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 by the Government of the Philippines. 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 and interests in subsidiaries of the Company at the end of the reporting period.

In view of the extent and potential impact of the material uncertainty described above, we disclaimed our opinion in this respect.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY CONSOLIDATED FINANCIAL STATEMENTS

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 27 June 2011

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 March 2011

	Note	2011	2010
		HK$'000	HK$'000
Continuing operations			
Turnover	3	**10,419**	14,730
Cost of sales		**(10,406)**	(14,591)
Gross profit		**13**	139
Other revenue and net (loss)/income	4	**(367)**	1,377
Administrative expenses		**(17,569)**	(20,618)
Share of results of associates	20(a)	**(55)**	(35)
Loss from operations		**(17,978)**	(19,137)
Finance costs	5(a)	**(131,735)**	(270,814)
Loss before income tax	5	**(149,713)**	(289,951)
Income tax	6(a)	**–**	(24)
Loss for the year from continuing operations		**(149,713)**	(289,975)
Discontinued operations	9		
Profit for the year from discontinued operations		**–**	25,811
Loss for the year		**(149,713)**	(264,164)
Attributable to:			
Owners of the Company	11	**(149,018)**	(263,794)
Non-controlling interests		**(695)**	(370)
		(149,713)	(264,164)
		HK Cents	HK Cents (Restated)
(Loss)/earnings per share	12		
From continuing and discontinued operations			
Basic and diluted		**(78.21)**	(170.68)
From continuing operations			
Basic and diluted		**(78.21)**	(187.38)
From discontinued operations			
Basic and diluted		**Nil**	16.70

The notes on pages 36 to 126 form an integral part of these consolidated financial statements.

	Note	**2011**	2010
		HK$'000	HK$'000
Loss for the year		**(149,713)**	(264,164)
Other comprehensive loss	13		
Exchange differences on translation of financial statements of overseas subsidiaries		**(11)**	19
Reclassification adjustment on release of exchange reserve upon disposal of subsidiaries	10(c)	**–**	(156)
Total comprehensive loss for the year, net of tax		**(149,724)**	(264,301)
Attributable to:			
Owners of the Company		**(149,029)**	(263,931)
Non-controlling interests		**(695)**	(370)
		(149,724)	(264,301)

The notes on pages 36 to 126 form an integral part of these consolidated financial statements.

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**593**	1,505
Payment for intangible assets - mining claims	16	**109**	—
Exploration and evaluation assets	17	**8,438,360**	8,435,670
Interests in associates	20(a)	**172**	227
		8,439,234	8,437,402
Current assets			
Deposits, prepayments and other receivables	21	**1,085**	1,111
Held-for-trading investments	22	**20,806**	1,463
Cash and cash equivalents	23	**206,831**	4,267
		228,722	6,841
Current liabilities			
Other payables and accruals	24	**7,819**	9,334
Amount due to a shareholder	35(a)	**196**	—
Amounts due to associates	20(b)	**57**	57
Shareholder's loan	35(b)	**—**	8,000
Promissory note	25	**—**	184,753
Income tax payable	26(a)	**74**	96
		8,146	202,240
Net current assets/(liabilities)		**220,576**	(195,399)
Total assets less current liabilities		**8,659,810**	8,242,003
Non-current liabilities			
Shareholder's loan	35(b)	**70,000**	—
Convertible bonds	27	**596,116**	469,824
		666,116	469,824
Net assets		**7,993,694**	7,772,179

	Note	**2011**	2010
		HK$'000	HK$'000
Capital and reserves			
Share capital	28	**456,092**	76,015
Reserves	29(a)	**4,505,247**	4,663,114
Equity attributable to owners of the Company		**4,961,339**	4,739,129
Non-controlling interests		**3,032,355**	3,033,050
Total equity		**7,993,694**	7,772,179

Approved and authorised for issue by the board of directors on 27 June 2011.

On behalf of the board

Wong Chung Yu, Denny
Director

Eng Wee Meng
Director

The notes on pages 36 to 126 form an integral part of these consolidated financial statements.

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	19	**5,579,150**	5,286,330
Current assets			
Other receivables	21	**43**	37
Cash and cash equivalents	23	**137,663**	20
		137,706	57
Current liabilities			
Other payables and accruals	24	**3,674**	5,402
Amount due to a shareholder	35(a)	**196**	—
Shareholder's loan	35(b)	**—**	8,000
		3,870	13,402
Net current assets/(liabilities)		**133,836**	(13,345)
Total assets less current liabilities		**5,712,986**	5,272,985
Non-current liabilities			
Shareholder's loan	35(b)	**70,000**	—
Convertible bonds	27	**596,116**	469,824
		666,116	469,824
Net assets		**5,046,870**	4,803,161
Capital and reserves			
Share capital	28	**456,092**	76,015
Reserves	29(b)	**4,590,778**	4,727,146
Total equity		**5,046,870**	4,803,161

Approved and authorised for issue by the board of directors on 27 June 2011.

On behalf of the board

Wong Chung Yu, Denny
Director

Eng Wee Meng
Director

The notes on pages 36 to 126 form an integral part of these consolidated financial statements.

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Exchange reserve	Share option reserve	Convertible bonds equity reserve	Accumulated losses	Total reserves	Non-controlling 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 2009	35,465	917,391	10,440	156	320	3,545,975	(247,469)	4,226,813	3,033,383	7,295,661
Issue of new ordinary shares – conversion of convertible bonds (note 28(b)(i))	40,550	2,982,602	—	—	—	(2,282,370)	—	700,232	—	740,782
Disposals of subsidiaries (note 10(c))	—	—	—	—	—	—	—	—	37	37
Loss for the year	—	—	—	—	—	—	(263,794)	(263,794)	(370)	(264,164)
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	19	—	—	—	19	—	19
Reclassification adjustment on release of exchange reserve upon disposal of subsidiaries	—	—	—	(156)	—	—	—	(156)	—	(156)
Total comprehensive loss for the year, net of tax	—	—	—	(137)	—	—	(263,794)	(263,931)	(370)	(264,301)
At 31 March 2010 and 1 April 2010	76,015	3,899,993	10,440	19	320	1,263,605	(511,263)	4,663,114	3,033,050	7,772,179
Issue of new ordinary shares – rights issue (note 28(b)(ii))	380,077	—	—	—	—	—	—	—	—	380,077
Transfer	—	—	(10,440)	—	—	—	10,440	—	—	—
Share issuance expenses	—	(8,838)	—	—	—	—	—	(8,838)	—	(8,838)
Loss for the year	—	—	—	—	—	—	(149,018)	(149,018)	(695)	(149,713)
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	—	(11)	—	—	—	(11)	—	(11)
Total comprehensive loss for the year, net of tax	—	—	—	(11)	—	—	(149,018)	(149,029)	(695)	(149,724)
At 31 March 2011	456,092	3,891,155	—	8	320	1,263,605	(649,841)	4,505,247	3,032,355	7,993,694

The notes on pages 36 to 126 form an integral part of these consolidated financial statements.

	Note	2011	2010
		HK$'000	HK$'000
Operating activities			
Loss before income tax			
– Continuing operations		**(149,713)**	(289,951)
– Discontinued operations	9(a)	**–**	25,811
		(149,713)	(264,140)
Adjustments for:			
Finance costs	5(a),9(d)	**131,735**	271,019
Interest income	4, 9(c)	**–**	(4)
Amortisation of film rights	9(d)	**–**	496
Depreciation	5(c),9(d)	**954**	1,272
Gain on disposals of subsidiaries	10(c)	**–**	(30,538)
Dividend income from held-for-trading investments		**(25)**	—
Share of results of associates	20(a)	**55**	35
Changes in working capital:			
Decrease in inventories		**–**	592
Increase in amount due from a related party		**–**	(545)
Decrease in amount due from a related company		**–**	10
Decrease/(increase) in deposits, prepayments and other receivables		**26**	(1,012)
(Decrease)/increase in other payables and accruals		**(1,515)**	6,814
Decrease in amount due to a related company		**–**	(3,897)
Increase in amounts due to related parties		**–**	855
Decrease in amounts due to associates		**–**	(16)
Net cash used in operating activities		**(18,483)**	(19,059)
Tax paid		**(22)**	(41)
Net cash used in operating activities		**(18,505)**	(19,100)

	Note	2011 HK$'000	2010 HK$'000
Investing activities			
Interest received		–	4
Dividend income from held-for-trading investments		25	—
Payment for held-for-trading investments		(19,343)	(1,463)
Acquisition of exploration and evaluation assets		(2,690)	(5,791)
Acquisition of property, plant and equipment		(43)	(459)
Payment for intangible assets - mining claims		(109)	—
Decrease in deposits for acquisition of film rights		–	31
Net cash inflow from disposals of subsidiaries	10(c)	–	1,856
Net cash used in investing activities		(22,160)	(5,822)
Financing activities			
Shareholder's loan raised		2,000	10,000
Repayment of shareholder's loan		–	(2,000)
Repayment of promissory note		(130,000)	—
Proceeds from issue of new shares		380,077	—
Share issue expenses		(8,838)	—
New bank and other loans raised		–	3,116
Interest paid on bank borrowings		–	(187)
Repayment of bank and other borrowings		–	(307)
Payment of interest element of finance leases		–	(18)
Repayment of capital element of finance leases		–	(140)
Net cash generated from financing activities		243,239	10,464
Net increase/(decrease) in cash and cash equivalents		202,574	(14,458)
Cash and cash equivalents at beginning of the year		4,267	18,718
Effect of foreign exchange rate changes		(10)	7
Cash and cash equivalents at end of the year	23	206,831	4,267

The notes on pages 36 to 126 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Pan Asia Mining Limited (the "Company") is an exempted 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. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited.

