



# 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)

# 2014

## *Interim Report*

## 中期報告



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

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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.*

## **MANAGEMENT DISCUSSIONS AND ANALYSIS**

### **MATERIAL ACQUISITION AND DISPOSAL**

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

On 21 July 2011, the Group agreed to acquire the leasehold interest in a warehouse property located in Singapore. On 13 September 2013, after an internal restructuring by the Vendor, the Group entered into a supplemental agreement with the Vendor to acquire all issued shares of Evotech (Asia) Pte Ltd (“Evotech”), a private company incorporated in Singapore. Evotech owns the property and is engaged in the scrap metal trading business in Singapore. The acquisition was completed on the same date. The Management believes that it will facilitate the Company’s initiatives to expand into scrap metal trading business based in Singapore.

### **BUSINESS AND FINANCIAL REVIEW**

The start-up of coal trading business was not as smooth as anticipation. During the half year ended 30 September 2013 there were various unique events happened in Indonesia delaying supply of coal. Although such events were unrelated to the Group, non-controllable by us and were basically of one-time basis, we shall still adjust our coal business plan to accommodate future unexpected hiccups. As of today there were only 5 shipments completed during the half year.

Since a year ago we temporarily suspended bunker oil trading operation pending re-modelling the business. This year we adjusted our business model and resumed the operation. The first trading commenced in September and was completed in early October. For the month of October total revenue of over US\$4 million was recognised.

Scrap metal trading has not been growing as planned. In September we acquired Evotech, which is our major supplier, together with a warehouse property. The warehouse property will provide us a proper place to carry out screening and sorting process which will enhance our business scope and profitability. We expect benefits of acquiring the property to be realised in the second half of the financial year.

The Group's turnover for the six months ended 30 September 2013 (the "Period") amounted to approximately HK\$147,546,000 (2012: approximately HK\$100,541,000) which was approximately HK\$47,005,000 higher than that of the same period last year. Gross profit amounted to approximately HK\$998,000 (2012: approximately HK\$668,000). Other operating income amounted to approximately HK\$950,000 (2012: other operating income of approximately HK\$15,000). Loss for the Period increased to approximately HK\$72,943,000 (2012: approximately HK\$65,405,000).

## **CAPITAL STRUCTURE AND LIQUIDITY**

On 30 September 2013 the Company has outstanding zero coupon rate convertible bonds in the carrying value of approximately HK\$671,485,000 (31 March 2013: approximately HK\$618,791,000) convertible into 68,955,682 (31 March 2013: 68,955,682) ordinary shares of HK\$0.50 each. The bonds are due for full redemption on 18 December 2018 for the principal amount of US\$201,474,359 (equivalent to approximately HK\$1,571,500,000).

The Group has a current ratio of 0.94 times as at 30 September 2013 (31 March 2013: 1.26 times). The lowered current ratio is mainly attributable to the contingent consideration payables of approximately HK\$28,708,000 as at 30 September 2013 (31 March 2013: Nil) for the acquisition of Brighton. As detailed in note 18(a) to this interim report, such contingent consideration would be settled by the issuance of a maximum of 66,285,000 contingent shares of the Company, which has minimal impact on the liquidity of the Group. Gearing ratio calculated based on total non-current liabilities of approximately HK\$683,002,000 (31 March 2013: approximately HK\$619,157,000) against total equity of approximately HK\$506,964,000 (31 March 2013: approximately HK\$565,601,000) increase from 109.47% to 134.72% for the period ended 30 September 2013.

As at 30 September 2013 the Group has no material contingent liability (31 March 2013: Nil) and no material capital commitment (31 March 2013: Nil).

## **BORROWING FACILITIES**

As at 30 September 2013, the Group had obtained banking facilities from banks by pledge of assets and personal guarantee from a director to the extent of approximately HK\$40,100,000, of which approximately HK\$15,014,000 had been utilized.

## **PLEDGE OF ASSETS**

As at 30 September 2013, certain bank deposit and held-for-trading investments at fair value through profit or loss with carrying value of approximately HK\$192,000 and HK\$1,982,000 (31 March 2013: approximately HK\$3,279,000 and HK\$9,157,000) respectively and a warehouse property located in Singapore at carrying value of approximately S\$6,800,000 (equivalent to approximately HK\$41,664,000) were pledged to secure general banking facilities granted to the Group.

## 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 and United States 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.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2013 the Group has 64 full time employees. 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.

## OUTLOOK

During the half year ended 30 September 2013 the Group completed the acquisition of Brighton and so has finished setting up a complete coal business value chain. We now have an established coal sourcing network in Indonesia which is one of the major steam coal producer in the world and a self-owned coal import licence in PRC. We expect this complete value chain coupled with the business supports from CSICEL will soon excel our coal business results.

