Asia Coal Limited
亞洲煤業有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 835)

ANNOUNCEMENT OF ANNUAL AUDITED RESULTS FOR THE YEAR ENDED 31ST MARCH 2012

The board of directors (the "Board") of Asia Coal Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2012

		Continuing Operations		Discontinued Operation		Total	
		2012	2011	**2012**	2011	**2012**	2011
	NOTES	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	3	**10,305**	7,800	**869**	731	**11,174**	8,531
Cost of sales		**(4,466)**	(5,272)	**(1,170)**	(1,405)	**(5,636)**	(6,677)
Gross profit (loss)		**5,839**	2,528	**(301)**	(674)	**5,538**	1,854
Other income	5	**1,210**	10,295	**1**	1	**1,211**	10,296
Selling and distribution expenses		**(23,982)**	(22,788)	**–**	–	**(23,982)**	(22,788)
Administrative expenses		**(20,827)**	(30,572)	**(1,300)**	(452)	**(22,127)**	(31,024)
Finance costs	6	**(21,929)**	(20,907)	**–**	–	**(21,929)**	(20,907)
Impairment loss on prepayments		**–**	(15,653)	**–**	–	**–**	(15,653)
Impairment loss on exploration and evaluation assets		**(244,859)**	–	**–**	–	**(244,859)**	–
Compensation expense on rescission of contract		**–**	(129,468)	**–**	–	**–**	(129,468)
Loss on disposal of a subsidiary		**–**	–	**(3,106)**	–	**(3,106)**	–
Loss before tax		**(304,548)**	(206,565)	**(4,706)**	(1,125)	**(309,254)**	(207,690)
Taxation	7	**–**	–	**–**	–	**–**	–
Loss for the year	8	**(304,548)**	(206,565)	**(4,706)**	(1,125)	**(309,254)**	(207,690)
Other comprehensive (expense) income:							
Exchange differences arising on translation of foreign operations		**(456)**	491	**(8)**	8	**(464)**	499
Total comprehensive expense for the year		**(305,004)**	(206,074)	**(4,714)**	(1,117)	**(309,718)**	(207,191)

	NOTES	Total 2012 HK$'000	2011 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(306,945)**	(207,064)
Non-controlling interests		**(2,309)**	(626)
		(309,254)	(207,690)
Total comprehensive expense attributable to:			
Owners of the Company		**(307,409)**	(206,576)
Non-controlling interests		**(2,309)**	(615)
		(309,718)	(207,191)
LOSS PER SHARE	*9*		
From continuing and discontinued operations			
Basic and diluted		**(15.33) HK cents**	(12.42) HK cents
From continuing operations			
Basic and diluted		**(15.21) HK cents**	(12.38) HK cents
From discontinued operation			
Basic and diluted		**(0.12) HK cents**	(0.03) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,028**	9,844
Exploration and evaluation assets		**145,000**	391,349
		147,028	401,193
Current assets			
Inventories – finished goods		**2,266**	1,556
Trade and other receivables	*12*	**2,876**	6,231
Pledged bank deposits		**1,723**	1,720
Bank balances and cash		**3,346**	5,946
		10,211	15,453
Current liabilities			
Trade and other payables and accrued charges	*13*	**13,531**	14,737
Amounts due to related parties		**50,610**	20,768
Amount due to a non-controlling shareholder of a subsidiary		**2,819**	2,812
Obligations under finance leases – due within one year		**22**	30
Convertible bonds		**90,876**	158,501
Secured bank overdrafts		**1,342**	1,331
		159,200	198,179
Net current liabilities		**(148,989)**	(182,726)
Total assets less current liabilities		**(1,961)**	218,467
Non-current liabilities			
Obligations under finance leases – due after one year		**29**	71
Convertible bonds		**71,401**	63,941
		71,430	64,012
Net (liabilities) assets		**(73,391)**	154,455
CAPITAL AND RESERVES			
Share capital		**210,528**	166,875
Reserves		**(281,240)**	(12,050)
Equity attributable to owners of the Company		**(70,712)**	154,825
Non-controlling interests		**(2,679)**	(370)
		(73,391)	154,455

