



# ASIA COAL

**Interim  
Report  
2009**

**Asia Coal Limited**  
**亞洲煤業有限公司**

*(Formerly known as Nubrands Group Holdings Limited 滙寶集團控股有限公司\*)*

**Stock Code: 835**

# Deloitte.

# 德勤

## **TO THE BOARD OF DIRECTORS OF ASIA COAL LIMITED**

*(FORMERLY KNOWN AS NUBRANDS GROUP HOLDINGS LIMITED*

*滙寶集團控股有限公司)*

*(Incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on page 3 to 29, which comprises the condensed consolidated statement of financial position of Asia Coal Limited (the “Company”) and its subsidiaries as of 30th September 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

18th December 2009

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

	NOTES	Continuing operations Six months ended 30th September		Discontinued operations Six months ended 30th September		Total Six months ended 30th September	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Revenue	3	3,519	3,201	–	6,592	3,519	9,793
Cost of sales		(2,081)	(2,347)	–	(4,253)	(2,081)	(6,600)
Gross profit		1,438	854	–	2,339	1,438	3,193
Other income		89	362	–	943	89	1,305
Selling and distribution expenses		(1,840)	(3,643)	–	(1,101)	(1,840)	(4,744)
Administrative expenses		(23,154)	(12,056)	–	(1,405)	(23,154)	(13,461)
Finance costs	4	(8,552)	(2,574)	–	(15)	(8,552)	(2,589)
Impairment loss on an intangible asset		(800)	–	–	–	(800)	–
		(32,819)	(17,057)	–	761	(32,819)	(16,296)
Gain on disposal of subsidiaries	8	–	–	–	10,539	–	10,539
(Loss) profit for the period	6	(32,819)	(17,057)	–	11,300	(32,819)	(5,757)
Other comprehensive income (loss): Exchange differences arising on translation of foreign operations		142	(63)	–	–	142	(63)
Total comprehensive (loss) income for the period		(32,677)	(17,120)	–	11,300	(32,677)	(5,820)
Loss for the period attributable to: Owners of the Company						(32,763)	(5,757)
Minority interests						(56)	–
						(32,819)	(5,757)
Total comprehensive loss attributable to: Owners of the Company						(32,620)	(5,820)
Minority interests						(57)	–
						(32,677)	(5,820)
<b>(LOSS) EARNINGS PER SHARE</b>	7						
From continuing and discontinued operations Basic and diluted						(1.98 HK cents)	(0.47 HK cents)
From continuing operations Basic and diluted						(1.98 HK cents)	(1.39 HK cents)
From discontinued operations Basic and diluted						–	0.92 HK cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH SEPTEMBER 2009

	Notes	At 30th September 2009 HK\$'000 (unaudited)	At 31st March 2009 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		2,581	815
Intangible asset		—	800
Exploration and evaluation assets	10	381,025	370,704
Temporary payments for exploration and evaluation assets	11	17,479	12,222
Prepayments	12	6,343	—
		<b>407,428</b>	<b>384,541</b>
<b>Current assets</b>			
Inventories — finished goods		1,961	1,806
Trade and other receivables	13	7,985	5,642
Amounts due from minority shareholders of subsidiaries	14	387	—
Pledged bank deposits		1,719	1,717
Bank balances and cash		48,348	102,039
		<b>60,400</b>	<b>111,204</b>
<b>Current liabilities</b>			
Trade and other payables and accrued charges	15	6,147	10,382
Amount due to a related party	14	200	200
Obligations under finance leases — due within one year		86	85
		<b>6,433</b>	<b>10,667</b>
<b>Net current assets</b>		<b>53,967</b>	<b>100,537</b>
<b>Total assets less current liabilities</b>		<b>461,395</b>	<b>485,078</b>
<b>Non-current liabilities</b>			
Obligations under finance leases — due after one year		115	55
Convertible bond	16	129,051	120,505
		<b>129,166</b>	<b>120,560</b>
<b>NET ASSETS</b>		<b>332,229</b>	<b>364,518</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	165,254	165,254
Reserves		166,644	199,264
Equity attributable to owners of the Company		331,898	364,518
Minority interests		331	—
		<b>332,229</b>	<b>364,518</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

	Attributable to owners of the Company								
	Share capital	Share premium	Share options reserve	Convertible bond equity reserve	Translation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2008 (audited)	91,837	64,829	3,772	–	(154)	(126,707)	33,577	–	33,577
Loss for the period	–	–	–	–	–	(5,757)	(5,757)	–	(5,757)
Exchange differences arising on translation of foreign operations	–	–	–	–	(63)	–	(63)	–	(63)
Total comprehensive loss for the period	–	–	–	–	(63)	(5,757)	(5,820)	–	(5,820)
Sub-Total	91,837	64,829	3,772	–	(217)	(132,464)	27,757	–	27,757
Recognition of equity component of convertible bond	–	–	–	108,238	–	–	108,238	–	108,238
Recognition of share-based payment expense	–	–	1,130	–	–	–	1,130	–	1,130
Issue of shares upon exercise of share options	127	221	(81)	–	–	–	267	–	267
Issue of shares for cash	40,000	72,000	–	–	–	–	112,000	–	112,000
Issue of shares on acquisition of exploration and evaluation assets	33,290	113,185	–	–	–	–	146,475	–	146,475
Share issue expenses	–	(1,230)	–	–	–	–	(1,230)	–	(1,230)
At 30th September 2008 (unaudited)	165,254	249,005	4,821	108,238	(217)	(132,464)	394,637	–	394,637
<b>At 1st April 2009 (audited)</b>	<b>165,254</b>	<b>249,005</b>	<b>4,465</b>	<b>108,238</b>	<b>(1,264)</b>	<b>(161,180)</b>	<b>364,518</b>	<b>–</b>	<b>364,518</b>
Loss for the period	–	–	–	–	–	(32,763)	(32,763)	(56)	(32,819)
Exchange differences arising on translation of foreign operations	–	–	–	–	143	–	143	(1)	142
Total comprehensive income (loss) for the period	–	–	–	–	143	(32,763)	(32,620)	(57)	(32,677)
Sub-Total	165,254	249,005	4,465	108,238	(1,121)	(193,943)	331,898	(57)	331,841
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	388	388
At 30th September 2009 (unaudited)	165,254	249,005	4,465	108,238	(1,121)	(193,943)	331,898	331	332,229