In March 2013 we have entered into sales and purchase contracts with CSICEL for the trading of bunker fuel oil. However, as of today we are still in discussions with CSICEL in respect of agreeing the commencement date of the oil trading according to the contracts. On the other hand, without further delays we have resumed the oil trading operation independently in Singapore. At the same time we are also preparing to enter into the downstream operation (bunkering) as well to enhance profitability of the business. Bunkering is the process of physically delivery of fuel oil from onshore wharf to the transoceanic vessels anchored in the Singapore port. We expect to commence the operation within this financial year.

Group management is always keeping an eye on other potential business opportunities. Apart from energy resources we also see the potential of water resources. Recent analysis shows that up to now most of the bottled drinking water suppliers in PRC focused their marketing strategies in the middle to low tier of the consumer markets while leaving the superior market segment unattended. The Group has been monitoring this enormous potential opportunity and is planning to fill in the blank in cautious steps. Further details will be reported and analysed promptly after business commencement.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The board of Directors (the “Board”) of Pan Asia Mining Limited (the “Company”) is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three and six months ended 30 September 2013 together with the comparative figures for the corresponding period in 2012 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)
Turnover	6	38,676	19,523	147,546	100,541
Cost of sales		<u>(38,439)</u>	<u>(19,349)</u>	<u>(146,548)</u>	<u>(99,873)</u>
Gross profit		237	174	998	668
Administrative expenses		(12,231)	(14,986)	(22,324)	(20,573)
Other operating income/(loss)	7	<u>421</u>	<u>(101)</u>	<u>950</u>	<u>15</u>
Loss from operations		<u>(11,573)</u>	<u>(14,913)</u>	<u>(20,376)</u>	<u>(19,890)</u>
Finance costs	8	<u>(27,108)</u>	<u>(23,339)</u>	<u>(52,786)</u>	<u>(45,515)</u>
Loss before tax		<u>(38,681)</u>	<u>(38,252)</u>	<u>(73,162)</u>	<u>(65,405)</u>
Income tax credit	9	<u>219</u>	<u>—</u>	<u>219</u>	<u>—</u>
Loss for the period	10	<u>(38,462)</u>	<u>(38,252)</u>	<u>(72,943)</u>	<u>(65,405)</u>

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)
<b>Other comprehensive loss:</b>				
Exchange differences on translation of financial statements of overseas subsidiaries	(114)	(225)	448	(737)
<b>Total comprehensive loss for the period</b>	<b>(38,576)</b>	<b>(38,477)</b>	<b>(72,495)</b>	<b>(66,142)</b>
<b>Loss for the period attributable to:</b>				
Owners of the Company	(38,419)	(38,181)	(72,819)	(65,249)
Non-controlling interests	(43)	(71)	(124)	(156)
	<b>(38,462)</b>	<b>(38,252)</b>	<b>(72,943)</b>	<b>(65,405)</b>
<b>Total comprehensive loss attributable to:</b>				
Owners of the Company	(38,588)	(38,526)	(72,958)	(65,934)
Non-controlling interests	12	49	463	(208)
	<b>(38,576)</b>	<b>(38,477)</b>	<b>(72,495)</b>	<b>(66,142)</b>

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
<b>Loss per share for the period attributable to owners of the Company</b>					
Basic	11	<b>(4.11) cents</b>	<b>(4.19) cents</b>	<b>(7.79) cents</b>	<b>(7.15) cents</b>
Diluted		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2013 HK\$' 000 (unaudited)	As at 31 March 2013 HK\$' 000 (audited)
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	12	53,256	5,162
Investment properties		13,937	—
Payments for mining claims		109	109
Exploration and evaluation assets	13	1,104,061	1,103,323
Intangible assets		26,074	—
Goodwill		10,934	6,234
Loan to a third party		—	15,161
		<u>1,208,371</u>	<u>1,129,989</u>
<b>Current assets</b>			
Inventories		8,126	—
Trade and other receivables	14	209,883	76,723
Financial assets at fair value through profit or loss		1,982	9,157
Amount due from a director	19(a)	109	109
Pledged bank deposits		192	3,279
Cash and bank balances		83,635	175,877
		<u>303,927</u>	<u>265,145</u>