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

(b) In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the fact that its current liabilities exceeded its current assets by HK$148,989,000 and its total liabilities exceeded its total assets by HK$73,391,000 as at 31st March 2012 and incurred a loss of approximately HK$309,254,000 for the year then ended. In addition, the coal mining business has not yet started to contribute any cash flow to the Group as at the end of the reporting period. The consolidated financial statements have been prepared on a going concern basis as the directors believe that the measures as detailed below will improve the financial position of the Group.

(i) The Group obtained a confirmation from a director of the Company such that the said director will not demand repayment of the amount due to him of approximately HK$43 million as at 31st March 2012 in the next twelve months from the date of approval of these consolidated financial statements.

(ii) CEC Resources and Minerals Holdings Limited, a substantial shareholder and the convertible bond holder with principal amount of HK$100,000,000 of the Company, has also agreed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due.

(iii) The management has prepared a detailed cost-saving plan to reduce administrative expenses including directors' emoluments and discretionary bonus.

(iv) The management intends to reduce all non-essential costs of development of mine basin until the Group has sufficient funding for the operation.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised standards and interpretations applied in the current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

New and revised standards and interpretations issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1st July 2011.
[2] Effective for annual periods beginning on or after 1st January 2013.
[3] Effective for annual periods beginning on or after 1st January 2015.
[4] Effective for annual periods beginning on or after 1st January 2012.
[5] Effective for annual periods beginning on or after 1st July 2012.
[6] Effective for annual periods beginning on or after 1st January 2014.

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial instruments* (as revised in November 2010) 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: Recognition and Measurement* 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.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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.

The application of HKFRS 9 *Financial Instruments* (as issued in November 2009) will not affect the classification and measurement of the Group's financial assets. The Group's financial assets are classified as loans and receivables and are held within a business model with an objective to collect the contractual cash flows and the contractual cash flows that are solely payments of principal and interest on the principal outstanding so these financial assets will continue to be measured at amortised cost.

The application of HKFRS 9 *Financial Instruments* (as issued in November 2010) is not expected to have impact on the classification and measurement of the Group's financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2015, with earlier application permitted.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for its financial year beginning on 1st April 2013. The application of the standard is not expected to have significant impact on amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold and services provided, net of discounts, to outside customers during the year.

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Sales of health and beauty products	**7,750**	6,918
Provision of beauty services	**2,555**	882
	10,305	7,800
Discontinued operation		
Provision of logistic services	**869**	731
	11,174	8,531

4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker, the Chairman of the Group, for the purposes of resource allocation and performance assessment. The report are analysed based on categories of business. Three operating segments were presented:

1) Health and beauty products and services
2) Coal mining
3) Logistic services

A segment regarding logistic services was discontinued following the disposal of a subsidiary in July 2011. Details of the discontinued operation are set out in note 10.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment:

	Continuing operations						Discontinued operation		Total	
	Health and beauty products and services		Coal mining		Total		Logistic services			
	2012 **_HK$'000_**	2011 _HK$'000_	**2012** **_HK$'000_**	2011 _HK$'000_	**2012** **_HK$'000_**	2011 _HK$'000_	**2012** **_HK$'000_**	2011 _HK$'000_	**2012** **_HK$'000_**	2011 _HK$'000_
Revenue										
External sales	**10,305**	7,800	**–**	–	**10,305**	7,800	**869**	731	**11,174**	8,531
Segment loss	**(23,655)**	(25,280)	**(250,457)**	(18,415)	**(274,112)**	(43,695)	**(1,601)**	(1,153)	**(275,713)**	(44,848)
Unallocated income										
– Interest income					**5**	3	**1**	1	**6**	4
– Compensation income					**–**	10,000	**–**	–	**–**	10,000
– Other income					**792**	–	**–**	–	**792**	–
Unallocated expenses										
– Compensation expense on rescission of contract					**–**	(129,468)	**–**	–	**–**	(129,468)
– Central administration costs					**(9,304)**	(22,498)	**–**	27	**(9,304)**	(22,471)
– Finance costs					**(21,929)**	(20,907)	**–**	–	**(21,929)**	(20,907)
– Loss on disposal of a subsidiary					**–**	–	**(3,106)**	–	**(3,106)**	–
Loss before tax					**(304,548)**	(206,565)	**(4,706)**	(1,125)	**(309,254)**	(207,690)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss incurred by each segment without allocation of interest income, compensation income, other income, compensation expense on rescission of contract, loss on disposal of a subsidiary, central administration costs and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Other segment information