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

	NOTES	Six months ended 30th September	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Net cash used in operating activities		<b>(30,436)</b>	(13,098)
Net cash (used in) from investing activities			
Additions of exploration and evaluation assets		<b>(9,672)</b>	—
Increase in prepayments		<b>(6,343)</b>	—
Increase in temporary payments for exploration and evaluation assets		<b>(5,257)</b>	—
Purchase of property, plant and equipment		<b>(1,950)</b>	—
Disposal of subsidiaries	18	—	17,378
Acquisition of subsidiaries	19	—	(1,811)
Other investing cash flows		<b>(369)</b>	(186)
		<b>(23,591)</b>	15,381
Net cash from financing activities			
Capital contribution from a minority shareholder of a subsidiary		<b>388</b>	—
Proceeds from issue of shares		—	112,267
Share issue expenses paid		—	(1,230)
Other financing cash flows		<b>(55)</b>	(3,487)
		<b>333</b>	107,550
Net (decrease) increase in cash and cash equivalents		<b>(53,694)</b>	109,833
Cash and cash equivalents at 1st April		<b>102,039</b>	19,288
Effect of foreign exchange rate changes		<b>3</b>	(10)
Cash and cash equivalents at 30th September, represented by bank balances and cash		<b>48,348</b>	129,111

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.



FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. Except as described above, the adoption of the new and revised HKFRSs has had no material effect on the reported condensed consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>3</sup>
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Right Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>5</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>5</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>3</sup>
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1st July 2009 or 1st January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1st January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1st February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1st January 2010

<sup>6</sup> Effective for annual periods beginning on or after 1st January 2013

<sup>7</sup> Effective for annual periods beginning on or after 1st July 2010

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1st April 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

### 3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. Under HKAS 14, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker, the Chief Executive Officer, for the purposes of resources allocation and performance assessment. The reports are prepared by categories of business. Three reporting segments were presented:

- 1) Health and beauty products
- 2) Coal mining
- 3) Medical equipment (*Note*)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 3. SEGMENT INFORMATION (CONTINUED)

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

	Continuing operations				Discontinued operations				Total	
	Health and beauty products		Coal mining		Total		Medical equipment		Six months ended	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30th September		30th September		30th September		30th September		30th September	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue										
External sales	3,519	3,201	–	–	3,519	3,201	–	6,592	3,519	9,793
Segment (loss) profit	(2,582)	(4,944)	(2,093)	(139)	(4,675)	(5,083)	–	602	(4,675)	(4,481)
Corporate income										
– Interest income					34	361	–	84	34	445
– Rental income					–	–	–	90	–	90
– Others					–	1	–	–	–	1
Central administration costs					(19,626)	(9,782)	–	–	(19,626)	(9,782)
Finance costs					(8,552)	(2,574)	–	(15)	(8,552)	(2,589)
Gain on disposal of subsidiaries					–	–	–	10,539	–	10,539
(Loss) profit for the period					(32,819)	(17,057)	–	11,300	(32,819)	(5,757)

Segment profit represents the profit earned by each segment without allocation of corporate income, central administration costs, finance costs and gain on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

Note: The segment was disposed of on 2nd July 2008. Details of the discontinued operations are set out in note 8.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

### 3. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's assets by operating segment:

	<b>At 30th September 2009 HK\$'000 (unaudited)</b>	At 31st March 2009 HK\$'000 (audited)
Health and beauty products	<b>7,511</b>	5,754
Coal mining	<b>401,048</b>	383,597
Total segment assets	<b>408,559</b>	389,351

### 4. FINANCE COSTS

	Continuing operations		Discontinued operations		Total	
	Six months ended 30th September		Six months ended 30th September		Six months ended 30th September	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Interest on:						
Bank overdrafts	–	26	–	15	–	41
Obligations under finance leases	<b>6</b>	7	–	–	<b>6</b>	7
Effective interest on convertible bond	<b>8,546</b>	2,541	–	–	<b>8,546</b>	2,541
	<b>8,552</b>	2,574	–	15	<b>8,552</b>	2,589

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 5. TAXATION

No provision for Hong Kong Profits Tax has been made on the continuing operations as the Group incurred tax losses for both periods.

No provision for taxation has been made for the Group's subsidiaries operating outside Hong Kong as there was no assessable profit.

No tax was payable on the profit from discontinued operations for the six months ended 30th September 2008 arising in Hong Kong since the assessable profit was wholly absorbed by tax losses brought forward.

The Group has no other significant unprovided deferred tax for the period or at the reporting date.

## 6. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting) the following items:

	Continuing operations		Discontinued operations		Total	
	Six months ended 30th September		Six months ended 30th September		Six months ended 30th September	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Directors' remuneration	12,966	4,121	—	—	12,966	4,121
Depreciation and amortisation	304	391	—	125	304	516
(Gain) loss on disposal of property, plant and equipment	(11)	128	—	—	(11)	128
Write-down of inventories	82	474	—	—	82	474
Interest income	(34)	(361)	—	(84)	(34)	(445)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 7. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	<b>Six months ended 30th September</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<b>(32,763)</b>	(5,757)
	<b>Six months ended 30th September</b>	
	<b>2009</b>	2008
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>1,652,542,800</b>	1,230,207,627

The calculation of diluted loss per share for the six months ended 30th September 2008 and 2009 has not assumed the conversion of the Company's convertible bond and exercise of the share options as these potential ordinary shares are anti-dilutive during both periods.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 7. (LOSS) EARNINGS PER SHARE (CONTINUED)

### 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:

	<b>Six months ended 30th September</b>	
	<b>2009 HK\$'000 (unaudited)</b>	2008 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company	<b>(32,763)</b>	(5,757)
Less: Profit for the period from discontinued operations	—	11,300
Loss for the purposes of basic and diluted loss per share from continuing operations	<b>(32,763)</b>	(17,057)

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 operations

Basic and diluted earnings per share from discontinued operations is 0.92 HK cents per share for the six months ended 30th September 2008, based on the profit for the period from the discontinued operations of HK\$11,300,000 and the number of shares detailed above for basic and diluted loss per share from continuing and discontinued operations.



FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 8. DISCONTINUED OPERATIONS

On 31st January 2008, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire 100% equity interest in Wealthy Bridge Group Limited (“Wealthy Bridge”) (together with its subsidiaries, the “Wealthy Bridge Group”), which carried out all of the Group’s business of sale of medical equipment. The disposal was completed on 2nd July 2008, on which date the control of Wealthy Bridge Group was passed to the acquirer.

The profit for the period from the discontinued operations is analysed as follows:

	<b>Six months ended 30th September</b>	
	<b>2009 HK\$'000 (unaudited)</b>	2008 HK\$'000 (unaudited)
Profit from sale of medical equipment for the period	—	761
Profit on disposal of the business of sale of medical equipment (note 18)	—	10,539
	—	11,300

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

	<b>Six months ended 30th September</b>	
	<b>2009 HK\$'000 (unaudited)</b>	2008 HK\$'000 (unaudited)
Net cash used in operating activities	—	(538)
Net cash from investing activities	—	17,374
Net cash used in financing activities	—	(15)
	—	16,821

## 9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (2008: nil).

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 10. EXPLORATION AND EVALUATION ASSETS

The following movement discloses the cost incurred on exploration and evaluation assets during the period:

	HK\$'000
At 1st April 2009 (audited)	370,704
Additions during the period	9,672
Exchange realignment	649
<b>At 30th September 2009 (unaudited)</b>	<b>381,025</b>

- (a) On 25th January 2008, the Company as the purchaser, CEC Resources Limited (“CEC Resources”) as the vendor, and China Enterprise Capital Limited as the guarantor entered into two sale and purchase agreements pursuant to which the Company conditionally agreed to acquire from the vendor the entire issued share capital of Giant Field Group Limited (“GF”) and Power Field Holdings Limited (“PF”) respectively. Both CEC Resources and China Enterprise Capital Limited were independent third parties of the Company.

According to the abovementioned sale and purchase agreements, SMI LLC (“SMI”) and Sinotum Mongolia LLC (“Sinotum”), companies incorporated in Mongolia, would become wholly-owned subsidiaries of GF and PF respectively. The principal assets of SMI and Sinotum are all the mineral mining rights to the Saikhan Owoo coal deposit in the Bulgan province of Mongolia with validity of 30 years and the mineral exploration rights to the Erdenetsogt coal deposit in the Dornogobi province of Mongolia with validity of 3 years respectively.

The GF acquisition was completed in late July 2008 and the Company settled the initial consideration for the GF acquisition amounting to approximately HK\$363,292,000 to CEC Resources by the issuance of: (1) 329,705,093 new ordinary shares of the Company (representing 19.99% of the total issued share capital of the Company at the completion date of GF acquisition as enlarged by the issuance of the consideration shares); and (2) zero coupon convertible bond in the principal amount of HK\$218,221,675 with a 5-year maturity.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 10. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

(a) (continued)

Pursuant to the GF sale and purchase agreement, the total consideration for the GF acquisition is subject to adjustment within 24 months following the GF completion and shall be determined by reference to the technical assessment prepared by a technical adviser (the “SMI Technical Assessment”). The Company shall pay to CEC Resources an amount equal to the reported reserves (in tonnage) multiplied by the price of RMB4.00 per tonne (the “Excess Amount”). The reported reserves is the aggregate amount (in tonnage) of the proved coal ore reserves and the probable coal ore reserves which, pursuant to the SMI Technical Assessment, exceed the reserves reference amount of 69.6 million tonnes. The Company shall not be required to pay CEC Resources for any reported reserves, which, together with the reserves reference amount, is in excess of 190 million tonnes. The total consideration for the GF acquisition can therefore be increased up to the maximum of RMB760 million and is to be settled by issuance of convertible bond.

Upon the completion of the GF acquisition, CEC Resources became a substantial shareholder of the Company through issuance of consideration shares as settlement of the initial consideration.

As at 30th September 2009, further feasibility studies of the coal mine of SMI are to be performed until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The SMI Technical Assessment has not yet completed up to the date of approval of this interim financial statements.

Up to the date of approval of this interim financial statements, the PF acquisition has not yet been completed as not all the conditions precedent of the PF acquisition have been satisfied. One of the conditions precedent is the issue of the Sinotum resources technical assessment by a technical adviser on or before 25th January 2010 (“Sinotum Resources Technical Assessment”) showing that the indicated coal ore resources held by Sinotum (“Sinotum Resources”) is not less than 50 million tonnes. If the amount of Sinotum Resources is less than 50 million tonnes, the Company shall at its sole and absolute discretion, either to waive the condition of 50 million tonnes and pay to CEC Resources at the price of RMB2.00 per tonne; or not be obliged to complete the PF sale and purchase agreement and to terminate the agreement. The consideration for the PF acquisition shall be determined based on the Sinotum Resources by reference to the technical assessments.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 10. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

- (b) In December 2008, the Group acquired from an independent third party the mineral exploration licences to the coal deposits adjacent to the Saikhan Ovoo coal deposit in the Bulgan province of Mongolia with validity of 3 years, together with the plans, reports and other information with respect to the prospecting and exploration activities of the relevant licences at a consideration of approximately HK\$4,834,000.
- (c) During the period ended 30th September 2009, the Group had incurred the amount of HK\$9,672,000 (31st March 2009: HK\$742,000) for the exploration and evaluation work on the Saikhan Ovoo coal mine.

## 11. TEMPORARY PAYMENTS FOR EXPLORATION AND EVALUATION ASSETS

As at 30th September 2009, the temporary payments for exploration and evaluation assets represented the temporary payments made to technical advisors for conducting Sinotum Resources Technical Assessment, amounting to approximately HK\$14,983,000 (31st March 2009: HK\$9,785,000), as one of the conditions precedent in relation to the PF acquisition. The remaining amount represented the deposits paid for the exploration work for the Saikhan Ovoo coal deposit to be performed and the temporary payments made to professional parties for the PF acquisition.