During the year, the principal activities of the Company and its subsidiaries (together the "Group") included exploration and exploitation of mineral resources in the Philippines and trading of metals.

The functional currency of the Company is United States Dollar ("US$") whilst the functional currencies of its major subsidiaries are US$ and Hong Kong Dollar ("HK$"). These consolidated financial statements are presented in HK$. The directors of the Company consider that it is more appropriate to present these consolidated financial statements in HK$ as most of its public investors are located in Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated 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 consolidated 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.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 (b) provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the HKICPA that are first effective for the current accounting period.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

The adoption of the new and revised HKFRSs had no material impact on the results and financial position of the Group and the Company for the current and prior accounting periods. The details of the new and revised HKFRSs are as follows:

HKFRS 5 (Amendments) clarifies that an entity that is committed to a sale plan involving loss of control of a subsidiary shall have relevant disclosures when the subsidiary is a disposal group that meets the definition of a discontinued operation. The amendments have no material impact on the results and financial position of the Group.

In May 2009, the HKICPA issued Improvements to HKFRSs which set out amendments to HKFRSs, primarily with a view to removing inconsistencies and clarifying wording. There is a separate transitional provision for each standard. While the adoption of some of them may result in changes in accounting policy, none of these amendments have a material impact on the results and financial position of the Group.

HKFRS 2 Share-based Payment: It revises the scope that transactions in which an entity acquires goods as part of the net assets acquired in a business combination, in a combination of entities or business under common controls, or the contribution of a business on the formation of a joint venture do not fall under the scope of this HKFRS.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Application of new and revised Hong Kong Financial Reporting Standards *(continued)*

HKFRS 8 Operating Segments: It clarifies that a measure of total assets for each reportable segment should be reported only if such information is regularly provided to the chief operating decision maker.

HKAS 1 Presentation of Financial Statements: It provides guidance on the classification of current or non-current convertible instruments.

HKAS 7 Statement of Cash Flows: It specifies that only expenditures that result in recognised assets in the consolidated statement of financial position are eligible for classification as investing activities.

HKAS 17 Leases: It removes the previous classification on leases with both land and building elements and requires separate assessment of each element as a finance or an operating lease accordingly.

HKAS 18 Revenue: It provides additional guidance to determine whether an entity is acting as principal or agent.

HKAS 36 Impairment of Assets: It clarifies that each unit or group of units to which the goodwill is so allocated should not be larger than an operating segment before aggregation.

HKAS 38 Intangible Assets: It introduces amendments to measurement of fair value of an intangible asset acquired in a business combination. Intangible asset acquired in business combination may be separable together with a related contract and identifiable liability in addition to identifiable asset. Additional consequential amendments to this HKAS arising from the revised HKFRS 3 are also incorporated.

Amendment to HKAS 39 Financial Instruments: Recognition and Measurement: It (i) clarifies that prepayment option is considered closely related to the host contract when the exercise price of prepayment option reimburses the lender up to the approximate present value of loan interest for the remaining term of the host contract; (ii) clarifies that this HKAS is not applicable to forward contract between acquirer and selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date; and (iii) also replaces the term "assets acquired or liability assumed" under cash flow hedges with "hedged forecast cash flows".

HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives: It revises the scope that this Interpretation does not apply to embedded derivatives in contracts acquired in a business combination, a combination of entities or businesses under common control, or the formation of a joint venture.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Application of new and revised Hong Kong Financial Reporting Standards *(continued)*

HKFRS 2 (Amendments) clarifies its scope and the accounting for group companies' cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transactions. The amendments have no material impact on the results and financial position of the Group.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. These changes, include, but are not limited to (i) introducing an option to measure non-controlling interests (previously minority interests) at fair value; (ii) recognising gains or losses from re-measuring to the fair value of the interest in the acquiree held by the entity immediately before the business combination, in a step acquisition; (iii) expensing acquisition costs as incurred; (iv) recognising the fair value of contingent considerations at the acquisition date with subsequent changes generally reflected in profit or loss; and (v) separately accounting for pre-existing relationships between the acquirer and acquiree. The amendments have no material impact on the results and financial position of the Group.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments are made to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rate, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures. The amendments have no material impact on the results and financial position of the Group.

The amendments to HKAS 32 titled Classification of Rights Issues addresses the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. As the Group has not entered into any arrangements that would fall within the scope of the amendments, the Group has concluded that the amendments to HKAS 32 has no material impact on the resutls and financial position of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Application of new and revised Hong Kong Financial Reporting Standards *(continued)*

The amendment to HKAS 39 addresses the designation of one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment has no material impact on the results and financial position of the Group, as the Group has not entered into any such hedges.

HK(IFRIC)-Int 17 standardises practice in the accounting for all non-reciprocal distributions of non-cash assets to owners. This new interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments are made to HKAS 10 Events After the Reporting Period and HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. While the adoption of the Interpretation may result in changes in accounting policy, the interpretation has no material impact on the results and financial position of the Group.

HK-Int 5 addresses the classification of term loans with a repayment on demand clause as current or non-current liabilities by entities reporting under HKFRSs. The adoption of HK-Int 5 has resulted in a change in disclosure that the entire term loan has been re-classified from repayable within one year to repayment on demand when a repayment on demand clause provides the lender with a clear and unambiguous unconditional right to demand repayment at any time at its sole discretion and a borrower does not have unconditional right to defer payment for at least 12 months after the reporting date. The interpretation has no material impact on the results and financial position of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Application of new and revised Hong Kong Financial Reporting Standards *(continued)*

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 2010:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1]
HKFRS 1 (Amendments)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters [2]
HKFRS 1 (Amendments)	Severe Hyperinflation and removal of Fixed Dates to First-time Adopters [4]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets [4]
HKFRS 9	Financial Instruments [6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets [5]
HKAS 24 (Revised)	Related Party Disclosures [3]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement [3]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Application of new and revised Hong Kong Financial Reporting Standards *(continued)*

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (Revised) "Financial Instruments" adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss, Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income, would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statement for financial year ending 31 March 2014 and that the application of this new Standard may mainly affect the classification and measurement of the Group's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments and Interpretations will have no material impact on the results and financial positions of the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2011 comprise the Company and its subsidiaries and the Group's interests in associates. The consolidated financial statements have been prepared under the historical cost convention, except for the held-for-trading investments which are measured at fair value as explained in the accounting policies in note 2(f) to the consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)(ii)) unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates

An associate is an entity in which the Group and the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decision.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment, if any. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interests in the associate, except where unrealised losses provide evidence of an impairment of the net asset transferred, in which case losses are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, investment in an associate is stated at cost less impairment losses (see note 2(l)(ii)) unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Other investments in equity securities

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(w)(iv) or 2(w)(iii).

Investments are recognised / derecognised on the date of the Group commits to purchase / sell the investments or they expire.

(g) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(l)(ii)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives at the following annual rates:

Leasehold improvements	10% or over the term of the leases
Furniture and fixtures	30%
Office equipment	30%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, of any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Property, plant and equipment *(continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(h) Payment for intangible assets - mining claims

Payment for mining claims are recognised at cost at initial recognition. Subsequent to initial recognition, mining claims are stated at cost less any accumulated impairment losses. Mining claims represent all the rights of the Group to explore, develop and ultilise in and to magnetite other minerals located in the specified mining area pursuant to the issuance of an exploration permit and mineral production sharing agreement by the relevant authorities of the Philippines. When the exploration permit is issued, payment for mining claims are reclassified as exploration and evaluation assets (see note 2 (j)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2 (g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2 (l)(ii). Finance charge implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting period covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses (see note 2(k)).

Exploration costs include expenditures incurred in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource and demonstrable and expenditures incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and development costs capitalised are transferred to mining development assets and amortised using the units of production method based on the proven and probable reserves of the ore mines. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss.

(k) Impairment of exploration and evaluation assets

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

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

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

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

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

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets

(i) Impairment of investment in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries and associates) and receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(i) Impairment of investment in equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of debtors included within other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;
— payment for intangible assets – mining claims;
— other intangible assets; and
— investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories

Inventories are carried at lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs to purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings and promissory note

Interest-bearing borrowings and promissory note are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings and promissory note are stated at amortised cost with difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Convertible bonds

(i) Convertible bonds that contains an equity component

Convertible bonds that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the bond is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued. When the bond is redeemed, the relevant equity component is transferred to retained profits.

(ii) Convertible bonds that do not contain an equity component

All other convertible bonds which do not exhibit the characteristics mentioned in (i) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract.