	Continuing operations								Discontinued operation		Total	
	Health and beauty products and services		Coal mining		Unallocated		Total		Logistic services			
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:												
Capital expenditure	**1,053**	2,509	**1,084**	4,269	**11**	319	**2,148**	7,097	**179**	6,624	**2,327**	13,721
Depreciation	**1,808**	1,497	**176**	182	**344**	377	**2,328**	2,056	**555**	543	**2,883**	2,599
Impairment loss recognised in respect of trade and other receivables	**–**	–	**2,409**	1,300	**–**	–	**2,409**	1,300	**567**	–	**2,976**	1,300
Impairment loss on exploration and evaluation assets	**–**	–	**244,859**	–	**–**	–	**244,859**	–	**–**	–	**244,859**	–
Loss on disposal of property, plant and equipment	**479**	–	**–**	66	**–**	14	**479**	80	**29**	–	**508**	80
Write-down of inventories	**186**	–	**–**	–	**–**	–	**186**	–	**–**	–	**186**	–

5. OTHER INCOME

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**5**	3	**1**	1	**6**	4
Compensation income	**–**	10,000	**–**	–	**–**	10,000
Recovery of bad debt	**131**	–	**–**	–	**131**	–
Waived of amount due to a related party	**792**	–	**–**	–	**792**	–
Others	**282**	292	**–**	–	**282**	292
	1,210	10,295	**1**	1	**1,211**	10,296

6. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on						
– bank overdrafts	**73**	16	**–**	–	**73**	16
– obligations under finance leases	**5**	8	**–**	–	**5**	8
– amount due to a related party	**144**	–	**–**	–	**144**	–
Effective interests expense on convertible bonds	**21,707**	20,883	**–**	–	**21,707**	20,883
	21,929	20,907	**–**	–	**21,929**	20,907

7. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made as the Group incurred tax losses for both years.

No provision for taxation has been made for the Group's subsidiaries operating outside Hong Kong (i.e. PRC and Mongolia) as there was no assessable profit and incurred tax losses.

8. LOSS FOR THE YEAR

	Continuing operations		**Discontinued operation**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the year has been arrived at after charging (crediting):						
Staff costs (including directors' remuneration):						
Salaries and other benefits	**16,308**	17,256	**594**	765	**16,902**	18,021
Retirement benefits scheme contributions	**574**	446	**–**	–	**574**	446
Equity-settled share-based payment expense	**–**	3,122	**–**	–	**–**	3,122
Total employee benefits expenses	**16,882**	20,824	**594**	765	**17,476**	21,589
Auditors' remuneration	**1,218**	1,217	**–**	9	**1,218**	1,226
Cost of inventories recognised as an expense	**2,513**	3,338	**–**	–	**2,513**	3,338
Write-down of inventories	**186**	–	**–**	–	**186**	–
Depreciation of property, plant and equipment	**2,328**	2,056	**555**	543	**2,883**	2,599
Loss on disposal of property, plant and equipment	**479**	80	**29**	–	**508**	80
Operating lease rentals in respect of rented premises	**8,808**	10,639	**49**	20	**8,857**	10,659
Impairment loss recognised in respect of trade and other receivables	**2,409**	1,300	**567**	–	**2,976**	1,300
Net exchange loss (gain)	**2,130**	(2,973)	**282**	(131)	**2,412**	(3,104)