## 12. PREPAYMENTS

The amount represented prepayments of costs directly attributable to acquisition of the underlying assets of 蒲縣晟鵬煤焦有限公司 Puxian Shengpeng Coal & Coke Company Limited (“Puxian Shengpeng”) and 古交市玉峯煤業有限公司 Gujiao City Yumao Coal Mining Company Limited (“Gujiao Yumao”). Details of the acquisition are set out in note 23(iii).

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

### 13. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 90 days to its trade customers.

The following is an analysis of trade receivable by age, presented based on the invoice date.

	<b>At 30th September 2009 HK\$'000 (unaudited)</b>	At 31st March 2009 HK\$'000 (audited)
Trade receivables:		
0 to 90 days	<b>1,630</b>	1,701
91 to 180 days	—	7
181 to 365 days	—	—
Over 365 days	<b>7</b>	7
	<b>1,637</b>	1,715
Other receivables, deposits and prepayments	<b>6,348</b>	3,927
	<b>7,985</b>	5,642

### 14. AMOUNTS DUE FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES/AMOUNT DUE TO A RELATED PARTY

The amount due to a related party represented an amount due to Mr. Kwok Wing Leung, Andy, a director of the Company, which is unsecured, interest-free and repayable on demand.

The amounts due from minority shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 15. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The following is analysis of trade payables by age, presented based on the invoice date.

	<b>At 30th September 2009 HK\$'000 (unaudited)</b>	At 31st March 2009 HK\$'000 (audited)
Trade payables:		
0 to 90 days	<b>1,511</b>	3,914
91 to 180 days	<b>805</b>	130
181 to 365 days	<b>101</b>	—
Over 365 days	<b>430</b>	290
	<b>2,847</b>	4,334
Deposits received from customers	—	57
Accrued charges	<b>3,211</b>	5,911
Other payables	<b>89</b>	80
	<b>6,147</b>	10,382

## 16. CONVERTIBLE BOND

The movement of the liability component of the convertible bond for the period is set out below:

	HK\$'000
Liability component at 1st April 2009 (audited)	120,505
Effective interest expense charged for the period	8,546
<b>At 30th September 2009 (unaudited)</b>	<b>129,051</b>

As set out in note 10, the above convertible bond was issued to CEC Resources, a shareholder of the Company, for the GF acquisition.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

**17. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Nominal value HK\$'000</b>
Ordinary shares of HK\$0.10 each:		
Authorised:		
At 1st April 2009 and 30th September 2009	<b>30,000,000,000</b>	<b>3,000,000</b>
Issued and fully paid:		
At 1st April 2009 and 30th September 2009	<b>1,652,542,800</b>	<b>165,254</b>

**18. DISPOSAL OF SUBSIDIARIES**

As detailed in note 8, the Group discontinued its business of sale of medical equipment through disposal of its subsidiaries, the Wealthy Bridge Group, on 2nd July 2008.

The aggregate net assets of the disposed subsidiaries at the date of disposal were as follows:

	HK\$'000 (audited)
Net assets disposed of:	
Investment properties	2,609
Property, plant and equipment	2,122
Prepaid lease payments	8,300
Inventories	2,775
Trade and other receivables	5,235
Bank balances and cash	17,622
Trade and other payables and accrued charges	(14,180)
Taxation payable	(22)
	<u>24,461</u>
Gain on disposal of subsidiaries (note 8)	10,539
	<u>35,000</u>
Net cash inflow arising from disposal:	
Cash consideration	35,000
Bank balances and cash disposed of	(17,622)
	<u>17,378</u>

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 19. ACQUISITION OF SUBSIDIARIES

As set out in note 10, the Group acquired the entire issued share capital of GF together with its wholly-owned subsidiary, SMI for a consideration of approximately HK\$363,292,000 and incurred transaction costs of approximately HK\$3,218,000 in late July 2008. This acquisition has been accounted for as acquisition of assets and liabilities as the subsidiaries acquired has not carried out any business yet.

The net assets acquired in this transaction are as follows:

	HK\$'000 (audited)
Evaluation and exploration assets	366,510
Bank balances and cash	2
Other payables and accrued charges	(2)
	<hr/>
Net assets acquired	<u>366,510</u>
Consideration satisfied by:	
Shares issued	145,070
Convertible bond issued (Note 16)	218,222
	<hr/>
Consideration	<u>363,292</u>
Transaction costs settled by issue of shares to Mr. Yeung	1,405
Transaction costs paid	1,813
	<hr/>
	3,218
	<hr/>
	<u>366,510</u>
Net cash outflow arising from acquisition:	
Expenses incurred for the acquisition	1,813
Bank balances and cash acquired	(2)
	<hr/>
	<u>1,811</u>



FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 19. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Note: As for the fair value of the mining rights acquired, since the exploration on the acquired areas was at the initial stage, the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, including shares and convertible bond issued, determined in accordance with HKFRS 2 "Share-based Payments" and HKAS 39 "Financial Instruments: Recognition and Measurement" respectively, was used to account for the costs of the mining rights.

## 20. SHARE-BASED PAYMENT TRANSACTIONS

### Share options of the Company

Details of the share option schemes adopted by the Company are as follows:

#### **(a) 2003 Scheme**

A share option scheme (the "2003 Scheme") was adopted by the Company pursuant to a resolution passed on 26th August 2003. Under the 2003 Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK\$0.01 each (which was adjusted to HK\$0.10 per share following the consolidation of the Company's shares on 20th December 2004) in the capital of the Company.

Upon acceptance of the option, a nominal consideration of HK\$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option. The options are exercisable within ten years after date of grant.

#### **(b) 2007 Scheme**

A share option scheme (the "2007 Scheme") was adopted by the Company pursuant to a resolution passed on 28th September 2007. Under the 2007 Scheme, the directors of the Company may invite any director (including non-executive director and independent non-executive director), employee of the Company or any of its subsidiaries or associated companies or any suppliers of goods or services to the Group to take up options to subscribe for share of HK\$0.10 each in the capital of the Company.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 20. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share options of the Company (continued)

### (b) 2007 Scheme (continued)

Upon acceptance of the option, a nominal consideration of HK\$1.00 will be paid by each grantee for each lot of share option granted within 21 days from the date of making offer of option. The options are exercisable within ten years after date of grant.