At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible bond are allocated to the liability under the contract.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Convertible bonds *(continued)*

(ii) Convertible bonds that do not contain an equity component (continued)

The derivative component is subsequently carried at fair value and changes in fair value are recognised in profit or loss. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

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

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(r) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leaves, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged /credited to profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the options is exercised (when it is transferred to the share premium) or the option expires (when it is released directly to accumulated losses).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Income tax *(continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that requires the issuer (i.e. the "guarantor") to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2 (v)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised less accumulated depreciation.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue from sales of goods is recognised on the transfer of the related risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Sub-licensing of film rights

Licence income from film rights licensed to licensees is recognised over the license period and when the films are available for showing or telecast.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Dividend income

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Translation of foreign currency

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

From 1 April 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Related parties

For the purpose of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly, or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close member of the family of any individual referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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 revenue recognised in turnover during the year is as follows:

	Continuing operations	
	2011	2010
	HK$'000	HK$'000
Sales of metals	**10,419**	14,730

4. OTHER REVENUE AND NET (LOSS)/INCOME

	Continuing operations	
	2011	2010
	HK$'000	HK$'000
Other revenue		
Interest income on financial assets not at fair value through profit or loss	**–**	2
Other net (loss)/income		
Net (loss)/gain on trading of held-for-trading investments and futures	**(392)**	1,375
Dividend income from held-for-trading investments	**25**	—
	(367)	1,375
	(367)	1,377

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging the following:

	Continuing operations	
	2011	2010
	HK$'000	HK$'000
(a) Finance costs		
Imputed interest on promissory note (note 25)	**5,247**	24,243
Imputed interest on convertible bonds (note 27)	**126,292**	246,571
Shareholder's loan interest (note 35 (a))	**196**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**131,735**	270,814
(b) Staff costs (including directors' remuneration (note 7))		
Contributions to defined contribution retirement plans	**115**	89
Salaries, wages and other allowances	**8,681**	8,643
	8,796	8,732
(c) Other items		
Depreciation	**954**	1,037
Auditor's remuneration		
– audit services	**300**	500
– non-audit services	**–**	86
Cost of inventories sold	**10,406**	14,591
Operating lease charges in respect of properties	**1,874**	1,610

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	Continuing operations	
	2011	2010
	HK$'000	HK$'000
Current tax		
– Hong Kong Profits Tax	**–**	24

No Hong Kong profits tax has been provided for as no assessable profits generated by the Group or the Company for the year ended 31 March 2011. For the year ended 31 March 2010, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits.

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 is 30%. No provision for the 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 for the years ended 31 March 2011 and 2010.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (the "PRC"), the PRC enterprise income tax rate is 25%. No provision for the PRC enterprise income tax has been made, as the subsidiary in the PRC did not commence its business for the current and last years.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

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

	Continuing operations	
	2011	2010
	HK$'000	HK$'000
Loss before income tax from continuing operations	**(149,713)**	(289,951)
Notional tax on loss before income tax, calculated at rates applicable to losses in the countries concerned	**(25,030)**	(47,886)
Tax effect of non-taxable income	**(46)**	(24)
Tax effect of non-deductible expenses	**22,997**	45,945
Tax effect of temporary differences not recognised	**(2)**	102
Tax effect of tax losses utilised	**–**	(4)
Tax effect of unused tax losses not recognised	**2,081**	1,891
Actual tax expense	**–**	24

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	Directors' fees HK$'000	Salaries and allowances HK$'000	Contributions to defined contribution retirement plans HK$'000	2011 Total HK$'000
Executive directors				
Wong Chung Yu, Denny	–	1,027	12	1,039
Liu Junqing	–	545	–	545
Non-executive director				
Yin Mark Teh-min	120	–	–	120
Independent non-executive directors				
Lai Kai Jin, Michael	120	–	–	120
Chan Siu Wing, Raymond (resigned on 30 November 2010)	80	–	–	80
Chu Hung Lin, Victor	120	–	–	120
Tong Wan Sze (appointed on 29 December 2010)	31	–	–	31
	471	1,572	12	2,055

7. DIRECTORS' REMUNERATION *(continued)*

	Directors' fees HK$'000	Salaries and allowances HK$'000	Contributions to defined contribution retirement plans HK$'000	2010 Total HK$'000
Executive directors				
Wong Chung Yu, Denny	—	1,200	12	1,212
Kwong Wai Ho, Richard (resigned on 26 January 2010)	—	1,604	12	1,616
Liu Junqing (appointed on 9 December 2009)	—	168	—	168
Non-executive director				
Yin Mark Teh-min	120	—	—	120
Independent non-executive directors				
Lai Kai Jin, Michael	120	—	—	120
Chan Siu Wing, Raymond	120	—	—	120
Chu Hung Lin, Victor (appointed on 1 June 2009)	100	—	—	100
	460	2,972	24	3,456

No emoluments or incentive payments were paid to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2011 and 2010. There was no arrangement under which a director of the Company waived or agreed to waive any renumeration for both years.

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Out of the five individuals with the highest emoluments, two (2010: two) are directors of the Company whose emoluments are disclosed in note 7 to the consolidated financial statements. The aggregate of the emoluments in respect of the other three (2010: three) individuals are as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other allowance	**4,611**	2,906
Contributions to defined contribution retirement plans	**36**	36
	4,647	2,942

The emoluments of the three (2010: three) individuals with the highest emoluments are within the following bands:

	2011	2010
	Number of individuals	Number of individuals
Nil - HK$1,000,000	**1**	2
HK$1,500,001 - HK$2,000,000	**1**	1
HK$2,500,001 - HK$3,000,000	**1**	—

No emoluments or incentive payments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2011 and 2010.

9. DISCONTINUED OPERATIONS - 2010

The sub-licensing of film rights was carried out by the Datewell Limited and its subsidiaries (together the "Datewell Group") whilst the business of sale 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 respectively, 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 Panorama Group. The disposals of Datewell Group and Panorama Group were completed on 29 June 2009 and 15 September 2009 respectively. The sub-licensing of film rights and sale of video products were collectively referred to as "Discontinued Operations".

(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
Turnover (note (c) below)	3,370	1,453	4,823
Costs of sales	(2,793)	(1,223)	(4,016)
Gross profit	577	230	807
Other revenue (note (c) below)	2	—	2
Other income	55	—	55
Distribution costs	(1,550)	—	(1,550)
Administrative expenses	(3,068)	(768)	(3,836)
Loss from operations	(3,984)	(538)	(4,522)
Finance costs (note (d) below)	—	(205)	(205)
Loss before income tax (note (d) below)	(3,984)	(743)	(4,727)
Income tax	—	—	—
Loss for the year	(3,984)	(743)	(4,727)
Gain on disposal of subsidiaries (note 10(c))	5,334	25,204	30,538
Profit for the year from discontinued operations attributable to owners of the Company	1,350	24,461	25,811

9. DISCONTINUED OPERATIONS - 2010 *(continued)*

(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
Operating cash flows	(5,702)	735	(4,967)
Investing cash flows	—	33	33
Financing cash flows	2,997	(534)	2,463
Total cash flows	(2,705)	234	(2,471)

(c) Analysis of the revenue and turnover of discontinued operations was as follows:

	Datewell Group HK$'000	Panorama Group HK$'000	2010 HK$'000
Turnover:			
Sales of video products	—	1,453	1,453
Sub-licensing of film rights	3,370	—	3,370
	3,370	1,453	4,823
Other revenue:			
Interest income	2	—	2
Total revenue	3,372	1,453	4,825

9. DISCONTINUED OPERATIONS - 2010 *(continued)*

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

	Datewell Group HK$'000	Panorama Group HK$'000	2010 HK$'000
Finance costs:			
Interest in bank and other borrowings wholly repayable within five years	—	187	187
Finance charges on obligations under finance leases	—	18	18
Total interest expenses on financial liabilities not at fair value through profit or loss	—	205	205
Staff costs:			
Contributions to defined contribution retirement plans	9	—	9
Salaries, wages and other benefits	748	211	959
	757	211	968
Other items:			
Amortisation of film rights	—	496	496
Depreciation			
– owned assets	166	—	166
– assets held under finance leases	—	69	69
Cost of inventories sold	2,793	1,223	4,016

10. DISPOSALS OF SUBSIDIARIES - 2010

(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 at 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 Group was sold at a consideration of HK$100. The disposal of Panorama Group was completed on 15 September 2009.

(c) Particulars of the two disposal transactions were 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)

10. DISPOSALS OF SUBSIDIARIES - 2010 *(continued)*

(c) Particulars of the two disposal transactions were as follows: *(continued)*

	Datewell Group HK$'000	Panorama Group HK$'000	Total HK$'000
Net liabilities disposed of	(5,104)	(25,278)	(30,382)
Release of exchange reserve upon disposal	(230)	74	(156)
Gain on disposal of subsidiaries (note 9(a))	(5,334)	(25,204)	(30,538)
Total consideration	—	—	—
Cash and bank balances disposed of	(215)	(70)	(285)
Bank overdrafts disposed 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 year ended 31 March 2010 were presented in note 9 to the consolidated financial statements.

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$127,530,000 (2010: HK$264,507,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	2011	2010
	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	**(149,018)**	(263,794)
From continuing operations		
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(149,018)**	(289,605)
From discontinued operations		
Profit for the year attributable to owners of the Company used in the basic earnings per share calculation	**–**	25,811

	2011	2010
	HK$'000	HK$'000
		(restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share during the year:		
Issued ordinary shares at beginning of the year	**5,474,520**	3,546,534
Effect of ordinary shares issued upon conversion of convertible bonds (note 28 (b)(i))	**–**	1,927,986
Effect of share consolidation (note 28 (a)(ii))	**(5,365,030)**	(5,365,030)
Effect of rights share issued (note 28 (b)(ii))	**81,056**	45,064
Weighted average number of ordinary shares during the year	**190,546**	154,554

The weighted average number of ordinary shares during the years ended 31 March 2011 and 2010 have been retrospectively adjusted for the fifty-to-one consolidation taken place on 10 February 2011 and the rights issue taken place on 15 March 2011.