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(306,945)**	(207,064)

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,002,774,119**	1,667,630,060

The calculation of diluted loss per share for the year ended 31st March 2012 and 2011 has not assumed the conversion of the Company's convertible bonds and exercise of the share options as these potential ordinary shares are anti-dilutive during the respective financial years.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(306,945)**	(207,064)
Less: Loss for the year from discontinued operation attributable to owners of the Company	**(2,400)**	(574)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(304,545)**	(206,490)

The number of shares used are the same as those detailed above for basic and diluted loss per share from continuing and discontinued operations.

From discontinued operation

Basic and diluted loss per share from discontinued operation is calculated based on the loss for the year from discontinued operation of HK$2,400,000 (2011: HK$574,000) and the number of shares detailed above for basic and diluted loss per share from continuing and discontinued operations.

10. DISCONTINUED OPERATION

In July 2011, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in TTC&T LLC ("TTC&T"), which carried out the Group's logistic services business. The logistic services segment was discontinued upon the completion of disposal of TTC&T on 31st July 2011.

The loss for the year from the discontinued operation is analysed as follows:

	2012	2011
	HK$'000	*HK$'000*
Loss from logistic services business for the year	**(1,600)**	(1,125)
Loss on disposal of a subsidiary	**(3,106)**	–
	(4,706)	(1,125)

The cash flows of discontinued operation contributed to the Group were as follows:

	2012	2011
	HK$'000	*HK$'000*
Net cash from operating activities	**276**	3,998
Net cash used in investing activities	**(464)**	(6,624)
Net cash from financing activities	**16**	2,813
Net cash (outflows) inflows	**(172)**	187

11. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year (2011: Nil).

12. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**215**	708
Other receivables, deposits and prepayments	**2,661**	5,523
	2,876	6,231

The Group has a policy of allowing credit periods ranging from 15 days to 90 days to its trade customers. The following is an analysis of trade receivable by age, presented based on the invoice date at the end of the reporting period:

	2012	2011
	HK$'000	*HK$'000*
0 to 90 days	**215**	708

13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is an analysis of trade payables by age presented based on the invoice date at the end of the reporting period:

	2012	2011
	HK$'000	*HK$'000*
Trade payables:		
0 to 90 days	**2,073**	3,577
91 to 180 days	**–**	1,780
181 to 365 days	**1,815**	–
Over 365 days	**291**	523
	4,179	5,880
Deposits received from customers	**2,465**	2,383
Accrued charges	**4,376**	5,216
Other payables	**2,511**	1,258
	13,531	14,737

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT

The following are extracted from the independent auditor's report with modification:

Basis for Disclaimer of Opinion

As set out in note 2 to the consolidated financial statements, the Group had net current liabilities of approximately HK$148,989,000 and net liabilities of approximately HK$73,391,000 as at 31st March 2012. The Company is pursuing certain measures as set out in note 2 to the consolidated financial statements to improve the Group's liquidity and financial position. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the outcome of these measures. As set out in note 2 to the consolidated financial statements, the Group relies heavily on the financial support or funds from other parties including a director of the Company and a substantial shareholder who is also a convertible bond holder. The funding from these parties is the major source of financing option of the Group as the coal mining business of the Group has not yet started to contribute any cash flow to the Group as at the end of the reporting period. These matters indicate the existence of material uncertainties which cast significant doubt about the Group's ability to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. 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.

Emphasis of Matter

We draw attention to note 19 to the consolidated financial statements. The Group owns two mining rights in Mongolia which may be revoked as a result of the enactment of the Mining Prohibition Law (the "MPL"). According to the MPL, the affected license holders, including the Group, are to be compensated but the details of the compensation are not currently available. If the Group's mining rights are revoked due to the MPL and the compensation received by the Group is significantly less than the carrying amounts of these concessions, the Group would incur a significant impairment loss on the related exploration and evaluation assets. The ultimate outcome of this matter cannot presently be determined and no provision for an impairment, if any, that may result from the above matter has been made in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year, the Group continued to engage in coal mining business and distribution of health and beauty products and services. But the logistic services business has been discontinued during the year.