	Note	As at 30 September 2013 HK\$' 000 (unaudited)	As at 31 March 2013 HK\$' 000 (audited)
<b>Current liabilities</b>			
Trade and other payables	15	304,666	205,626
Amounts due to associates		57	59
Amounts due to directors	19(b)	4,702	2,058
Bank borrowings		12,352	2,338
Finance lease payable		446	186
Current tax liabilities		109	109
		<u>322,332</u>	<u>210,376</u>
<b>Net current (liabilities)/assets</b>		<u>(18,405)</u>	<u>54,769</u>
<b>Total assets less current liabilities</b>		<u>1,189,966</u>	<u>1,184,758</u>
<b>Non-current liabilities</b>			
Convertible bonds	16	671,485	618,791
Bank borrowings		2,662	—
Finance lease payable		971	366
Deferred tax liabilities		7,884	—
		<u>683,002</u>	<u>619,157</u>
<b>Net assets</b>		<u>506,964</u>	<u>565,601</u>
<b>Capital and reserves</b>			
Share capital	17	471,450	459,092
Reserves		(353,550)	(280,839)
<b>Equity attributable to owners of the Company</b>		<u>117,900</u>	<u>178,253</u>
<b>Non-controlling interests</b>		<u>389,064</u>	<u>387,348</u>
<b>Total equity</b>		<u>506,964</u>	<u>565,601</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	(Unaudited)								
	Attributable to owners of the Company								
	Share capital HK\$' 000	Share premium HK\$' 000	Foreign currencies translation reserve HK\$' 000	Share option reserve HK\$' 000	Convertible bond equity reserve HK\$' 000	Accumulated losses HK\$' 000	Total HK\$' 000	Non-controlling interests HK\$' 000	Total equity HK\$' 000
At 1 April 2013	459,092	3,780,032	(1,222)	8,251	1,263,605	(5,331,505)	178,253	387,348	565,601
Total comprehensive loss for the Period	—	—	(139)	—	—	(72,819)	(72,858)	463	(72,495)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	1,253	1,253
Issue of share on acquisition of a subsidiary	12,358	247	—	—	—	—	12,605	—	12,605
Changes in equity on the period	12,358	247	(139)	—	—	(72,819)	(60,353)	1,716	(58,637)
At 30 September 2013 (unaudited)	<u>471,450</u>	<u>3,780,279</u>	<u>(1,361)</u>	<u>8,251</u>	<u>1,263,605</u>	<u>(5,404,324)</u>	<u>117,900</u>	<u>389,064</u>	<u>506,964</u>
At 1 April 2012	456,092	3,780,032	(1,232)	320	1,263,605	(5,204,365)	294,452	387,913	682,365
Total comprehensive loss for the Period	—	—	(685)	—	—	(65,249)	(65,934)	(208)	(66,142)
Acquisition of a subsidiary	—	—	—	—	—	—	—	97	97
Share-based payments	—	—	—	8,236	—	—	8,236	—	8,236
Changes in equity for the period	—	—	(685)	8,236	—	(65,249)	(57,698)	(111)	(57,809)
At 30 September 2012 (unaudited)	<u>456,092</u>	<u>3,780,032</u>	<u>(1,917)</u>	<u>8,556</u>	<u>1,263,605</u>	<u>(5,269,614)</u>	<u>236,754</u>	<u>387,802</u>	<u>624,556</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)
Net cash (used in)/generated from operating activities	(80,420)	7,217
Net cash used in investing activities	(10,633)	(8,098)
Net cash used in financing activities	<u>(1,773)</u>	<u>(7,770)</u>
Net decrease in cash and cash equivalents	(92,826)	(8,651)
Cash and cash equivalents at the beginning of period	175,877	47,226
Effect of foreign exchange rates change	<u>584</u>	<u>(736)</u>
Cash and cash equivalents at end of period	<u><u>83,635</u></u>	<u><u>37,839</u></u>
Analysis of the balances of cash and cash equivalents:		
Cash and cash equivalents	<u><u>83,635</u></u>	<u><u>37,839</u></u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

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

The Group is principally engaged in exploration and exploitation of mineral resources and trading of coal, metals and bunker fuel.

### 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The unaudited condensed financial statements, which do not include all information and disclosures required by the annual financial statements, should be read in conjunction with the annual report for the year ended 31 March 2013.

The accounting policies and method of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2013 except as described below.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

#### a. Amendments to HKAS 1 “Presentation of Financial Statements”

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. **HKFRS 13 “Fair Value Measurement”**

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

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

4. **FAIR VALUE MEASUREMENTS**

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

a. Disclosures of level in fair value hierarchy at 30 September 2013:

Fair value measurements as at 30 September 2013 using:

Description	Level 1 HK\$' 000	Level 2 HK\$' 000	Level 3 HK\$' 000	Total HK\$' 000
<b>Recurring fair value measurements:</b>				
Financial assets at fair value through profit or loss				
– Listed securities in Hong Kong	1,982	—	—	1,982
Financial liabilities at fair value through profit or loss				
– Contingent consideration payables	—	—	(28,708)	(28,708)
<b>Total recurring fair value measurements</b>	<b>1,982</b>	<b>—</b>	<b>(28,708)</b>	<b>(26,726)</b>

Fair value measurements as at 31 March 2013 using:

Description	Level 1 HK\$' 000	Level 2 HK\$' 000	Level 3 HK\$' 000	Total HK\$' 000
<b>Recurring fair value measurements:</b>				
Financial assets at fair value through profit or loss				
– Listed securities in Hong Kong	9,157	—	—	9,157

b. Reconciliation of liabilities measured at fair value based on level 3:

Description	Financial liabilities at fair value through profit or loss - contingent consideration payables
	2013 HK\$' 000
At 1 April 2013	—
Arising from acquisition of a subsidiary	28,708
	<hr/>
At 30 September 2013	28,708
	<hr/> <hr/>

c. Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September 2013:

The Group either capture market information as direct inputs (level 1 inputs) or adjust captured relevant market information into applicable inputs (level 2 inputs) for the fair value measurements of financial assets or financial liabilities.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements are mainly:

- Expected number of consideration shares to be issued after the profit measurement period from 1 April 2013 to 31 March 2014 as set out in note 18(a) to this interim report ("Estimated Number of Shares").
- Present value of market share prices at the time when the consideration shares are issued ("Estimated Share Price").

### Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 30 September 2013 HK\$' 000
Contingent consideration payables classified as financial liabilities at fair value through profit or loss	Projection of value of consideration shares to be issued	Estimated Number of Shares	0-66,285,000 shares	Increase	28,708
		Estimated Share Price	HK\$0.51	Increase	

## 5. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business segments. The Group organises its business into four segments:

- Mining exploration and exploitation
- Trading of coals
- Trading of bunker fuel
- Trading of metals

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



The following is an analysis of the Group's revenue, results and assets by operating segment for the periods under review:

(a) Segment revenue, results and assets

Information regarding the Group's reportable segments as provided to the Group's chief operating decision-makers is set out below:

	Mining exploration & exploitation		Trading of coals		Trading of bunker fuel		Trading of metals		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue from external customers	—	—	145,932	—	—	93,426	1,614	7,115	147,546	100,541
Segment (loss)/profit before income tax	(52,945)	(54,863)	(7,584)	—	(659)	276	151	(1,232)	(61,037)	(55,819)
	As at 30 September		As at 30 September		As at 30 September		As at 30 September		As at 30 September	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Segment assets	1,105,571	1,105,432	234,229	18,202	1,076	25,670	65,116	38,681	1,405,992	1,187,985

(b) Reconciliation of reportable segment profit and loss

	For the six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Reportable segment loss	(61,037)	(55,819)
Unallocated depreciation	(1,145)	(733)
Unallocated other revenue and net income	950	15
Unallocated corporate expenses	(11,711)	(8,868)
Consolidated loss before income tax	(72,943)	(65,405)

## 6. TURNOVER

Turnover represents the net amounts received and receivable for sales of goods by the Group to outside customers, less good returns and trade discounts. The revenue recognised in turnover during the period is as follows:

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)
Sales of coal	37,757	—	145,932	—
Sales of metals	919	2,562	1,614	7,115
Sales of bunker fuel	—	16,961	—	93,426
	<u>38,676</u>	<u>19,523</u>	<u>147,546</u>	<u>100,541</u>

## 7. OTHER OPERATING INCOME/(LOSS)

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)
Fair value gain/(loss) on financial assets at fair value through profit or loss	96	(518)	40	(1,356)
Dividend income	20	332	57	839
Negative goodwill from acquisition of a subsidiary	99	—	99	—
Interest income from debt investments	—	—	—	281
(Loss)/gain on disposal of fixed asset	(221)	—	51	—
Interest income from loan and receivable	254	162	525	322
Sundry income/(loss)	173	(77)	178	(71)
	<u>421</u>	<u>(101)</u>	<u>950</u>	<u>15</u>

8. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)
Finance lease charges	8	4	18	8
Imputed interest on convertible bonds	27,029	22,963	52,694	44,768
Shareholder's loan interest	—	303	—	638
Others	71	69	74	101
	<u>27,108</u>	<u>23,339</u>	<u>52,786</u>	<u>45,515</u>

9. INCOME TAX CREDIT

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)
Current tax	—	—	—	—
Deferred tax	219	—	219	—
	<u>219</u>	<u>—</u>	<u>219</u>	<u>—</u>

No provision for Hong Kong Profits Tax has been made, as the Group had no assessable profits subject to Hong Kong profits tax during the period (2012: Nil).

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

## 10. LOSS FOR THE PERIOD

Loss for the period is stated after charging the following:

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)
Amortisation	877	—	877	—
Depreciation of property, plant and equipment	657	362	1,145	734
Directors' remuneration	1,127	1,026	2,255	1,880
Operating lease charges in respect of properties	1,216	804	2,384	1,596
	<u>1,216</u>	<u>804</u>	<u>2,384</u>	<u>1,596</u>

## 11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the three months period ended 30 September 2013 of approximately HK\$38,419,000 (2012: approximately HK\$38,181,000) and for the six months period ended 30 September 2013 of approximately HK\$72,819,000 (2012: approximately HK\$65,249,000), and the weighted average number of ordinary shares of 934,795,801 shares (2012: 912,184,080 shares) in issue during the two periods.

Diluted loss per share

As there were no dilutive potential ordinary shares during the Period, no diluted earnings per share is presented.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2013, the Group acquired property, plant and equipment of approximately HK\$2,340,000.

## 13. EXPLORATION AND EVALUATION ASSETS

	Exploration rights HK\$' 000	Evaluation expenditure HK\$' 000	Total HK\$' 000
At 31 March 2013 (audited)	1,087,462	15,861	1,103,323
Additions	<u>738</u>	<u>—</u>	<u>738</u>
At 30 September 2013 (unaudited)	<u><u>1,088,200</u></u>	<u><u>15,861</u></u>	<u><u>1,104,061</u></u>

As at 30 September 2013, Mogan owned two exploration permits to explore iron ore and other associated mineral in specified offshore area with 32,285 hectares in the Leyte Gulf and San Pedro Bay off Leyte and Samar Provinces of the Philippines (the "Exploration Area"). The exploration permits issued by the Mines and Geosciences Bureau of Philippines (the "MGB") is valid for two years from its first renewal date on 22 June 2012 and is renewable for a further term of 2 years.