12. (LOSS)/EARNINGS PER SHARE *(continued)*

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share for (i) continuing and discontinued operations, (ii) continuing operations and (iii) discontinued operations for the years ended 31 March 2011 and 2010 were same as their respective basic (loss)/earnings 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.

13. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss do not have any significant tax effect for each of the years ended 31 March 2011 and 2010.

14. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision-makers ("CODM"), i.e. directors of the Company, for the purposes of resource allocation and performance assessment.

The CODM has identified the following two reportable segments. These segments are managed separately.

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

— Trading of metals.

The trading of metals segment derive their revenue primarily from the trading of metals.

For the year ended 31 March 2010, the entire interests in Datewell Group and Panorama Group were disposed to two separate independent third parties as referred to note 9 to the consolidated financial statements. Their operations were defined as Discontinued Operations.

— Sub-licensing of film rights; and

— Sales of video products

No reportable operating segment has been aggregate.

14. SEGMENT REPORTING *(continued)*

(a) Segment revenue, results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2 to the consolidated financial statements. Segment profit/(loss) represents the profit earned by/loss from each segment without allocation of central administration costs. This is the measure reported to CODM for the purposes of resource allocation and performance assessment. Taxation charge/(credit) is not allocated to reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

There were no sales between segments during the year. The revenue from external parties reportable to the CODM is measured in a manner consistent with that in the consolidated income statement.

All assets are allocated to reportable segments other than unallocated corporate assets which used jointly by reportable segments; and all liabilities are allocated to reportable segments other than income tax payable and unallocated corporate liabilities which are jointly liable by reportable segments.

14. SEGMENT REPORTING *(continued)*

(a) Segment revenue, results, assets and liabilities *(continued)*

Information regarding the Group's reportable segments as provided to the Group's CODM is set out below:

	Continuing operations						Discontinued operations							
	Mining exploration and exploitation		Trading of metals		Total		Sub-licensing of film rights		Sales of video products		Total		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'0000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:														
Revenue from external customers	**–**	—	**10,419**	14,730	**10,419**	14,730	**–**	3,370	**–**	1,453	**–**	4,823	**10,419**	19,553
Reportable segment revenue	**–**	—	**10,419**	14,730	**10,419**	14,730	**–**	3,370	**–**	1,453	**–**	4,823	**10,419**	19,553
Reportable segment (loss)/ profit before income tax	**(147,427)**	(285,826)	**9**	128	**(147,418)**	(285,698)	**–**	1,350	**–**	24,461	**–**	25,811	**(147,418)**	(259,887)
Other information:														
Interest expenses	**(131,735)**	(270,814)	**–**	—	**(131,735)**	(270,814)	**–**	—	**–**	(205)	**–**	(205)	**(131,735)**	(271,019)
Depreciation and amortisation	**(71)**	(130)	**–**	—	**(71)**	(130)	**–**	(166)	**–**	(565)	**–**	(731)	**(71)**	(861)
Gain on disposals of subsidiaries	**–**	—	**–**	—	**–**	—	**–**	5,334	**–**	25,204	**–**	30,538	**–**	30,538
Share of results of associates	**(55)**	(35)	**–**	—	**(55)**	(35)	**–**	—	**–**	—	**–**	—	**(55)**	(35)

14. SEGMENT REPORTING *(continued)*

(a) Segment revenue, results, assets and liabilities *(continued)*

Information regarding the Group's reportable segments as provided to the Group's CODM is set out below: *(continued)*

	Continuing operations						Discontinued operations							
	Mining exploration and exploitation		Trading of metals		Total		Sub-licensing of film rights		Sales of video products		Total		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'0000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment assets	**8,505,907**	8,442,636	**–**	—	**8,505,907**	8,442,636	**–**	—	**–**	—	**–**	—	**8,505,907**	8,442,636
Reportable segment liabilities	**600,319**	658,638	**–**	—	**600,319**	658,638	**–**	—	**–**	—	**–**	—	**600,319**	658,638
Addition to other non-current assets	**2,799**	6,250	**–**	—	**2,799**	6,250	**–**	—	**–**	—	**–**	—	**2,799**	6,250
Interests in associates	**172**	227	**–**	—	**172**	227	**–**	—	**–**	—	**–**	—	**172**	227

14. SEGMENT REPORTING *(continued)*

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

	2011 HK$'000	2010 HK$'000
Revenue		
Total reportable segments' revenue	**10,419**	19,553
Segment's revenue from discontinued operations	**–**	(4,823)
Consolidated turnover – continuing operations	**10,419**	14,730
(Loss)/profit		
Segments' loss from continuing operations	**(147,418)**	(285,698)
Segments' profit from discontinued operations	**–**	25,811
Reportable segment loss	**(147,418)**	(259,887)
Unallocated other revenue and net (loss)/income	**(367)**	1,377
Unallocated depreciation	**(883)**	(907)
Unallocated corporate expenses	**(1,045)**	(4,723)
Consolidated loss before income tax	**(149,713)**	(264,140)
Assets		
Total reportable segments' assets – continuing operations	**8,505,907**	8,442,636
Unallocated corporate assets	**162,049**	1,607
Consolidated total assets	**8,667,956**	8,444,243
Liabilities		
Total reportable segments' liabilities – continuing operations	**600,319**	658,638
Unallocated income tax payable	**74**	96
Unallocated corporate liabilities	**73,869**	13,330
Consolidated total liabilities	**674,262**	672,064

14. SEGMENT REPORTING *(continued)*

(c) Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, payment for intangible assets - mining claims, exploration and evaluation assets and interests in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in case of the property, plant and equipment, the location of the operation to which they are allocated, in case of payment for intangible assets - mining claims and exploration and evaluation of assets, and the location of operations, in the case of interests in associates.

	Continuing operations			
	Hong Kong (place of domicile) HK$'000	**PRC HK$'000**	**The Philippines HK$'000**	**Total HK$'000**
2011				
Revenue from external customers	**10,419**	**–**	**–**	**10,419**
Specified non-current assets	**555**	**29**	**8,438,650**	**8,439,234**
2010				
Revenue from external customers	14,730	—	—	14,730
Specified non-current assets	1,373	51	8,435,978	8,437,402

	Discontinued operations			
	Hong Kong (place of domicile) HK$'000	**PRC HK$'000**	**The Philippines HK$'000**	**Total HK$'000**
2011				
Revenue from external customers	**–**	**–**	**–**	**–**
Specified non-current assets	**–**	**–**	**–**	**–**
2010				
Revenue from external customers	4,823	—	—	4,823
Specified non-current assets	—	—	—	—

Information about major customers

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

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2009	142	1,090	1,086	4,718	7,036
Additions	—	407	52	—	459
Disposals of subsidiaries (note 10(c))	(142)	(404)	(658)	(2,968)	(4,172)
Exchange adjustment	—	28	2	—	30
At 31 March 2010 and 1 April 2010	—	1,121	482	1,750	3,353
Additions	—	2	41	—	43
Exchange adjustment	—	2	—	—	2
At 31 March 2011	—	1,125	523	1,750	3,398
Accumulated depreciation and impairment loss					
At 1 April 2009	70	541	432	3,012	4,055
Charge for the year	40	425	213	594	1,272
Written back on disposals of subsidiaries (note 10(c))	(110)	(320)	(457)	(2,610)	(3,497)
Exchange adjustment	—	17	1	—	18
At 31 March 2010 and 1 April 2010	—	663	189	996	1,848
Charge for the year	—	230	199	525	954
Exchange adjustment	—	3	—	—	3
At 31 March 2011	—	896	388	1,521	2,805
Carrying amount					
At 31 March 2011	—	229	135	229	593
At 31 March 2010	—	458	293	754	1,505

16. PAYMENT FOR INTANGIBLE ASSETS-MINING CLAIMS

	The Group	
	2011	2010
	HK$'000	HK$'000
At beginning of the year	**–**	8,429,879
Additions	**109**	—
Transfer to exploration and evaluation assets (note 17)	**–**	(8,429,879)
At end of the year	**109**	—

During April 2010, Mt. Mogan Resources and Development Corporation (the "Mogan"), a subsidiary in which the Group held indirectly 64% equity interests, submitted a new exploration permit application, covering an area of 3,022 hectares offshore Dulag, Leyte of the Philippines ("Exploration Area") adjacent to the areas covered by its existing two exploration permits as referred to in note 17, to the Mines and Geosciences Bureau (the "MGB") of the Department of Environment and Natural Resources (the "DENR") of the Philippines. An exploration permit grants the exploration mining applicant the right to conduct exploration for the specified mineral deposits in the specified area within a specified timeframe; whilst a mineral production sharing agreement, when made with and granted by the DENR/MGB acting on behalf of the Government of the Philippines, shall provide the applicant with the exclusive rights to conduct mining operations to extract and exploit the pre-agreed upon mineral resources in the specified area for a term of 25 years starting from the execution date and renewable for another term not exceeding 25 years.

At 31 March 2011 and up to the approval date of these consolidated financial statements, the exploration permit in respect of the Exploration Area has not yet been awarded to Mogan.

The directors of the Company believe that Mogan will ultimately be able to obtain the exploration permit in respect of the Exploration Area from DENR/MGB of the Philippines.