In the coal mining segment, the Group continued to hold the mining rights to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia. The JORC compliant resources report prepared by independent technical advisers shows estimated resources for the Saikhan Ovoo coal deposit in excess of 190 million tonnes. The coal resources estimated (on air dry basis) based on the analytical work on 165 coal samples taken from 27 boreholes with a total of 5,222 metres drilled are as follows:

JORC Class	Volumn, m^3	Tonnes
Measured	6,565,000	11,467,000
Indicated	64,852,000	112,831,000
Inferred	39,057,000	69,494,000
Total	110,474,000	193,792,000

Owing to the tight cashflow and the cost-saving measures of the Group, minimal exploration work has been carried out on the mine during the year.

In the health and beauty segment, new Dermagram product lines including the Sakura Whitening Program, the Derma V Program and the UV Solution have been launched during the year to provide more comprehensive product range for the customers.

In July 2011, the Group disposed of a subsidiary in the logistic services segment at a consideration of HK$2 million because of the continuing losses and unsatisfactory performance of the segment and has discontinued its logistic services business.

Financial Review

Results Analysis

For the year ended 31st March 2012, the Group generated a consolidated turnover of approximately HK$11.2 million, representing an increase by HK$2.6 million or 31.0% as compared to that of last financial year. The increase in turnover was mainly due to the higher sales income generated by Dermagram products and facial services as new products lines are launched and brand awareness is enhanced.

The Group recorded a gross profit of approximately HK$5.5 million, representing a HK$3.7 million or 198.7% increase as compared to that of last financial year. The gross profit margin also increased from 21.7% as recorded in previous year to 49.6% for the year under review. The higher gross profit and gross profit margin were attributable to the health and beauty products and services segment as detailed in the segmental analysis section below.

Loss attributable to owners of the Company increased to approximately HK$307 million from HK$207 million as recorded in the previous financial year. The increase in loss was mainly due to the impairment loss on exploration and evaluation assets of approximately HK$244.9 million recorded during the year, the loss on disposal of a subsidiary amounting to approximately HK$3.1 million recorded during the year and the nonrecurring compensation income of HK$10 million recorded in the previous financial year, but the effect of which was partly offset by the decrease in administrative expenses by approximately HK$8.9 million and the nonrecurring impairment loss on prepayments approximately HK$15.7 million recorded in the previous financial year and compensation expense on rescission of contract of HK$129.5 million recorded in the previous financial year.

Segmental Analysis

Coal Mining

Approximately HK$1 million additional expenditures for the exploration and evaluation work of the Saikhan Ovoo coal deposit were incurred and capitalised as exploration and evaluation assets during the year.

An impairment loss on exploration and evaluation assets of approximately HK$244.9 million was recognised during the year. The fair value of the exploration and evaluation assets has been determined on the basis of market-based approach provided by Peak Vision Appraisals Limited, an independent qualified valuer. The valuation was determined by reference to similar market prices for similar assets in the similar locations and conditions and has been prepared in accordance with the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum.

Health and Beauty Products and Services

During the year under review, sales of health and beauty products and provision of beauty services amounted to approximately HK$10.3 million, representing an increase by HK$2.5 million or 32.1% as compared with that of last financial year. Gross profit of the segment also increased by HK$3.3 million or 131.0% to approximately HK$5.8 million this year and the gross profit margin of the segment also increased from 32.4% as recorded in previous year to 56.7% for this year. The improvements over the previous financial year are mainly due to significant increase in sales of Dermagram products and facial services as new Dermagram product lines are launched and brand awareness is enhanced. The segment recorded a higher gross profit margin for the year as greater proportion of revenue was contributed by the higher-margin Dermagram products and facial services while the revenue generated by the lower-margin OEM products lessened during the year due to the rather unsteady demand for the OEM products.