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

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

### Impairment test

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

Management considered that there has been no material change to the conditions and situations surrounding the explorations and evaluation assets during the Period and that no facts and circumstances indicate that the exploration and evaluation assets are impaired. Accordingly, no impairment on its carrying amount is recognised during the Period.

#### 14. TRADE AND OTHER RECEIVABLES

	As at 30 September 2013 HK\$' 000 (unaudited)	As at 31 March 2013 HK\$' 000 (audited)
Trade receivables	87,040	4,421
Prepayments and purchase deposits	71,637	30,974
Rental and other deposits	23,393	20,690
Other receivables	27,813	20,638
	<u>209,883</u>	<u>76,723</u>

The ageing analysis of trade receivables, based on invoice date, is as follow:

	As at 30 September 2013 HK\$' 000 (unaudited)	As at 31 March 2013 HK\$' 000 (audited)
0 – 90 days	74,903	3,521
91 days to 180 days	10,735	900
Over 180 days	1,402	—
	<u>87,040</u>	<u>4,421</u>

#### 15. TRADE AND OTHER PAYABLES

	As at 30 September 2013 HK\$' 000 (unaudited)	As at 31 March 2013 HK\$' 000 (audited)
Trade payable	126,475	13
Accruals	6,946	4,986
Trade deposit received	137,248	198,402
Contingent consideration payable	28,708	—
Other payables	5,289	2,225
	<u>304,666</u>	<u>205,626</u>

The contingent consideration payable represents an estimate of the probable value of consideration shares to be issued after the profit guarantee period for the acquisition of Brighton completed on 31 May 2013. For details of the acquisition please refer to note 18(a) to the financial information.

The ageing analysis of trade payable, based on invoice date, is as follow:

	As at 30 September 2013 HK\$' 000 (unaudited)	As at 31 March 2013 HK\$' 000 (audited)
0 - 90 days	88,359	13
91 days to 180 days	34,976	—
Over 180 days	3,140	—
	<u>126,475</u>	<u>13</u>

## 16. CONVERTIBLE BONDS

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

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

The net proceeds received from the issue of the Convertible Bonds have been split between the liability component and equity component in accordance with the accounting policy.

During the Period, there is no conversion of the Convertible Bonds.

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

	Liability component HK\$' 000	Equity conversion component HK\$' 000	Principal amount HK\$' 000
At 1 April 2013 (audited)	618,791	1,263,605	1,571,500
Imputed interest charged for the Period	52,694	—	—
At 30 September 2013 (unaudited)	<u>671,485</u>	<u>1,263,605</u>	<u>1,571,500</u>

The imputed interest charged for the Period is calculated by applying an effective interest rate of 17.7% to the liability component for the Period since the bonds were issued.

## 17. SHARE CAPITAL

	As at 30 September 2013 HK\$' 000 (unaudited)	As at 31 March 2013 HK\$' 000 (audited)
Authorised:		
2,000,000,000 ordinary shares of HK\$0.5 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
942,899,080 (At 31 March 2013: 918,184,080) ordinary shares of HK\$0.5 each	<u>471,450</u>	<u>459,092</u>

A summary of the movements in the issued share capital of the Company is as follows:

	Note	Number of shares issued	Nominal value of shares issued HK\$' 000
At 1 April 2012 (audited)		912,184,080	456,092
Issue of share on exercise of share options	(a)	<u>6,000,000</u>	<u>3,000</u>
At 31 March 2013 and 1 April 2013 (audited)		918,184,080	459,092
Issue of share on acquisition of a subsidiary	(b)	<u>24,715,000</u>	<u>12,358</u>
At 30 September 2013 (unaudited)		<u>942,899,080</u>	<u>471,450</u>

Notes:

- (a) During the year ended 31 March 2013, an option holder exercises 6,000,000 share options to subscribe for 6,000,000 ordinary shares of HK\$0.5 each at a consideration of HK\$3,000,000.
- (b) On 31 May 2013, the Company issued 24,715,000 ordinary new shares as consideration for the acquisition of a subsidiary, details of which are set out in note 18(a) of this interim report.



## 18. ACQUISITION OF SUBSIDIARIES

- (a) On 31 May 2013, the Group acquired 100% of the issued share capital of Brighton Asia Pacific Investment Holdings Limited ("Brighton"). Brighton holds the entire equity interest in a PRC company which is principally engaged in trading of coal during the period.