The following table discloses movements in the Company's share options during the six months ended 30th September 2009:

	Option Scheme type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	At 1st April 2009	Exercised during the period	At 30th September 2009
Director	2007	01/09/2008	–	01/09/2008 to 31/08/2018	0.301	10,000,000	–	10,000,000
Employees	2007	22/11/2007	–	22/11/2007 to 21/11/2017	0.270	20,280,000	–	20,280,000
	2007	22/11/2007	22/11/2007 to 21/11/2008	22/11/2008 to 21/11/2017	0.270	1,050,000	–	1,050,000
	2007	03/03/2009	–	03/03/2009 to 02/03/2019	0.270	2,000,000	–	2,000,000
Consultants	2003	21/08/2006	–	21/08/2006 to 21/08/2016	0.210	5,442,320	–	5,442,320
	2007	22/11/2007	–	22/11/2007 to 21/11/2017	0.270	18,060,000	–	18,060,000
						56,832,320	–	56,832,320
Exercisable at end of the period								56,832,320
								HK\$
Weighted average exercise price								0.270

During the six months ended 30th September 2008, the Group recognised an aggregate amount of approximately HK\$1,130,000 as expenses in relation to the share options granted by the Company. No such expenses were recognized during the six months ended 30th September 2009.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 21. PLEDGE OF ASSETS

As at 30th September 2009, certain assets of the Group with the following carrying amounts had been pledged to secure the banking facilities and finance lease arrangements granted to the Group:

	<b>At 30th September 2009 HK\$'000 (unaudited)</b>	At 31st March 2009 HK\$'000 (audited)
Property, plant and equipment	<b>233</b>	147
Bank deposits	<b>1,719</b>	1,717
	<b>1,952</b>	1,864

## 22. RELATED PARTY DISCLOSURES

- (i) On 30th April 2009, the Company as the purchaser and Wonder Champion Investment Limited ("Wonder Champion") as the vendor entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire from the vendor the entire issued share capital of Seawise Group Limited ("Seawise"). The spouse of Ms. Nie Fei, a non-executive director of the Company, is beneficially interested in 5% of the equity interest of the vendor. Further details of the transaction are set out in note 23(iii).
- (ii) The compensation to key management personnel in respect of the period is as follows:

	<b>Six months ended 30th September</b>	
	<b>2009 HK\$'000 (unaudited)</b>	2008 HK\$'000 (unaudited)
Salaries and other short-term benefits	<b>15,999</b>	4,541
Equity-settled share-based payment expense	<b>—</b>	1,082
Contributions to retirement benefit schemes	<b>57</b>	39
	<b>16,056</b>	5,662

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 23. CAPITAL COMMITMENTS

The capital commitments of the Group as at 30th September 2009 are as follows:

- (i) The capital commitments in respect of the professional services and exploration work to be performed contracted for but not provided for in the consolidated financial statements amounted to HK\$7,665,000 (31st March 2009: HK\$6,013,000).

The capital commitments in respect of the exploration work to be performed authorised but not contracted for amounted to HK\$12,367,000 as at 31st March 2009.

- (ii) As set out in note 10, the consideration for the GF acquisition is subject to adjustment and the PF acquisition has not been completed up to the date of approval of this interim report. Pursuant to the GF and PF sale and purchase agreements, the consideration for the GF acquisition and PF acquisition will be determined based on the quantity and quality of coal ore resources and reserves held by SMI and Sinotum respectively by reference to the technical assessments to be prepared by the technical adviser. The consideration for the GF acquisition and PF acquisition can be up to maximum of RMB760 million and RMB3,600 million respectively.

- (iii) On 30th April 2009, the Company as the purchaser, Wonder Champion as the vendor, and Mr. Zeng Jian as the guarantor entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to acquire from the vendor the entire issued share capital of Seawise (the "Seawise Acquisition"). As disclosed in the Company's circular in respect of the Seawise Acquisition dated 25th June 2009 (the "Circular"), the spouse of Ms. Nie Fei, a non-executive director of the Company, is beneficially interested in 5% of the equity interest of the vendor. The guarantor is an independent third party of the Company.

Seawise is a company incorporated in the British Virgin Islands on 5th March 2009 with limited liability. Upon the completion of a proposed group reorganisation which is one of the conditions precedent to the Seawise Acquisition, Seawise will indirectly own 60% equity interests in Puxian Shengpeng and 80% equity interests in Gujiao Yumao.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 23. CAPITAL COMMITMENTS (CONTINUED)

(iii) (continued)

The principal assets of Seawise after the reorganisation are (i) the exploration licence in a coal mine located to the west of Guyi Village, Xueguan Town, Pu County, Shanxi Province, the PRC, held by Puxian Shengpeng (“Guyi Mine”); and (ii) the mining licence in a coal mine located to the west of Nanjiashan Village, Malan Town, Gujiao City, Shanxi Province, the PRC, held by Gujiao Yumao (“Gujiao Mine”).

The consideration of the Seawise Acquisition amounts to approximately HK\$1,524,525,000 (subject to the adjustment mechanism as set out in the Circular) with reference to the coal resources in the Guyi Mine and Gujiao Mine. The consideration will be satisfied by the issuance of (i) 707,890,000 ordinary shares in the Company at an agreed value of HK\$0.20 per share; (ii) first tranche convertible bonds at an aggregate principal amount of HK\$1,037,210,250; and (iii) second tranche convertible bonds at an aggregate principal amount of HK\$345,736,750 (subject to adjustment). The total consideration is subject to adjustment within 12 months following the completion and shall be determined by reference to (i) the technical assessment on Guyi Mine prepared by a technical advisor; and (ii) the audited figures of Gujiao Yumao for the 12-month period commencing from the first day of the calendar month immediately after the completion.

The Seawise Acquisition constituted a very substantial acquisition and a connected transaction under the Listing Rules and was approved by independent shareholders in a special general meeting held on 28th July 2009. The transaction has not been completed up to the date of approval of this interim financial statements.