The segmental loss for the year decreased slightly to approximately HK$23.7 million from HK$25.3 million as recorded in the previous financial year as a result of the higher turnover and gross profit generated by Dermagram products and facial services during the year.

Logistic Services

During the year, the logistic services segment generated revenue of approximately of HK$0.9 million and gross loss of approximately HK$0.3 million before its discontinuance. Because of the continuing losses and unsatisfactory performance of the segment, the Group disposed of TTC&T LLC, a subsidiary that carried out the logistic services business at a consideration of HK$2 million and has discontinued this business segment during the year. The loss for the year from the discontinued operation was approximately HK$4.7 million, including loss on disposal of a subsidiary of approximately HK$3.1 million.

Financial Resources, Liquidity and Capital Structure

As at 31st March 2012, the Group held cash and bank balances amounting to approximately HK$5,069,000 (2011: HK$7,666,000) while the total borrowings of the Group were approximately HK$216,648,000 (2011: HK$246,165,000). As at 31st March 2012, the borrowings included bank overdrafts and the outstanding liability component of the convertible bonds issued in July 2008 (the "GF Convertible Bonds") and in February 2011 (the "Termination Convertible Bonds"). The GF Convertible Bonds and the Termination Convertible Bonds with respective outstanding principal amounts of HK$109,089,015 and HK$110,000,000 are zero coupon, unsecured and have a maturity of five years from the issue date. The holders of the convertible bonds have the right to require the Company to redeem at 100% of the principal amount of all or part of the outstanding amount of the convertible bonds from the next date following the third anniversary of the issue date to the date immediately before the maturity date. As at 31st March 2012, the borrowings also included amounts due to related parties and a non-controlling shareholder of a subsidiary. These amounts are unsecured, interest-free and repayable on demand except for an amount due to a related party, CEC Resources and Minerals Holdings Limited of approximately HK$7,094,000 which carries interest at 4% per annum and shall be repaid in full on the maturity date, i.e. three months from the first drawdown date, unless extended by CEC Resources and Minerals Holdings Limited at its sole discretion. The maturity date is extended to 12th January 2013. The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was (299.2%) (2011: 154.0%). The ratio of total borrowings over total assets was 137.8% (2011: 59.1%).

On 16th June 2011 and 5th July 2011, GF Convertible Bonds with respective principal amount of HK$52,000,000 and HK$57,132,659.54 were converted into 208,000,000 and 228,530,638 ordinary shares of HK$0.10 each of the Company at the conversion price of HK$0.25 per share.

In view of the decrease in cash and bank balances of the Group, the Group had obtained a confirmation from a director that the said director will not demand the repayment of the amount due to him of approximately HK$43.1 million in the next twelve months from the date of approval of these consolidated financial statements. In addition, a substantial shareholder of the Company has also agreed to provide continuous financial support to the Group as is necessary to enable the Group to meet its financial obligations as they fall due. Additionally, the directors have a plan to implement various cost-saving measure to improve the cash position of the Group. Provided that these measures are successful and can effectively improve the liquidity position of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

Charges on Assets

As at 31st March 2012, bank deposits and property, plant and equipment with respective carrying values of approximately HK$1,723,000 and HK$63,000 were pledged to secure the Group's banking facilities and finance lease obligations.