According to the sale and purchase agreement dated 27 March 2013 and a related supplemental agreement dated 10 May 2013 entered into between a subsidiary of the Company, Black Sand Enterprises Limited and Brighton Asia Pacific Investment Limited, the consideration of the acquisition of Brighton will be settled by way of:

- (i) allotting and issuing 24,715,000 ordinary shares of the Company upon completion date;
- (ii) allotting and issuing up to a further of 66,285,000 contingent ordinary shares of the Company, depending on the upcoming financial performance of Brighton for the period from 1 April 2013 to 31 March 2014.

Details of this acquisition were set out in the Company's announcements and circular dated 31 May 2013 and 10 May 2013 respectively.

The total estimated purchase consideration was determined at HK\$41,313,000, which consist of fair value of shares issued upon completion amounted to HK\$12,605,000 and fair value of contingent consideration payables amounted to HK\$28,708,000 as at the date of completion.

The estimated purchase consideration has been allocated to the identifiable assets and liabilities acquired with reference to the fair value determined by an independent valuer appointed by the Directors, as follows:

	HK\$' 000
Property, plant and equipment	4,485
Investment properties	13,925
Intangible assets	26,312
Inventories	528
Trade receivables	47,826
Prepayments, deposits and other receivables	14,855
Cash and bank balances	1,198
Trade and other payables	(64,412)
Deferred tax liabilities	(8,103)
	<hr/>
Net assets acquired	36,614
Goodwill	4,699
	<hr/>
Total estimated purchase consideration	41,313
	<hr/> <hr/>
Satisfied by:	
Fair value of ordinary shares issued upon completion of the acquisition	12,605
Estimated contingent consideration payable as at date of acquisition	28,708
	<hr/>
	41,313
	<hr/> <hr/>
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	1,198
	<hr/> <hr/>

The goodwill arising on the acquisition of Brighton is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Brighton incurred approximately loss of HK\$2,029,000 to the Group's loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2013, total Group turnover for the period would have been approximately HK\$148,902,000, and loss for the period would have been approximately HK\$73,538,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2013, nor is intended to be a projection of future results.

- (b) On 13 September 2013, the Group acquired 100% of the issued share capital of Evotech (Asia) Pte Ltd ("Evotech") at a consideration of S\$3,600,000 (equivalent to approximately HK\$22,057,200). Evotech was engaged in the scrap metal trading business during the period.

The fair value of the identifiable assets and liabilities of Evotech acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

	HK\$' 000
Property, plant and equipment	42,361
Intangible assets	640
Inventories	6,567
Trade receivables	1,402
Prepayments, deposits and other receivables	4,243
Cash and bank balances	1,684
Trade and other payables	(19,727)
Bank borrowings	(15,014)
	<hr/>
Net assets acquired	22,156
Negative goodwill	(99)
	<hr/>
Total consideration satisfied by cash	22,057
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid in previous periods	22,057
Cash and cash equivalents acquired	(1,684)
	<hr/>
	20,373
	<hr/> <hr/>

The results of the above new subsidiary has had no material impact on the Group's consolidated turnover or loss for the period ended 30 September 2013 since the date of acquisition.

If the acquisition had been completed on 1 April 2013, total Group turnover for the period would have been approximately HK\$163,621,000, and loss for the period would have been approximately HK\$74,681,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2013, nor is intended to be a projection of future results.

## 19. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the period:

### (a) Amount due from a director

Amount due from a director pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name	Terms	As at 30 September 2013 HK\$' 000 (unaudited)	As at 31 March 2013 HK\$' 000 (audited)	Maximum amount outstanding during the period HK\$' 000 (unaudited)
Mr. Cheung Hung Man	Unsecured, interest-free and no fixed repayment terms	109	109	109

### (b) Amounts due to directors

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

### (c) Key management personnel remuneration

Remuneration paid/payable to key management personnel of the Group, including the emoluments of the Company's directors and the highest paid individuals, is as follows:

	For the six months ended 30 September	
	2013 HK\$' 000 (unaudited)	2012 HK\$' 000 (unaudited)
Salaries, bonus and allowances	2,255	1,880
Retirement benefits scheme contributions	23	17
	<u>2,278</u>	<u>1,897</u>

### (d) Security provided by a shareholder

Pursuant to the security document dated 13 March 2013 and a supplemental and amendment deed dated 11 October 2013 entered into between a shareholder of the Company, Kesterion Investment Limited ("Kesterion") and China Shipbuilding Industrial Complete Equipment and Logistics Company Limited ("CSICEL"), Kesterion granted security over its interest in the shares of the Company and the Convertible Bonds as a continuing security to CSICEL to guarantee the due and punctual performance and observance of certain contractual obligations and liabilities by the Group under the trade contracts entered into between the Group and CSICEL in relation to trading of bunker fuel oil and coal.

## 20. LEASE COMMITMENTS

At 30 September 2013 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 September 2013 HK\$'000 (unaudited)	As at 31 March 2013 HK\$'000 (audited)
Within one year	1,568	3,697
In the second to fifth years inclusive	92	181
	<u>1,660</u>	<u>3,878</u>

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for terms ranging from one to three years.