The directors of the Company considered that the carrying amount of the "Payment for intangible assets - mining claims" can be fully recoverable and no impairment on its carrying amount was necessary at 31 March 2011.

17. EXPLORATION AND EVALUATION ASSETS

	The Group		
	Exploration rights HK$'000	Evaluation expenditure HK$'000	Total HK$'000
At 1 April 2009	—	—	—
Transfer from payment for intangible assets - mining claims (note 16)	8,429,879	—	8,429,879
Additions	—	5,791	5,791
At 31 March 2010 and 1 April 2010	8,429,879	5,791	8,435,670
Additions	—	2,690	2,690
At 31 March 2011	8,429,879	8,481	8,438,360

Mogan has obtained 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"), 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).

On 15 June 2010, MGB of DENR of the Philippines has acknowledged Mogan's submission for application on the conversion of approximately 5,000 hectares of these two exploration permits over the Mining Area into a mineral production sharing agreement 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 31 March 2011 and up to the approval date of these consolidated financial statements, the mineral production sharing agreement has not been awarded to Mogan.

The 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.

17. EXPLORATION AND EVALUATION ASSETS *(continued)*

Impairment test

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 25 years (2010: 25 years) were discounted at the rate of 20.40% (2010: 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 2011. The directors of the Company are of the opinion that there is no impairment on the exploration and evaluation assets.

18. OTHER INTANGIBLE ASSETS

The Group

	Film rights HK$'000	Trademark HK$'000	Programme rights HK$'000	Intellectual property rights HK$'000	Total HK$'000
Cost					
At 1 April 2009	208,185	75	1,288	20,315	229,863
Disposals of subsidiaries (note 10(c))	(208,185)	(75)	(1,288)	(20,315)	(229,863)
At 31 March 2010, 1 April 2010 and 31 March 2011	—	—	—	—	—
Accumulated amortisation and impairment loss					
At 1 April 2009	203,169	75	1,288	20,315	224,847
Charge for the year	496	—	—	—	496
Disposals of subsidiaries (note 10(c))	(203,665)	(75)	(1,288)	(20,315)	(225,343)
At 31 March 2010, 1 April 2010 and 31 March 2011	—	—	—	—	—
Carrying amount					
At 31 March 2011	—	—	—	—	—
At 31 March 2010	—	—	—	—	—

19. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**300**	300
Amounts due from subsidiaries	**5,578,850**	5,286,030
	5,579,150	5,286,330

The amounts due from subsidiaries are unsecured, interest-free and will not be demanded for repayment and, in substance, form part of the Company's investments as quasi-capital contributions to the subsidiaries. In the opinion of the directors of the Company, the estimated recoverable amount of the investments in subsidiaries exceeded the carrying amounts and no impairment was considered necessary.

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the Company's subsidiaries as at 31 March 2011 are as follows:

Name	Place of incorporation/ establishment and operation	Proportion of ownership interest Group's effective holding	Held by the Company	Held by a subsidiary	Issued and fully paid share capital	Principal activities
Black Sand Enterprises Limited	Hong Kong	100%	100%	—	HK$300,000	Investing holding
Black Sand Resources Trading Limited	British Virgin Islands/ Hong Kong	100%	—	100%	US$1	Trading of metals
Black Sand Securities Trading Limited	Hong Kong	100%	—	100%	HK$1	Trading of securities
寰亞宏華商貿（北京）有限責任公司 (note i)	PRC	100%	—	100%	—	Not yet commenced business
Black Sand Metal Trading Limited (note ii)	Hong Kong	80%	—	80%	HK$10,000	Dormant
Service Form Limited	Hong Kong	100%	100%	—	HK$1	Dormant
First Pine Enterprises Limited	British Virgin Islands/ Hong Kong	100%	—	100%	US$1	Investment holding
Mt. Mogan Holdings Inc.	British Virgin Islands/ Hong Kong	100%	—	100%	US$1	Investment holding
Mt. Mogan Resources and Development Corporation	The Philippines	64%	—	64%	PHP2,500,000	Mineral exploration and mining activities

Notes:

(i) This subsidiary is a wholly foreign-owned enterprise established in the PRC on 4 March 2010 and the initial capital contribution, which should be made on or before 3 June 2010, has not yet been made at the approval date of these consolidated financial statements. In the opinion of the directors of the Company, there was no material non-compliance on the capital contribution policy in the PRC.

(ii) The company was incorporated on 2 December 2010.

20. INTERESTS IN ASSOCIATES

(a) Share of net assets

	The Group	
	2011	2010
	HK$'000	HK$'000
At beginning of the year	**227**	262
Share of results	**(55)**	(35)
At end of the year	**172**	227

Particulars of the Company's associates as at 31 March 2011 are as follows:

Name	Form of business structure	Place of incorporation/ operation	Proportion of ownership interest: Group's effective holding	Held by the Company	Held by a subsidiary	Issued and paid up capital	Principal activity
Belgravia Holdings & Investments, Inc	Incorporated	The Philippines	40%	—	40%	25,000 ordinary shares of PHP100 each	Investment holding
Triple Edge Resources Holdings, Inc	Incorporated	The Philippines	40%	—	40%	25,000 ordinary shares of PHP100 each	Investment holding

20. INTERESTS IN ASSOCIATES *(continued)*

(a) Share of net assets *(continued)*

The Group's share of the aggregate amounts of the assets, liabilities and results of the associates are as follows:

	100%		Group's effective interest	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets	**977**	1,143	**391**	457
Liabilities	**(547)**	(576)	**(219)**	(230)
Equity	**430**	567	**172**	227
Revenue	**10**	8	**4**	3
Results for the year	**(138)**	**(88)**	**(55)**	(35)

(b) Amounts due to associates

The amounts due are unsecured, interest-free and repayable on demand.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits	**527**	444	**–**	—
Prepayments	**78**	195	**–**	—
Other receivables	**480**	472	**43**	37
	1,085	1,111	**43**	37

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

22. HELD-FOR-TRADING INVESTMENTS

	The Group	
	2011	2010
	HK$'000	HK$'000
Listed securities:		
- Equity securities listed in Hong Kong, at fair value	**20,806**	1,463

The fair value for the above listed securities were determined by reference to their closing quoted bid prices at the end of the reporting period.

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents in the statement of financial position and statement of cash flows	**206,831**	4,267	**137,663**	20

The interest rates on the cash at bank was 0.001% (2010: 0.10%) per annum.

24. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**5,427**	6,814	**3,674**	5,402
Accruals	**2,392**	2,520	**—**	—
	7,819	9,334	**3,674**	5,402

All of the other payables and accruals are expected to be settled within one year.

25. PROMISSORY NOTE - THE GROUP

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 was repayable in 4 instalments over 1 year from the date of issue, with the first instalment falling due on 3 months after the date of issue. On 22 December 2008, the Company repaid the promissory note with principal amount of HK$10,000,000. BSEL had the unconditional right to defer all instalment payments until the final instalment date, i.e. a lump sum payment on the 1.5 years of the date of issue which was due on 18 June 2010. The promissory note was carried at amortised cost, using the effective interest method and at the rate of 15.20% per annum, until extinguishment or redemption. The promissory note with the principal of HK$190,000,000 has matured and has been repayable on demand and interest-free since 18 June 2010.

Movements of the carrying amount of the promissory note, carried at amortised cost, during the years ended 31 March 2011 and 2010 were set out below.

	The Group	
	2011	2010
	HK$'000	HK$'000
At beginning of the year	**184,753**	160,510
Imputed interest charged (note 5(a))	**5,247**	24,243
Repayment	**(130,000)**	—
Reclassification to two-year term loan under Debt Restructuring Agreement (note 35(b))	**(60,000)**	—
At end of the year	**–**	184,753

26. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current income tax payable in the consolidated statement of financial position represents:

	The Group	
	2011	2010
	HK$'000	HK$'000
Hong Kong Profits Tax	**74**	96

(b) Deferred tax assets and liabilities recognised

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	The Group		
	Depreciation allowances in excess of the related depreciation	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
Deferred tax arising from:			
At 1 April 2009	12,652	(8,475)	4,177
Disposals of subsidiaries (note 10(c))	(12,652)	8,475	(4,177)
At 31 March 2010, 1 April 2010 and 31 March 2011	–	–	–

(c) Deferred tax assets not recognised

At the end of the reporting period, the Group has unused tax losses of HK$42,292,196 (2010: HK$29,429,943) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of these tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

27. CONVERTIBLE BONDS

The Group and the Company

On 18 December 2008, the Company entered into a subscription agreement with Kesterion for the issue of convertible bonds with an aggregate principal amount of US$655,128,205 (equivalent to approximately HK$5,110,000,000) (the "Convertible Bonds") in connection with the acquisition of 64% equity interest in Mogan. The Convertible Bonds denominated in US$, which is the functional currency of the Company, are convertible, at the option of the holders, into ordinary shares of the Company at a fixed conversion price of HK$0.70 per conversion share, subject to any anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issued and any time after the issue date. The Convertible Bonds are unsecured, non-interest bearing and matures 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$, the conversion option of the Convertible Bonds denominated in US$ will result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instruments in accordance with HKAS 32 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 as at the date when the convertible bonds were issued (i.e.18 December 2008). 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) were converted into 4,055,000,000 new ordinary shares of the Company of HK$0.01 each as referred to note 28 (b)(i) to the consolidated financial statements. There was no conversion on the Convertible Bonds during the year ended 31 March 2011. Outstanding principal amount of the Convertible Bonds as at 31 March 2011 and 2010 were US$201,474,359 (equivalent to approximately HK$1,571,500,000).