Foreign Exchange Risk Management

The majority of the Group's assets and liabilities are either denominated in Hong Kong dollars or United States dollars and most of the Group's cash balances are deposited in Hong Kong dollars or United States dollars with banks in Hong Kong and the PRC. Certain portions of the Group's sales, purchases and expenses were denominated in foreign currencies which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy as the foreign currency risk is considered not significant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

Material Acquisition & Disposal

1. As disclosed in the Company's annual report 2010/11, on 25th January 2008, the Group entered into an agreement (the "GF Agreement") to acquire Giant Field Group Limited ("GF") which, through its wholly-owned subsidiary, SMI LLC ("SMI"), holds the mineral mining and other rights to the Saikhan Ovoo coal deposit. As at 31st March 2012, the total consideration for the GF acquisition is subject to adjustment and will be determined based on the Proved Coal Ore Reserves and Probable Coal Ore Reserves held by SMI pursuant to the Saikhan Uul Licences by reference to the technical assessment (the "SMI Technical Assessment") prepared by technical advisers. The consideration for the GF acquisition can be up to a maximum of RMB760 million. Pursuant to the GF Agreement, the Company should deliver to the vendor the SMI Technical Assessment within 24 months following the completion of the GF acquisition, i.e. on or before 29th July 2010. During the year ended 31st March 2011, the Company entered into extension letters with the vendor and the guarantor to extend the delivery date of the SMI Technical Assessment to 31st March 2012. As at 31st March 2012, the delivery date of the SMI Technical Assessment was not further extended and under negotiation with the vendor at the date of approval of these consolidated financial statements.

2. In July 2011, the Group disposed of TTC&T LLC, a subsidiary that carried out the Group's logistic services business, at a consideration of HK$2,000,000 and incurred a loss on disposal of subsidiary of approximately HK$3,106,000 during the year.

Contingent Liabilities

As at 31st March 2012, the Group had no significant contingent liabilities.

Prospects and Outlook

It is the Company's long term business development strategy to establish the Group as a coal and natural resources company. Going forward, the Group will expand its coal business and is also actively exploring the possibilities of disposing the health and beauty products and services business. The Group will continue to focus its efforts to identify and pursue other feasible resources projects.

The Group will continue to look for strategic acquisitions and partnership opportunities which are in line with the Group's expansion strategy or provide synergy to its principal business activities. The Group will also consider whether any asset disposal, asset acquisition, fixed assets redeployment, business rationalization, business divestment and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

Human Resources

As at 31st March 2012, the Group had a total of 62 employees. The Group believes its success and long-term growth depends primarily on the quality, performance and commitment of its employees. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Discretionary bonuses and share options are also offered to qualified employees based on individual and Group performance.

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

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code"), which has been renamed as Corporate Governance Code with effect from 1 April 2012, in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the "Listing Rules") throughout the accounting period covered by the annual results, with the exception of the following deviation.

For the year ended 31st March 2012, the Company did not have a chief executive officer. The day-to-day management of the Group's business was handled by the executive directors of the Company collectively. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's present business operations. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all directors of the Company have fully complied with the Model Code throughout the financial year ended 31st March 2012.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises two independent non-executive directors namely Mr. Li Kar Fai, Peter (chairman) and Mr. Ho Man Kin, Tony and one non-executive director namely Mr. Yeung Ting Lap, Derek Emory. Mr. Li Kar Fai, Peter, the chairman of the Audit Committee, has professional qualification and in-depth experience in accounting and corporate finance. No member of the Audit Committee is a member of the former or existing auditors of the Company.

The primary duties of the Audit Committee are to review the accounting principles and practices adopted by the Group, as well as to discuss and review the internal control and financial reporting matters of the Company. The Audit Committee has reviewed the Group's annual results for the year ended 31st March 2012.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31st March 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is available for viewing on the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.asiacoallimited.com. The annual report will be dispatched to the shareholders of the Company and will be published on the same websites in due course.

By Order of the Board
Asia Coal Limited
Sun David Lee
Chairman

Hong Kong, 28th June 2012

As at the date of this announcement, the Board comprises (i) Mr. Sun David Lee and Mr. Kwok Wing Leung, Andy as executive directors of the Company; (ii) Mr. Yeung Ting Lap, Derek Emory as non-executive director of the Company; and (iii) Ms. Chiu Kam Hing, Kathy, Mr. Ho Man Kin, Tony and Mr. Li Kar Fai, Peter as independent non-executive directors of the Company.