## 21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 13 November 2013.

## INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2013 (2012: Nil).

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

As at 30 September 2013, the interests of each Director and chief executive 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 and short positions in Shares of the Company

Name of directors/ chief executive	Number of Shares		Approximate percentage of shareholding	Capacity
Michael Koh Tat Lee	272,829,600	(L)	28.94	Interest of spouse <i>(Note 1)</i>
	252,153,400	(S) <i>(Note 5)</i>	26.74	Interest of spouse <i>(Note 1)</i>
Liang Tong Wei	100,000,000	(L)	10.61	Beneficial owner
Cheung Hung Man	66,285,000	(L)	7.03	Interest of controlled corporation
	50,010,000	(L)	5.30	Beneficial owner
Sub-total:	<u>116,295,000</u>	(L)	<u>12.33</u>	<i>(Note 2)</i>
Eng Wee Meng	1,400,000	(L)	0.15	Beneficial owner <i>(Note 3)</i>
Yin Mark Teh-min	50,000	(L)	0.01	Interest of spouse
	7,600	(L)	—	Beneficial owner
Sub-total:	<u>57,600</u>		<u>0.01</u>	<i>(Note 4)</i>

(L) — Long position; (S) — Short position

*Notes:*

1. Ms. Wong Eva, being the wife of Mr. Michael Koh Tat Lee ("Mr. Koh"), is interested in 272,829,600 Shares. Therefore, Mr. Koh is deemed to be interested in 272,829,600 Shares.
2. Mr. Cheung Hung Man ("Mr. Cheung") is interested in 50,010,000 Shares and at maximum 66,285,000 Shares to be issued to Brighton Asia Pacific Investment Limited (or the nominee(s) as it may direct), a company wholly-owned by Mr. Cheung, according to the terms of the sale and purchase agreement dated 27 March 2013.
3. Mr. Eng Wee Meng was granted an option to subscribe 1,400,000 Shares on 27 March 2013 under the Share Option Scheme adopted by the Company on 30 July 2012.
4. Ms. Wong Shu Wah, Ceci, being the wife of Mr. Yin Mark Teh-min ("Mr. Yin"), is interested in 50,000 Shares. Accordingly, Mr. Yin is deemed to be interested in such 50,000 Shares. Mr. Yin also holds 7,600 Shares as beneficial owner. Therefore, Mr. Yin is interested in 57,600 Shares.
5. Pursuant to the security document dated 13 March 2013 and a supplemental and amendment deed dated 11 October 2013 entered into between Kesterion Investments Limited (a company wholly-owned by Ms. Eva Wong) and China Shipbuilding Industrial Complete Equipment and Logistics Company Limited, a security over the 252,153,400 Shares and the Convertible Bonds held by Kesterion Investments Limited (upon the full conversion at a conversion price of HK\$22.79 per conversion share, a total of 68,955,682 Shares shall be issued to Kesterion Investments Limited) was created in favour of China Shipbuilding Industrial Complete Equipment and Logistics Company Limited.

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

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSABLE UNDER THE SFO

As at 30 September 2013, the following persons (other than Directors and chief executives of the Company) had an interest and/or a short position in the Shares or underlying Shares in respect of equity derivatives of the Company that has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO):

### Long and short 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 (L)	28.91	Beneficial owner ( <i>Note 1</i> )
	252,153,400 (S)	26.74	Beneficial owner ( <i>Note 3</i> )
Wong, Eva	272,558,400 (L)	28.91	Interest of controlled corporation ( <i>Note 1</i> )
	271,200 (L)	0.03	Beneficial owner
Sub-total:	272,829,600 (L)	28.94	
Michael Koh Tat Lee	272,829,600 (L)	28.94	Interest of spouse ( <i>Note 1</i> )
Liang Tong Wei	100,000,000 (L)	10.61	Beneficial owner
Cheung Hung Man	50,010,000 (L)	5.30	Beneficial owner ( <i>Note 2</i> )

(L) - Long position; (S) - Short position

## Long and short 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(L)	7.31%	Beneficial owner <i>(Note 1)</i>
	68,955,682(S)	7.31%	Beneficial owner <i>(Note 3)</i>
Wong, Eva	68,955,682(L)	7.31%	Interest of controlled corporation <i>(Note 1)</i>
Michael Koh Tat Lee	68,955,682(L)	7.31%	Interest of spouse <i>(Note 1)</i>
Brighton Asia Pacific Investment Limited	66,285,000(L)	7.03%	Beneficial owner <i>(Note 2)</i>
Cheung Hung Man	66,285,000(L)	7.03%	Interest of controlled corporation <i>(Note 2)</i>
China Shipbuilding Industrial Complete Equipment and Logistics Company Limited	321,109,082(L)	34.06%	Security Interest <i>(Note 3)</i>