27. CONVERTIBLE BONDS *(continued)*

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

	Liability component	Equity conversion component	Principal amount
	HK$'000	HK$'000	HK$'000
At 1 April 2009	964,035	3,545,975	4,410,000
Effective interest recognised (note 5(a))	246,571	—	—
Converted during the year (note 28 (b)(i))	(740,782)	(2,282,370)	(2,838,500)
At 31 March 2010 and 1 April 2010	469,824	1,263,605	1,571,500
Effective interest recognised (note 5(a))	126,292	—	—
At 31 March 2011	**596,116**	**1,263,605**	**1,571,500**

The interest charged for the year is calculated by applying an effective interest rate of 17.7% (2010: 17.7%) per annum to the liability component.

The number of ordinary shares to be converted and the conversion price of the Convertible Bonds were adjusted to 68,955,682 ordinary shares and HK$22.79 per share upon the completion of the capital reorganisation and share consolidation and rights issue as referred to notes 28(a)(ii) and 28(b)(ii) to the consolidated financial statements, respectively.

28. SHARE CAPITAL

	Note	No. of ordinary shares	Nominal value of ordinary shares
			HK$'000
Authorised:			
At 1 April 2009 and 31 March 2010		20,000,000,000	200,000
Increase during the year	(a)(i)	10,000,000,000	100,000
Share consolidation	(a)(ii)	(29,400,000,000)	—
Increase under capital reorganisation	(a)(ii)	1,400,000,000	700,000
31 March 2011		2,000,000,000	1,000,000
Issued and fully paid:			
At 1 April 2009		3,546,534,023	35,465
Issue of new ordinary shares			
- conversion of convertible bonds	(b)(i)	4,055,000,000	40,550
At 31 March 2010 and 1 April 2010		7,601,534,023	76,015
Share consolidation	(a)(ii)	(7,449,503,343)	—
Issue of new ordinary shares			
- rights issue	(b)(ii)	760,153,400	380,077
At 31 March 2011		912,184,080	456,092

28. SHARE CAPITAL *(continued)*

(a) Authorised share capital

(i) Pursuant to the approval of the Cayman Islands Court on 8 September 2010, the authorised share capital of the Company was increased from HK$200,000,000, which was divided into 20,000,000,000 ordinary shares, to HK$300,000,000, which was divided into 30,000,000,000 ordinary shares, by the creation of additional 10,000,000,000 unissued ordinary shares of HK$0.01 each.

(ii) Capital reorganisation

On 23 February 2011, the Cayman Islands Court approved the capital reorganisation of the Company. The capital reorganisation was completed and became effective on 10 February 2011.

— Every fifty authorised ordinary shares of HK$0.01 each were consolidated into one authorised ordinary share of HK$0.50 each by cancelling 29,400,000,000 authorised ordinary shares.

— Every fifty issued ordinary shares of HK$0.01 each were consolidated into one issued ordinary share of HK$0.50 each by cancelling 7,449,503,343 issued ordinary shares.

— The authorised ordinary share capital was increased from HK$300,000,000, which was divided into 600,000,000 ordinary shares, to HK$1,000,000,000, which is divided into 2,000,000,000 ordinary shares, by the creation of 1,400,000,000 new authorised ordinary shares.

28. SHARE CAPITAL *(continued)*

(b) Issued and fully paid ordinary capital

(i) Issue of new ordinary shares under conversion of convertible bonds

During the year ended 31 March 2010, 4,055,000,000 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) at the fixed exchange rate of US$1 = HK$7.8) by the convertible bond holders as referred to note 27 to the consolidated financial statements. HK$40,550,000 and HK$2,982,602,000 were recorded in share capital and share premium, respectively. Liabilities component of HK$740,782,000 and equity conversion component of HK$2,282,370,000 were derecognised upon conversion of these convertible bonds as referred to note 27 to the consolidated financial statements.

(ii) Issue of new ordinary shares under rights issue

Pursuant to the extraordinary general meeting held on 9 February 2011, the Company issued 760,153,400 new ordinary shares under a rights issue at an issue price of HK$0.50 per share on the basis of five shares for every one ordinary share.

The rights issue completed on 15 March 2011 and the Company raised gross proceeds of HK$380,077,000 before deduction of incidental share issuance expenses.

All of the shares issued during the years ended 31 March 2010 and 2011 rank pari passu with then existing shares in all respects.

(c) Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including borrowings, other payables and accruals and amounts due to related parties, as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position.

No changes were made in the objectives, policies or proceeds during the years ended 31 March 2011 and 2010.

28. SHARE CAPITAL *(continued)*

(c) Capital management *(continued)*

The net debt-to-equity ratio at 31 March 2011 and 2010 was as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Current liabilities		
- Other payables and accruals	**7,819**	9,334
- Amount due to a shareholder	**196**	—
- Amounts due to associates	**57**	57
- Shareholder's loan	**–**	8,000
- Promissory note	**–**	184,753
	8,072	202,144
Non-current liabilities		
- Shareholder's loan	**70,000**	—
- Convertible bonds	**596,116**	469,824
	666,116	469,824
Total debt	**674,188**	671,968
Less: Cash and cash equivalents	**(206,831)**	(4,267)
Net debt	**467,357**	667,701
Total equity	**7,993,694**	7,772,179
Net debt-to-equity ratio	**5.8%**	8.6%

Neither the Company nor any of its subsidiaries are subjected to externally imposed capital requirements.

29. RESERVES

(a) The Group

	Share premium HK$'000	Special reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009	917,391	10,440	156	320	3,545,975	(247,469)	4,226,813
Issue of new ordinary shares - conversion of convertible bonds (note 28(b)(i))	2,982,602	—	—	—	(2,282,370)	—	700,232
Loss for the year	—	—	—	—	—	(263,794)	(263,794)
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	19	—	—	—	19
Reclassification adjustment on release of exchange reserve upon disposal of subsidiaries	—	—	(156)	—	—	—	(156)
Total comprehensive loss for the year, net of tax	—	—	(137)	—	—	(263,794)	(263,931)
At 31 March 2010 and 1 April 2010	3,899,993	10,440	19	320	1,263,605	(511,263)	4,663,114
Transfer	—	(10,440)	—	—	—	10,440	—
Share issuance expenses	(8,838)	—	—	—	—	—	(8,838)
Loss for the year	—	—	—	—	—	(149,018)	(149,018)
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	(11)	—	—	—	(11)
Total comprehensive loss for the year, net of tax	—	—	(11)	—	—	(149,018)	(149,029)
At 31 March 2011	**3,891,155**	**–**	**8**	**320**	**1,263,605**	**(649,841)**	**4,505,247**

29. RESERVES *(continued)*

(b) The Company

	Share premium HK$'000	Share option reserve HK$'000	Contributed surplus HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009	917,391	320	25,571	3,545,975	(197,836)	4,291,421
Issue of new ordinary shares - conversion of convertible bonds (note 28(b)(i))	2,982,602	—	—	(2,282,370)	—	700,232
Loss for the year	—	—	—	—	(264,507)	(264,507)
Total comprehensive loss for the year, net of tax	—	—	—	—	(264,507)	(264,507)
At 31 March 2010 and 1 April 2010	3,899,993	320	25,571	1,263,605	(462,343)	4,727,146
Transfer	—	—	(25,571)	—	25,571	—
Share issuance expenses	(8,838)	—	—	—	—	(8,838)
Loss for the year	—	—	—	—	(127,530)	(127,530)
Total comprehensive loss for the year, net of tax	—	—	—	—	(127,530)	(127,530)
At 31 March 2011	**3,891,155**	**320**	**—**	**1,263,605**	**(564,302)**	**4,590,778**

29. RESERVES *(continued)*

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Special reserve

The special reserve of the Group represents the difference between the nominal value of the issued share of subsidiaries acquired over the nominal value of the shares issued by the Company pursuant to the Group reorganisation to rationalise the group structure in preparation of the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The balance of this special reserve was transferred to the accumulated losses of the Group during the year.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries into the presentation currency. The reserve is dealt with in accordance with the accounting policies in note 2(x) to the consolidated financial statements.

(iv) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible participants recognised in accordance with the accounting policy adopted for share-based payments in note 2(t)(ii) to the consolidated financial statements.

29. RESERVES *(continued)*

(c) Nature and purpose of reserves *(continued)*

(v) Contributed surplus

The contributed surplus of the Company represents the excess of the net assets of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued upon listing in The Stock Exchange of Hong Kong Limited. The balance of this contributed surplus was transferred to the accumulated losses of the Company during the year.

(vi) Convertible bonds equity reserve

The value of unexercised equity component of convertible bonds issued by the Company is recognised in accordance with the accounting policy adopted for convertible bonds in note 2(p) to the consolidated financial statements.

(vii) Distributability of reserves

At 31 March 2011, the aggregate amount of reserves available for distribution to shareholders of the Company was HK$3,326,853,000 (2010: HK$3,437,650,000) subject to the conditions on the share premium account as stated above.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The share option scheme ("Share Option Scheme") was adopted on 25 April 2002 for the primary purpose of providing incentives and to recognise the contribution of the eligible participants to the growth of the Group and will expire on 24 April 2012. Under the Share Option Scheme, the director of the Company may grant options to eligible full-time or part-time employees, including any executive, non-executive and independent non-executive directors, and consultants or advisers of the Company and/or any of its subsidiaries.