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

## 23. CAPITAL COMMITMENTS (CONTINUED)

- (iv) As announced on 11th October 2009, the Company as the purchaser, Wonder Champion, a substantial shareholder of the Company upon the completion of the Seawise Acquisition, as the vendor entered into a sale and purchase agreement on 30th September 2009, pursuant to which the Company conditionally agreed to acquire from the vendor the entire issued share capital of Glory Success Group Holdings Limited (“Glory Success”) (the “Acquisition”).

Glory Success is a company incorporated in the British Virgin Islands on 13th May 2009 with limited liability. Upon the completion of a proposed group reorganization which is one of the conditions precedent to the Acquisition, Glory Success will indirectly own 90% equity interests in 壽陽麥捷實業有限責任公司 Shouyang Maijie Industry Company Limited (“Shouyang Maijie”).

Shouyang Maijie, a company established in the PRC, is principally engaged in the business of coal exploitation and holds the mining licence of the coal mine located at East RongJiaGou Estate, Chengbei Jiechou Village, Shouyang Country, Jinzhong City, Shanxi Province in the PRC (“Maijie Mine”).

The consideration for the Acquisition of US\$300,000,000 will be satisfied as to (i) US\$255,000,000 by the issue of convertible bonds (first tranche) to the vendor upon the completion; and (ii) US\$45,000,000 by the issue of convertible bonds (second tranche) to the vendor upon expiry of the warranty period, which is within 18 months from completion or 6 months from the 12-month period commencing from the first day of the calendar month immediately after completion, whichever the later.

The Acquisition constituted a very substantial acquisition and a connected transaction, upon the completion of the Seawise Acquisition, under the Listing Rules and is subject to the approval from The Stock Exchange of Hong Kong Limited and the Company’s independent shareholders at a special general meeting to be convened. The date of the special general meeting is not yet confirmed at the date of approval of this interim financial statements.

## BUSINESS REVIEW

During the six months ended 30th September 2009 (the “Period”), the Group continued to engage in coal mining business and distribution of health and beauty products.

In the coal mining segment, technical assessments on both the Saikhan Ovoo coal deposit and the Erdenetsogt coal deposit are being carried out by independent technical adviser appointed by the Group. Up to the date of approval of these financial statements, the technical assessments have not been finished and the acquisition of Power Field Holdings Limited (“PF”) has not been completed as the consideration for the PF acquisition will be determined with reference to the results of the technical assessment on the Erdenetsogt coal deposit.

In the health and beauty segment, the Group continued to nurture the higher margin branded products, Dermagram and revamped LaVie launched in the second half of last year.

## FINANCIAL REVIEW

### Operating Results

The Group’s unaudited consolidated revenue from continuing operations for the Period was approximately HK\$3,519,000, representing an increase of 10% from approximately HK\$3,201,000 in the corresponding period last year. The increase was mainly attributable to the new Dermagram brand but was partly offset by the lower sales from the OEM business of supplying house brand products to healthcare chains as the Group now focuses more on developing our own brands.

The gross profit margin for the Period improved to 40.9% from 32.6% of the corresponding period last year mainly due to the higher margin contributed by the Swiss-made Dermagram and revamped LaVie products launched in the second half of last year.

Loss attributable to owners of the Company for the Period increased to approximately HK\$32,763,000 from HK\$5,757,000 as recorded in the corresponding period in 2008. The increase in loss was mainly due to the increase in administrative expenses and the finance costs on the convertible bond issued in July 2008 as consideration for acquisition of the exploration and evaluation assets. In July 2008, the Group also disposed of its medical equipment trading business and a gain on disposal of subsidiaries of approximately HK\$10,539,000 was recognized in the corresponding period last year.

## FINANCIAL REVIEW (CONTINUED)

### Liquidity and Financial Position

As at 30th September 2009, the Group's cash and bank balances amounted to approximately HK\$50,067,000 (31st March 2009: HK\$103,756,000) while the total borrowings were approximately HK\$129,051,000 (31st March 2009: HK\$120,505,000). The gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was 23.8% (31st March 2009: 4.6%).

Based on the Group's existing cash balances and banking facilities, the Group has adequate financial resources to fund its operational requirements.

### Charges on Assets

As at 30th September 2009, bank deposits and property, plant and equipment with respective carrying values of approximately HK\$1,719,000 and HK\$233,000 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 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. 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.

### Capital Commitments

As at 30th September 2009, the Group had capital commitments contracted but not provided for in the consolidated financial statements amounting to approximately HK\$7,665,000 in respect of the professional services and the exploration work to be performed.



## FINANCIAL REVIEW (CONTINUED)

### Capital Commitments (continued)

As at 30th September 2009, the PF acquisition has not been completed and the total consideration for the acquisition of Giant Field Holdings Limited (“GF”) is subject to adjustment. Pursuant to the GF and PF sale and purchase agreements, the consideration for the GF acquisition and PF acquisition will be determined based on the quantity and quality of coal ore resources and reserves held by GF’s subsidiary SMI LLC and PF’s subsidiary Sinotum Mongolia LLC respectively by reference to the technical assessments to be prepared by a technical adviser. The consideration for the GF acquisition and PF acquisition can be up to maximum of RMB760 million and RMB3,600 million respectively.

On 30th April 2009, the Company entered into a sale and purchase agreement to acquire Seawise Group Limited (“Seawise”) which will indirectly hold 60% interest in the Guyi Mine and 80% interest in the Gujiao Mine in Shanxi Province of the PRC upon completion of the reorganization. The consideration of the acquisition is HK\$1,524,525,000, subject to the adjustment mechanism as described in the Company’s circular dated 25th June 2009 and will be settled by the issuance of consideration shares and convertible bonds. The acquisition was approved by the Company’s shareholders at the special general meeting held on 28th July 2009 and has not been completed up to the date of approval of this interim financial statements.

On 30th September 2009, the Group also entered into a Sale and Purchase Agreement to acquire Glory Success Group Holdings Limited (“Glory Success”). Upon completion of the reorganization, Glory Success will indirectly hold 90% of the Maijie coal mine in Shanxi Province of the PRC with coal resources estimate of up to about 95.3 million tonnes. The consideration of the acquisition is US\$300,000,000 which will be settled by the issuance of convertible bonds. The acquisition constitutes a very substantial acquisition and a connected transaction, upon the completion of the Seawise Acquisition, of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is subject to the approval of the Company’s independent shareholders at a special general meeting to be convened.