### Notes:

1. 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 December 2008 as part of considerations for the acquisition of First Pine Enterprises Limited. The entire issued share capital of Kesterion Investments Limited is beneficially owned by Ms. Eva Wong ("Ms. Wong"). Ms. Wong, is the sister-in-law of a non-executive Director of the Company Mr. Yin Mark Teh-min. Mr. Michael Koh Tat Lee, being the husband of Ms. Wong, is deemed to be interested in such 68,955,682 shares.
2. Mr. Cheung Hung Man ("Mr Cheung") is interested in 50,010,000 Shares and a maximum of 66,285,000 shares shall be issued to Brighton Asia Pacific Investment Limited (or the nominee(s) as it may direct) according to the term of the sale and purchases agreement dated 27 March 2013. The entire issued share capital of Brighton Asia Pacific Investment Limited is beneficially owned by Mr. Cheung.
3. Pursuant to the security document dated 13 March 2013 and a supplemental and amendment deed dated 11 October 2013 entered into between Kesterion Investments Limited and China Shipbuilding Industrial Complete Equipment and Logistics Company Limited, a security over the 252,153,400 Shares and the Convertible Bonds held by Kesterion Investments Limited (upon the full conversion at a conversion price of HK\$22.79 per conversion share, a total of 68,955,682 Shares shall be issued to Kesterion Investments Limited) was created in favour of China Shipbuilding Industrial Complete Equipment and Logistics Company Limited. None of the Directors is a director or an employee of China Shipbuilding Industrial Complete Equipment and Logistics Company Limited.



## SHARE OPTION SCHEME

### OLD SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the shareholders of the Company on 25 April 2002 (the “Old Share Option Scheme”), the Old Share Option Scheme became effective on 25 April 2002 and terminated on 24 April 2012. However, all share options granted prior to the termination of the Old Share Option Scheme will remain in full force and effect. As at 30 September 2013, the number of share options outstanding under the Old Share Option Scheme were 262,800 shares.

### NEW SHARE OPTION SCHEME

On 30 July 2012, the Company adopted a new share option scheme (the “New Share Option Scheme”). The New Share Option Scheme was 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 29 July 2022. Under the New Share Option Scheme, the Board 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 New 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.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

Options granted must be taken up within thirty 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 board of Directors (the “Board”) 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 Board 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.

Options do not confer rights on the holder to dividends or to vote at shareholders’ meetings.

Under the New Share Option Scheme, if the options remain unexercised after a period of 3 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Details of the options granted, lapsed or exercised under the Old Share Option Scheme and New Share Option Scheme are as follows:

Category of grantee	Option type	Date of grant of the options	Exercise period	Exercise price of the options (HK\$)	Closing price of the Shares immediately before the date of granting the options (HK\$)	Number of options outstanding as at 1 April 2013	Number of options granted during the period	Number of options exercised during the period	Number of options or the share options scheme during the period	Number of options lapsed in accordance with the terms of the options or the share options scheme during the period	Number of options outstanding as at 30 September 2013
Consultants & advisers	Old Share Option Scheme	6 Mar 07	6 Mar 07 to 5 Mar 17	3.58 <i>(Note 1)</i>	0.20	262,800	—	—	—	—	262,800 <i>(Note 1)</i>
Consultants & advisers	New Share Option Scheme	21 Aug 12	21 Aug 12 to 20 Aug 15	0.50	0.485	80,150,000	—	—	—	—	80,150,000
Staff	New Share Option Scheme	21 Aug 12	21 Aug 12 to 20 Aug 15	0.50	0.485	3,600,000	—	—	—	—	3,600,000
Director	New Share Option Scheme	27 Mar 13	27 Mar 13 to 26 Mar 16	0.55	0.51	1,400,000	—	—	—	—	1,400,000
Total						<u>85,412,800</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>85,412,800</u>
Weighted average exercise price						<u>HK\$0.51</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>HK\$0.51</u>

*Note:*

- The number of shares issuable under the Old Share Option Scheme and the exercise price were adjusted due to the completion of capital reorganization and share consolidation and right issue in February to March 2011.

The weighted average share price at the date of exercise for share options exercised during the Period was HK\$0.51. The options outstanding at the end of the Period have a weighted average remaining contractual life of 1.90 years (2012: 2.89 years) and the exercise prices range from HK\$0.5 to HK\$3.58 (2012: HK\$0.5 to HK\$3.58).

## 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 six months ended 30 September 2013.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Other than the Share Option Scheme, no time during the Period was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of 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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company has not redeemed any of its listed securities during the six months ended 30 September 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 30 September 2013.

## **CORPORATE GOVERNANCE**

Throughout the Period, the Company has adopted and complied with the code provisions set out in Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 of the GEM Listing Rules except for the deviation described below.

Under code provision A.6.7 of the CG code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some directors of the Company were unable to present at the general meeting held on 28 May 2013 and the annual general meeting held on 25 July 2013 due to their other important engagement at the relevant time.

Under code provision E.1.2 of the CG code, the chairman of the board should attend the annual general meeting. The chairman of the Company was unable to present at the annual general meeting held on 25 July 2013 as he was away on a business trip.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of quarterly, interim and annual results. The Company confirms that, having made specific enquiry from all Directors, all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the six months ended 30 September 2013.

## AUDIT COMMITTEE

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

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

Hong Kong, 13 November 2013

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