The total number of shares in respect of which options may be granted under the Share Option Scheme, and any other option schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the issued share capital of the Company without prior approval from the Company's shareholders.

Options granted must be taken up within three days of the date of grant, upon payment of HK$1 per grant.

Options may be exercised at any time during a period to be notified by the directors of the Company upon the grant of options provided that the option period shall not exceed 10 years from the date of grant of the options. No minimum period for which an option must be held is required. The exercise price, which is determined by the directors of the Company is the highest of: (i) the closing price per share on the date of grant; (ii) the average closing price per share for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(a) The terms and conditions of the grant that existed during the two years ended 31 March 2011 and 2010 are as follows, whereby all options are settled by physical delivery of shares:

Options granted to consultants	**Exercise price**		**Number of shares issuable under options**		**Share issued**	**Vesting Conditions**	**Contractual life of options**
	2011	2010	**2011**	2010			
	HK$	HK$					
On 6 March 2007	**3.58**	0.188	**262,800**	5,000,000	—	Three days from the date of grant	10 years

The number of shares issuable under Share Option Schemes and the exercise price were adjusted due to the completion of capital reorganisation and share consolidation and rights issue as detailed in notes 28(a)(ii) and 28(b)(ii) to the consolidated financial statements respectively.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(b) The number of shares issuable and weighted average exercise prices of share options are as follows:

	2011		2010	
	Weighted average exercise price HK$	**Number of shares issuable under options granted**	Weighted average exercise price HK$	Number of shares issuable under options granted
Outstanding at beginning of the year	**0.188**	**5,000,000**	0.188	5,000,000
Adjustments arising from capital reorganisation and share consolidation and rights issue	**3.392**	**(4,737,200)**	—	—
Outstanding at end of the year	**3.58**	**262,800**	0.188	5,000,000
Exercisable at end of the year	**3.58**	**262,800**	0.188	5,000,000

The option outstanding at 31 March 2011 had an exercise price of HK$3.58 (2010: HK$0.188) and weighted average remaining contractual life of 6 years (2010: 7 years).

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Categories of financial instruments

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
At amortised cost:				
Deposits and other receivables	**1,007**	916	**43**	37
Cash and cash equivalents	**206,831**	4,267	**137,663**	20
At fair value:	**207,838**	5,183	**137,706**	57
Held-for-trading investments	**20,806**	1,463	**–**	—
	228,644	6,646	**137,706**	57
At amortised cost:				
Other payables and accruals	**7,819**	9,334	**3,674**	5,402
Amount due to a shareholder	**196**	—	**196**	—
Amounts due to associates	**57**	57	**–**	—
Shareholder's loan	**70,000**	8,000	**70,000**	8,000
Promissory note	**–**	184,753	**–**	—
Convertible bonds	**596,116**	469,824	**596,116**	469,824
	674,188	671,968	**669,986**	483,226

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Financial risk management and policies

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. There has been no change to the Group's exposure to these kinds of risk or the manner in which it manages and measures these risks. These risks are limited by the Group's financial management policies and practices described below.

(i) Credit risk

At 31 March 2011, the maximum exposure to credit risk of the Group is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

Other receivables

Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all debtors requiring credit over a certain amount. Normally, the Group does not obtain collateral from debtors.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which debtors operate also has an influence on credit risk but to a lesser extent. Further quantitative analysis in respect of the Group's exposure to credit risk arising from other receivables are set out in note 21 to the consolidated financial statements.

At 31 March 2011 and 31 March 2010, credit risk exposure of the Group is insignificant.

The Group does not provide any guarantees which would exposure the Group or the Company to credit risk.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Financial risk management and policies *(continued)*

(i) Credit risk (continued)

Held-for-trading investments

All of the Group's investments are listed on a recognised stock exchange. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligation.

Deposits with banks

The credit risk on deposits with banks is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutes or shareholders to meet its liquidity requirements in the short and long term.

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

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Financial risk management and policies *(continued)*

(ii) Liquidity risk

The Group

	2011					
	Contractual undiscounted cash outflow					
	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000
Non-derivative financial liabilities						
Other payables and accruals	7,819	7,819	–	–	–	7,819
Amount due to a shareholder	196	196	–	–	–	196
Amounts due to associates	57	57	–	–	–	57
Shareholder's loan	70,000	4,200	74,200	–	–	78,400
Convertible bonds	596,116	–	–	–	1,571,500	1,571,500
	674,188	12,272	74,200	–	1,571,500	1,657,972

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Financial risk management and policies *(continued)*

(ii) Liquidity risk (continued)

The Group *(continued)*

		2010				
		Contractual undiscounted cash outflow				
	Carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities						
Other payables and accruals	9,334	9,334	—	—	—	9,334
Amounts due to associates	57	57	—	—	—	57
Shareholder's loan	8,000	8,000	—	—	—	8,000
Promissory note	184,753	190,000	—	—	—	190,000
Convertible bonds	469,824	—	—	—	1,571,500	1,571,500
	671,968	207,391	—	—	1,571,500	1,778,891

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Financial risk management and policies *(continued)*

(ii) Liquidity risk (continued)

The Company

	2011					
	Contractual undiscounted cash outflow					
	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000
Non-derivative financial liabilities						
Other payables and accruals	3,674	3,674	–	–	–	3,674
Amount due to a shareholder	196	196	–	–	–	196
Shareholder's loan	70,000	4,200	74,200	–	–	78,400
Convertible bonds	596,116	–	–	–	1,571,500	1,571,500
	669,986	8,070	74,200	–	1,571,500	1,653,770

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Financial risk management and policies *(continued)*

(ii) Liquidity risk (continued)

The Company *(continued)*

		2010				
		Contractual undiscounted cash outflow				
	Carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities						
Other payables and accruals	5,402	5,402	—	—	—	5,402
Shareholder's loan	8,000	8,000	—	—	—	8,000
Convertible bonds	469,824	—	—	—	1,571,500	1,571,500
	483,226	13,402	—	—	1,571,500	1,584,902

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Financial risk management and policies *(continued)*

(iii) Interest rate risk

Interest rate profile

The Group's interest rate risk arises primarily from shareholder's loan and deposits at bank. Shareholder's loan at fixed-rate expose the Group to fair value interest rate risk. Cash and cash equivalents at variable-rate expose the Group to cash flow interest rate risk.

The following table details the interest rate profile of the Group's and the Company's interest-bearing financial assets and financial liabilities at the end of the reporting period:

The Group

	2011		2010	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Variable-rate:				
Cash and cash equivalents	**0.001%**	**206,831**	0.12%	4,267
Fixed-rate:				
Shareholder's loan	**6.00%**	**70,000**	—	—

The Company

	2011		2010	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Variable-rate:				
Cash and cash equivalents	**0.001%**	**137,663**	0.12%	20
Fixed-rate:				
Shareholder's loan	**6.00%**	**70,000**	—	—

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Financial risk management and policies *(continued)*

(iii) Interest rate risk (continued)

Sensitivity analysis

Shareholder's loan of the Group and the Company is a fixed-rate instrument and is insensitive to any change in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss.

At 31 March 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would decrease/increase the Group's loss after income tax and accumulated losses for the year by approximately HK$2,068,000 (2010: HK$43,000). Other components of equity would not be affected (2010: Nil) by the changes in interest rates.

The above sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that day. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual period.

(iv) Currency risk

The majority of the transactions of the Group were denominated in HK$ and US$, which is pegged with HK$ at a designated range such that the exposure on fluctuation of foreign currency rate is limited. Given that the foreign currency exposure is limited, sensitivity analysis to changes in foreign currency rates is not presented thereof.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Financial risk management and policies *(continued)*

(v) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as held-for-trading investments.

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

At 31 March 2011, it is estimated that an increase/decrease of 10% (2010: 10%) in the relevant stock market index (for listed investments) with all other variables held constant, have decrease/increase the Group's loss after income tax (and accumulated losses) as follows:

	Effect on loss after income tax and accumulated losses	
	2011	2010
	HK$'000	HK$'000
Change in the relevant equity price risk variable:		
Increase	**(1,737)**	(187)
Decrease	**1,737**	187

The sensitivity analysis indicates the instantaneous change in the Group's loss after income tax (and accumulated losses) that would arise assuming that the changes in the stock market index had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables and that all other variables remain constant.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Financial risk management and policies *(continued)*

(vi) Fair values

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

— Level 1: fair values measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: fair values measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: fair values measurements are those derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurements in its entirety.

There were no transfers between instruments in Level 1 and Level 2 during the current and last years.

Of the net loss for the year included in profit or loss, HK$392,000 (2010: net gain of HK$1,375,000) was in connection with the held-for-trading investments which held at the end of the reporting period.

At 31 March 2011, the Group's held-for-trading investments carried at fair value of HK$20,806,000 (2010: HK$1,463,000) which is recognised as financial assets carried at fair value through profit or loss. These financial assets fall into Level 1 of the fair value hierarchy described above.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

(b) Financial risk management and policies *(continued)*

(vi) Fair values

Estimation of fair values

The following summarises the major methods and assumptions applied in determining the fair value of the following financial instruments:

Securities

Fair value for quoted equity investments are based on the closing quoted bid prices at the end of the reporting period.

Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Liquid and/or short-term assets and liabilities

For financial assets and financial liabilities that are liquid or having a short term maturity it is assumed that the carrying amounts approximate their fair values. The assumption is applied to other receivables, cash and cash equivalent, other payables and accruals, amount due to a shareholder and amounts due to associates.

32. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies which are described in note 2 to the consolidated financial statements, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have suffered any impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amounts of assets or cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(b) Impairment of exploration and evaluation assets

In determining whether the Group's exploration and evaluation assets (note 17 to the consolidated financial statements) are impaired, management has to exercise judgement in the area of asset impairment, particularly in assessing (i) whether the Group is able to obtain the right to exploit in the specific mining site; (ii) whether the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale. In any such cases, the Group shall perform an impairment test in accordance with the accounting policy stated in note 2(k) to the consolidated financial statements.

(c) Impairment of investments in subsidiaries

The Company makes impairment on investments in subsidiaries when the related recoverable amounts of the investments in subsidiaries, with reference to the net asset values of the subsidiaries, are estimated to be less than their carrying amounts.

(d) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The identification of impairment requires management's judgements and estimates. When the actual outcome is different from the original estimates, such differences will impact the carrying amounts of the receivables and impairment loss in the period in which such estimate has been changed.

32. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(e) Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work to magnetite mine which are discounted at a rate reflecting the term and nature of the obligation. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statements of financial position by adjusting the rehabilitation asset and liability. At 31 March 2011, the directors of the Company estimated that no provision for rehabilitation is required (2010: Nil).

(f) Liability component of convertible bonds

The fair value of the liability component of the convertible bonds, at their initial recognition, are estimated by independent professional valuer based on transactions of similar financial instruments in the market which generally represent the best estimate of the market value.

(g) Income taxes and deferred taxation

The entities within the Group are subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for taxation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entities within the Group recognise liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred taxation provisions in the financial period in which such determination is made.

Deferred tax assets relating to certain temporary differences and certain tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences will impact the recognition of deferred tax and tax in the periods in which such estimate is changed.

32. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(h) Functional currency

The Group has adopted US$ as the functional currency, which is the currency of the primary economic environment in which the Group operates. The determination of functional currency requires significant judgement and the adoption of US$ as functional currency of the Group has affected the results and the application of accounting treatment of the Group.

(i) Environmental contingencies

The Group has not incurred any significant expenditure for environment remediation and is currently not involved in any environmental remediation. In addition, the Group has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The Government of the Philippines, however, has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination of various sites including, but not limited to, mines, concentrators and smelting plants whether they are operating, closed and sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material.

32. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(j) Going concern basis

In preparing the consolidated financial statements, the directors of the Company have carefully considered the future liquidity in view of the capital expenditure for the future mining operations in the Philippines.

In the opinion of the directors of the Company, the Group will be able to meet its financial obligations as and when they fall due and to carry on its business as a going concern for the foreseeable future. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2011 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

33. COMMITMENTS

(a) Operating lease commitments

At 31 March 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises are payable as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**1,263**	1,263
After one year but within five years	**947**	2,210
	2,210	3,473

The Company had no material operating lease commitments as at 31 March 2011 (2010: Nil).

33. COMMITMENTS *(continued)*

(b) Capital commitments

Capital commitments outstanding of the Group at 31 March 2011 not provided for in the consolidated financial statements are as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Contracted for but not provided for in the consolidated financial statements		
– Exploration and evaluation assets	**552**	1,463

The Company had no material capital commitments as at 31 March 2011 (2010: Nil).

(c) Contingencies

The Group and the Company had no material contingent liabilities as at 31 March 2011 (2010: Nil).

34. CONVERTIBLE LOAN AGREEMENT - 2010

On 30 September 2008, the Company and its wholly-owned subsidiary, BSEL (as borrower) entered into a convertible loan agreement with an independent third party which had agreed to provide a conditional credit facility of Euro 200 million ("Convertible Loan"). The loan will bear interest at the rate of 3% per annum and will be unsecured and repayable together with all accrued interest, upon the third anniversary of the drawdown date. Pursuant to the agreement, the lender may, at any time after the drawdown date but before the third anniversary of the drawdown date, convert the amount outstanding under the loan up to 2,000,000,000 new shares of the Company at a rate of Euro 0.1 per share equivalent to HK$1.1168 per share, based on the exchange rate of Euro: HK$11.1678) at a fixed conversion rate of Euro 1: HK$11.1678.

On 20 September 2009, the Company agreed with the lender to terminate the convertible loan agreement.

35. RELATED PARTIES TRANSACTIONS

During the years ended 31 March 2011 and 2010, the directors of the Company are of the view that the following companies are related parties to the Group:

Name of the related party	Relationship
Kesterion Investments Limited	Shareholder of the Company, Eva Wong, a sister of executive director of the Company, Wong Chung Yu, Denny, and a sister-in-law of non-executive director of the Company, Yin Mark Teh-min, has beneficial interest.

(a) Amount due to a shareholder

	The Group and the Company	
	2011	2010
	HK$'000	HK$'000
Kesterion Investments Limited	**196**	—

The amount due to a shareholder was the interest payable on the shareholder's loan as detailed in note (b) below, which was unsecured and repayable on 14 September 2011.

35. RELATED PARTIES TRANSACTIONS *(continued)*

(b) Shareholder's loan

	The Group and The Company	
	2011	2010
	HK$'000	HK$'000
Kesterion Investments Limited		
– Short-term loans (note (i))	**10,000**	8,000
Reclassification to a long-term loan under Debt Restructuring Agreement (note (iii))	**(10,000)**	—
	–	8,000
– Long-term loans (note (ii))		
Reclassification from promissory note under Debt Restructuring Agreement (note 25)	**60,000**	—
Reclassification from short-term loans under Debt Restructuring Agreement (note (iii))	**10,000**	—
	70,000	—
	70,000	8,000

(i) The loan was unsecured, interest-free and repayable on demand.

(ii) Pursuant to a debt restructuring agreement dated 22 December 2010 ("Debt Restructuring Agreement") which was entered into among the Company, BSEL and Kesterion, the total debts of HK$70,000,000 due to Kesterion by the Group, including the outstanding matured and due promissory note with the principal amount of HK$60,000,000 and shareholder's loan of HK$10,000,000 which was unsecured, interest-free and repayable on demand, were restructured into a two-year term loan which is unsecured, bearing interest at the rate of 6% per annum payable semi-annually and repayable at 14 March 2013.

(iii) The loan was restructured into new non-current loan as stated in note (ii) above.

(iv) The carrying amount of the shareholder's loan approximate its fair value at the end of the reporting period.

35. RELATED PARTIES TRANSACTIONS *(continued)*

(c) Key management personnel remuneration

Remuneration for key management personnel to the Group, including amounts paid to the Company's directors as disclosed in note 7 to the consolidated financial statements and certain of the highest paid individuals as disclosed in note 8 to the consolidated financial statements, is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Short-term employee benefits	**6,183**	5,710
Post-employment benefits	**48**	48
	6,231	5,758

Total remuneration is included in "staff costs" (note 5(b)).

36. EVENT AFTER THE REPORTING PERIOD

On 29 April 2011, BSEL, a wholly-owned subsidiary of the Company, and an independent third party, Chinaway Capital Limited, entered into a non-legally binding memorandum of understanding, for the proposed acquisition of 70% equity interest in 懷集樂居礦業有限公司（「懷集樂居礦業」）, a sino-foreign equity joint venture established in the PRC. 懷集樂居礦業 is engaged in the exploitation and exploration of two iron ore mines in Guangdong Province , PRC, with a total mining area of about 0.3858 square kilometers. The terms of this proposed acquisition are subject to on-going negotiations and have not yet been confirmed and finalised up to the date of approval of the consolidated financial statements.

Further details of this proposed acquisition were set out in the Company's announcement dated 29 April 2011.

RESULTS

	For the year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Turnover	**10,419**	14,730	4,287	—	—
Loss from operations	**(17,978)**	(19,137)	(16,249)	—	—
Finance costs	**(131,735)**	(270,814)	(117,872)	—	—
Loss before income tax	**(149,713)**	(289,951)	(134,121)	—	—
Income tax	**–**	(24)	(73)	—	—
Loss for the year from continuing operations	**(149,713)**	(289,975)	(134,194)	—	—
Profit/(loss) for the year from discontinued operation, net	**–**	25,811	(28,724)	(47,515)	(69,807)
Loss for the year	**(149,713)**	(264,164)	(162,918)	(47,515)	(69,807)
Other comprehensive (loss)/ income for the year, net of tax	**(11)**	(137)	73	15	1
Total comprehensive loss for the year	**(149,724)**	(264,301)	(162,845)	(47,500)	(69,806)
(Loss)/ profit for the year attributable to:					
Owner of the Company	**(149,029)**	(263,931)	(162,787)	(48,627)	(70,232)
Non-controlling interests	**(695)**	(370)	(58)	1,127	426
Net loss for the year	**(149,724)**	(264,301)	(162,845)	(47,500)	(69,806)

ASSETS AND LIABILITIES

	At 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**8,667,956**	8,444,243	8,469,933	105,812	88,184
Total liabilities	**(674,262)**	(672,064)	(1,174,272)	(49,888)	(82,850)
Non-controlling interests	**(3,032,355)**	(3,033,050)	(3,033,383)	(5,192)	(6,319)
	4,961,339	4,739,129	4,262,278	50,732	(985)