### Contingent Liabilities

As at 30th September 2009, 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 mining company. Going forward, while continuing the business of distribution of health and beauty products, the coal and energy-related business will be the focus of the Group.

During the Period, the Group has identified strategic acquisition opportunities which are in line with the Group's expansion strategy. The Company has entered into two sale and purchase agreements to acquire Seawise and Glory Success as set out in the above capital commitments section. The directors of the Company consider that the acquisitions represent favourable opportunities for the Group to further enhance the coal resources of the Group. Since the Maijie mine has already been in active production stage, the Group would expect to benefit from the operational know-how and supporting infrastructure of the acquired companies if completion of the acquisitions takes place.

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 30th September 2009, the Group had a total of 52 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 were reviewed on a regular basis. Discretionary bonuses and share options were offered to qualified employees based on the individual's and Group's performance.

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

As at 30th September 2009, the interests of the directors and chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

### Long positions in ordinary shares of HK\$0.10 each of the Company

Name of director	Number of shares/underlying shares held			% of the issued share capital
	Personal interests	Corporate interests	Total	
Kwok Wing Leung, Andy	6,942,320	401,533,775 (Note 1)	408,476,095	24.72
Jin Langchuan	10,000,000 (Note 2)	—	10,000,000	0.61
Yeung Ting Lap, Derek Emory	3,692,660 (Note 3)	—	3,692,660	0.22

Notes:

- These shares are held by Billion Pacific Ventures Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Kwok Wing Leung, Andy.
- The personal interests of Mr. Jin Langchuan represent an interest in underlying shares in respect of 10,000,000 share options granted by the Company entitling Mr. Jin Langchuan to subscribe for 10,000,000 shares of HK\$0.10 each in the share capital of the Company as detailed in the section "Share Option Schemes" below.
- Out of 3,692,660 shares, 3,192,660 shares were issued to Mr. Yeung Ting Lap, Derek Emory pursuant to the service agreement dated 31st January 2008 entered into between the Company and Mr. Yeung Ting Lap, Derek Emory, the details of which were disclosed in the circular of the Company dated 19th May 2008 (the "Circular").

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

Mr. Tse Michael Nam, who resigned as director of the Company on 11th April 2009, had personal interests in 1,775,596 shares of the Company, representing 0.11% of the issued share capital of the Company, as at the date of his resignation.

Save as disclosed above, none of the directors nor chief executives and their associates of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30th September 2009, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Save as disclosed in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures”, as at 30th September 2009, the following corporations, other than a director or chief executive of the Company, had the following interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Long/Short position</b>	<b>Number of shares and underlying shares held</b>	<b>% of the issued share capital</b>
China Enterprise Capital Limited (Note 1)	Interests of a controlled corporation	Long position	14,812,133,600	896.32
CEC Resources and Minerals Holdings Limited (Note 1)	Interests of a controlled corporation and beneficial owner	Long position	14,812,133,600	896.32
Sino Minerals Capital Limited (Note 1)	Interests of a controlled corporation	Long position	14,656,602,500	886.91
Sino Mining Investment Limited (Note 1)	Interests of a controlled corporation	Long position	14,656,602,500	886.91
CEC Resources Limited (Note 1)	Beneficial Owner	Long position	14,656,602,500	886.91
Liu Rong, Polly (Note 2)	Interests of a controlled corporation	Long position	7,622,625,000	461.27
Wonder Champion Investment Limited (Note 2)	Beneficial Owner	Long position	7,622,625,000	461.27
Billion Pacific Ventures Limited (Note 3)	Beneficial Owner	Long position	401,533,775	24.30
Chan Yuk Lam	Beneficial Owner	Long position	155,468,900	9.40

## DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER SFO (CONTINUED)

Notes:

1. The shares and the underlying shares in the Company were held by CEC Resources Limited (“CEC”). CEC Resources and Minerals Holdings Limited, a wholly-owned subsidiary of China Enterprise Capital Limited, is interested in more than one-third of the issued share capital of CEC. Sino Minerals Capital Limited and Sino Mining Investment Limited are interested in more than one-third of the issued share capital of CEC. As a result of such relationship as described in this paragraph, China Enterprise Capital Limited, CEC Resources and Minerals Holdings Limited, Sino Minerals Capital Limited and Sino Mining Investment Limited are deemed to be interested in the shares and the underlying shares in the Company held by CEC. CEC is beneficially interested in the shares and the underlying shares in the Company in accordance with the terms of the agreements dated 25th January 2008 into which CEC and the Company entered, the details of which were disclosed in the Circular.

CEC Resources and Minerals Holdings Limited, a wholly-owned subsidiary of China Enterprise Capital Limited, is also directly interested in the shares of the Company. As such, China Enterprise Capital Limited is deemed to be interested in the shares of the Company held by CEC Resources and Minerals Holdings Limited.

The percentage of share capital is shown for illustration purpose only as pursuant to the terms of the convertible bond, the details of which were disclosed in the Circular. The holder of the convertible bond shall have the right to convert the convertible bond into shares of the Company provided that (i) any conversion of the convertible bond does not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the holder of the convertible bond which exercised the conversion rights attached to the convertible bond; and (ii) the public float of the shares of the Company shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued shares at any one time in compliance with the Listing Rules.

2. The shares and the underlying shares in the Company were held by Wonder Champion Investment Limited (“Wonder Champion”). Ms. Liu Rong, Polly is interested in more than one-third of the issued share capital of Wonder Champion. As a result of such relationship as described in this paragraph, Ms. Liu Rong, Polly is deemed to be interested in the shares and the underlying shares in the Company held by Wonder Champion. Wonder Champion is beneficially interested in the shares and the underlying shares in the Company in accordance with the terms of the agreement dated 30th April 2009 and the supplemental agreements dated 26th May 2009 and 1st September 2009 into which Wonder Champion and the Company entered, the details of which were disclosed in the circular of the Company dated 25th June 2009 (the “June 2009 Circular”).

## DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS UNDER SFO (CONTINUED)

Notes: *(Continued)*

2. *(Continued)*

The percentage of share capital is shown for illustration purpose only as pursuant to the terms of the convertible bond, the details of which were disclosed in the June 2009 Circular. The holder of the convertible bond shall have the right to convert the convertible bond into shares of the Company provided that (i) any conversion of the convertible bond does not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the holder of the convertible bond which exercised the conversion rights attached to the convertible bond; and (ii) the public float of the shares of the Company shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued shares at any one time in compliance with the Listing Rules.

3. Billion Pacific Ventures Limited is an investment holding company incorporated in the British Virgin Islands, whose entire issued share capital is held by Mr. Kwok Wing Leung, Andy.
4. The percentage shown was the number of securities the relevant person was interested expressed as an approximate percentage of the number of issued shares as at 30th September 2009.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th September 2009.

## SHARE OPTION SCHEMES

Details of the outstanding options under the share option schemes of the Company during the six months ended 30th September 2009 are as follows:

Grantee	Option Scheme Type	Date of Grant	Exercisable Period	Exercise price per share HK\$	Number of share options				
					Balance at 01/04/2009	Granted during the period	Exercised during the period	Lapsed during the period	Balance at 30/09/2009
Jin Langchuan Director	2007	01/09/2008	01/09/2008 to 31/08/2018	0.301	10,000,000	–	–	–	10,000,000
Employees	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	20,280,000	–	–	–	20,280,000
	2007	22/11/2007	22/11/2008 to 21/11/2017	0.270	1,050,000	–	–	–	1,050,000
	2007	03/03/2009	03/03/2009 to 02/03/2019	0.270	2,000,000	–	–	–	2,000,000
Consultants	2003	21/08/2006	21/08/2006 to 21/08/2016	0.210	5,442,320	–	–	–	5,442,320
	2007	22/11/2007	22/11/2007 to 21/11/2017	0.270	18,060,000	–	–	–	18,060,000
					56,832,320	–	–	–	56,832,320

Save as disclosed above, no other options were outstanding, granted, exercised, cancelled or lapsed under the share option schemes of the Company at any time during the period.

## PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There have been no purchases, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period under review.



## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the six months ended 30th September 2009, met the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules save and except the deviation as more specifically described below. The current practices will be reviewed and updated regularly so that the latest development in corporate governance can be followed and observed.

### The Separate Roles of Chairman and Chief Executive Officer

The Company did not have a separate chairman and chief executive officer and Ms. Hu Suling held both positions throughout the six months ended 30th September 2009. This constitutes a deviation from code provision A.2.1 of the Code. However the board of directors of the Company (the “Board”) believes that vesting the roles of both chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The Board continually reviews the effectiveness of the Group’s corporate governance structure to assess whether any changes, including the separation of the positions of chairman and chief executive officer, are necessary.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all directors have fully complied with the Model Code throughout the financial period ended 30th September 2009.

## REMUNERATION COMMITTEE

The remuneration committee of the Company (the “Remuneration Committee”) was established by the Company to establish policies, review and determine the remuneration of the directors and the senior management. The Remuneration Committee comprises three independent non-executive directors namely Mr. Ho Man Kin, Tony (chairman), Mr. Li Kar Fai, Peter and Professor Wang Lijie and one non-executive director namely Mr. Yeung Ting Lap, Derek Emory.

The remuneration policies for the Company as well as the directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors namely, Mr. Li Kar Fai, Peter (chairman), Mr. Ho Man Kin, Tony and Professor Wang Lijie 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 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 unaudited interim financial report for the six months ended 30th September 2009 with the management. At the request of the Board, Deloitte Touche Tohmatsu, the Company's auditor, has carried out a review of the unaudited interim financial report in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information from the auditor is set out in this interim report.

## PUBLICATION OF INTERIM REPORT

The Company's 2009 interim report containing all the information required by Appendix 16 to the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited in due course.

On behalf of the Board  
**Asia Coal Limited**  
**Hu Suling**  
*Chairman and Chief Executive Officer*

Hong Kong, 18th December 2009

**DIRECTORS****Executive directors**

Hu Suling  
 Kwok Wing Leung, Andy  
 Jin Langchuan  
 Sun David Lee

**Non-executive directors**

Yeung Ting Lap, Derek Emory  
 Nie Fei  
 Li Ruihai  
 Yip Toutou

**Independent****non-executive directors**

Chiu Kam Hing, Kathy  
 Ho Man Kin, Tony  
 Li Kar Fai, Peter  
 Lu He  
 Wang Lijie

**REGISTERED OFFICE**

Clarendon House  
 2 Church House  
 Hamilton HM11  
 Bermuda

**HEAD OFFICE****PRINCIPAL PLACE OF BUSINESS**

Room 2002-03  
 20/F., Fairmont House  
 8 Cotton Tree Drive, Central  
 Hong Kong

**COMPANY SECRETARY**

Chow Kim Hang

**AUDITOR**

Deloitte Touche Tohmatsu

**PRINCIPAL SHARE REGISTRAR**

Butterfield Fulcrum Group  
 (Bermuda) Limited  
 Rosebank Centre  
 11 Bermudiana Road  
 Pembroke HM 08  
 Bermuda

**BRANCH SHARE REGISTRAR**

Tricor Tengis Limited  
 26/F, Tesbury Centre  
 28 Queen's Road East  
 Wanchai, Hong Kong

**AUDIT COMMITTEE**

Li Kar Fai, Peter  
 Ho Man Kin, Tony  
 Yeung Ting Lap, Derek Emory  
 Wang Lijie

**REMUNERATION COMMITTEE**

Ho Man Kin, Tony  
 Li Kar Fai, Peter  
 Yeung Ting Lap, Derek Emory  
 Wang Lijie

**PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking  
 Corporation Limited  
 Standard Chartered Bank (Hong Kong)  
 Limited  
 Bank of Communications Co., Ltd.  
 Hong Kong Branch  
 DBS Bank (Hong Kong) Limited

**LEGAL ADVISERS**

Tsun & Partners

**WEBSITE ADDRESS**

<http://www.irasia.com/listco/hk/asiacoal>

**SHARE LISTING**

Listed on The Stock Exchange of  
 Hong Kong Limited  
 Stock Code: 835